

## 7. BUSINESS OVERVIEW

### 7.1 OVERVIEW

We own (2) brands, namely Tealive and Bask Bear, that we operate in two (2) segments within the F&B services industry. According to the estimate stated in the IMR Report, Tealive 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. The tea shops segment refers to F&B services establishments that predominantly focus on serving MTO beverages including bubble beverages, with tea as the base ingredient. According to the estimate stated in the IMR Report, Bask Bear is the largest player in the café segment by number of stores as at the LPD. Cafés refer to casual dining establishments that are food-focused, with a balance of caffeinated beverage.

Our operations for these two (2) brands are carried out through our Corporate Stores and our Franchised/Licensed Stores.

We commenced business in October 2010 when we opened our first tea shop that predominantly sold bubble beverages in Malaysia as a franchisee of a third-party brand. Building on over six (6) years of operational experience and industry know-how as a bubble beverage focused tea shop franchisee, in February 2017, following the end of the franchise arrangement, we launched our Tealive brand in Malaysia with the introduction of our first Tealive store in Pavilion Kuala Lumpur, Kuala Lumpur, Malaysia. In May 2024, Tealive underwent a brand refresh and introduced several new elements to enhance our identity. The brand debuted a new tagline, "Brewing Positivity," along with a quirky and fun mascot named "Bru". There were also several new features and initiatives that were introduced for our Tealive brand, including an enhancement to the store ambience with a new catchy brand anthem, new paper cup packaging from plastic cups used previously and an expanded merchandise line, including the release of a reusable bottle called the "Yumbler". We believe this rebranding marked a significant milestone in the evolution of our Tealive brand by aligning ourselves with market trends and making the brand more relevant and appealing, which can potentially lead to a strengthened emotional connection with our customers, improved sales volume, enhanced customer perception and further brand loyalty in the long run.

Tealive is our most established brand with the largest scale of operations and widest network of stores, accounting for approximately 82.4% of our Group's revenue for the FYE 30 June 2024. Our Tealive stores sell MTO cold and hot non-alcoholic beverages, which include tea-based beverages, coffee and smoothies, with our most popular drinks being the wide variety of flavoured, fruit and milk teas also commonly referred to as "bubble tea". Our Tealive menu also includes snacks such as chicken rolls and popcorn chicken.

According to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report, Tealive is leading in top-of-mind awareness among other players in the tea shops segment in Malaysia and commanding the highest level of monthly usage with 57% of survey respondents consuming Tealive in the month prior to the first quarter of 2024. We believe we achieved this outstanding customer awareness of our Tealive brand in Malaysia through our Tealive stores nationwide that are commonly located at high pedestrian and/or high vehicle traffic areas as at the LPD and by offering a varied menu of F&B products in convenient or dine-in-friendly environments and at affordable prices.

**7. BUSINESS OVERVIEW (Cont'd)**

The scale of operations of our Tealive store network is supported by our vertically integrated manufacturing capabilities. In December 2019, we ventured upstream and invested in a tapioca pearls manufacturing plant in Malaysia, owned by Notable Paramount, which was established by our Chinese partner, Zhejiang Boduo and produces tapioca pearls which are used in most of our Tealive stores. While the main customer of Notable Paramount is currently our Group, there is no restriction preventing Notable Paramount from supplying tapioca pearls to third parties. We believe that the in-house production of tapioca pearls improves ingredient quality and consistency, ensures the availability and timely delivery of ingredients and provides economies of scale. Additionally, in-house production allows us to extend the shelf life of tapioca pearls from six (6) to eight (8) months, as well as reduces waste and improves inventory management. It also eliminates the lag time associated with shipping tapioca pearls from Taiwan, thereby enabling faster replenishment and operational efficiency across most of our Tealive stores. However, to mitigate possible supply chain disruptions, we do not source all of our tapioca pearls from this plant as we have also sourced tapioca pearls from a third-party supplier who is not related to our Group. Such pearls are used across Tealive stores, and are comparable in quality to the tapioca pearls produced by Notable Paramount, ensuring product consistency while supporting operational flexibility across our Tealive store network.

Bask Bear is our second largest revenue contributor, accounting for approximately 16.9% of our Group's revenue for the FYE 30 June 2024. Launched in October 2019, our Bask Bear stores offer MTO beverages such as coffee, chocolate and milkshakes, as well as other MTO food items such as toasties, burgers and sides. Our Bask Bear food menu focuses on quality through the use of carefully sourced ingredients. For example, the beef patties for our burgers are sourced from reputable Halal manufacturers and our fried boneless chicken are made using whole chicken cuts rather than processed chicken meat. Our Bask Bear stores offer MTO F&B to ensure freshness in every meal.

Our principal market is Malaysia, where, as at the LPD, there are 831 Tealive stores, comprising 547 Tealive Corporate Stores and 284 Tealive Franchised Stores, and 135 Bask Bear stores, comprising 129 Bask Bear Corporate Stores and six (6) Bask Bear Franchised Stores, which are located across several states in Malaysia and at locations with high foot traffic, such as shopping malls. As at the LPD, Halal certificates have been obtained for 493 Tealive Corporate Stores and 266 Tealive Franchised Stores in Malaysia, representing 91.3% of the 831 Tealive stores in Malaysia. As at the LPD, Halal certificates have been obtained for 119 Bask Bear Corporate Stores and all six (6) Bask Bear Franchised Stores in Malaysia, representing 92.6% of the 135 Bask Bear stores in Malaysia. Further details for both Tealive and Bask Bear stores are set out in Annexure A of this Prospectus. We do not require our international franchisees and licensees to apply for Halal certification as it may not always be applicable or practical for our international stores, due to, among others, varying consumer demand (where the majority of the customer base may not prioritise Halal-certified offerings), local sourcing practices and regulatory differences that affect the availability of Halal-certified raw materials.

**7. BUSINESS OVERVIEW (Cont'd)**

The table below sets out the total number of stores under our Tealive and Bask Bear brands in operation both in Malaysia and internationally as at the LPD:

Brand	Description	Country	Number of stores		
			Directly-owned <sup>(1)</sup>	Franchised	Licenced
Tealive	Tea shops	Malaysia	531	283	-
		Philippines	-	78	-
		Myanmar	-	13	-
		Brunei	-	12	-
		Mauritius	-	5	-
		Vietnam	-	-	5
		Cambodia	-	3	-
		Canada	-	5	-
		<b>Subtotal</b>	<b>531</b>	<b>399</b>	<b>5</b>
Tealive Plus	Tea shops	Malaysia	16	1	-
		<b>Tealive Subtotal</b>	<b>547</b>	<b>400</b>	<b>5</b>
Bask Bear	Café	Malaysia	129	6	-
		<b>Total</b>	<b>676</b>	<b>406</b>	<b>5</b>

**Note:**

- (1) Comprising Corporate Stores as well as Tealive stores that are established pursuant to the Collaboration Agreement.

The total number of stores under our Tealive and Bask Bear brands since the FYE 30 June 2020 until the FYE 30 June 2024 are as follows:

Brand	Type of stores	Number of stores in the FYE 30 June				
		2020	2021	2022	2023	2024
Tealive	Directly-owned <sup>(1)</sup>	288	322	443	522	580
	Franchised/Licenced	265	328	356	371	366
	<b>Total</b>	<sup>(2)</sup> <b>553</b>	<sup>(3)</sup> <b>650</b>	<sup>(4)</sup> <b>799</b>	<b>893</b>	<b>946</b>
Bask Bear	Directly-owned <sup>(1)</sup>	7	9	20	91	123
	Licenced	1	1	4	4	5
	<b>Total</b>	<b>8</b>	<b>10</b>	<b>24</b>	<b>95</b>	<b>128</b>

**Notes:**

- (1) Comprising Corporate Stores as well as Tealive stores that are established pursuant to the Collaboration Agreement.
- (2) Includes three (3) Tealive Franchised Stores located in the United Kingdom ("UK"), three (3) Tealive Corporate Stores located in Vietnam as well as three (3) Tealive Corporate Stores and two (2) Tealive Franchised Stores located in Australia.
- (3) Includes three (3) Tealive Franchised Stores located in the UK, two (2) Tealive Corporate Stores and one (1) Tealive Franchised Store located in Vietnam as well as three (3) Tealive Corporate Stores and one (1) Tealive Franchised Store located in Australia.
- (4) Includes one (1) Tealive Franchised Store located in the UK, two (2) Tealive Corporate Stores and one (1) Tealive Franchised Store located in Vietnam as well as one (1) Tealive Corporate Store and two (2) Tealive Franchised Store located in Australia, all of which were discontinued by the FYE 30 June 2022.

## 7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have subsisting MFAs in the Philippines (excluding Ilocos region), Myanmar, Mauritius, Cambodia and Canada, subsisting ARDAs in the Philippines (Ilocos region) and Brunei, as well as three (3) executed MFAs in India (August 2024), the UAE (September 2024) and Thailand (October 2024) and one (1) FA in the areas of Dhaka and Chittagong in Bangladesh (December 2024). While no Tealive Franchised Stores have been opened in these markets, there is a target to open over 400 Tealive Franchised Stores across these 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. See Section 7.5.4.3 of this Prospectus for further details on our franchising arrangements for our international Tealive Franchised Stores.

The average capital expenditure to set up a new Tealive store and a new Bask Bear store in Malaysia are approximately RM[●] and RM[●], respectively, depending on location, store format and size of the stores, based on our Tealive Corporate Stores and Bask Bear Corporate Stores which were opened in the FYE 30 June 2024.

In addition to our Tealive and Bask Bear operations, we also sell sparkling water machines and carbonating gas cylinders to businesses and consumers under the SodaXpress brand which we launched in 2014, initially as a complementary business to our Tealive operations. As at the LPD, SodaXpress sparkling water machines and carbonating gas cylinders are sold regionally in Indonesia via local resellers and locally in Malaysia via various distribution channels, for example through direct distribution, online e-commerce sales, as well as B2B sales to F&B industry players such as dealers and wholesalers, restaurants and cafés and B2C sales to customers through online e-commerce platforms. The SodaXpress operations are managed by SodaXpress International.

We also hold a 35.0% equity interest in each of Wonder Group and WonderBrew, which produces and distributes WonderBrew kombucha, a ready-to-drink fermented tea. See Section 7.5.3.2 of this Prospectus for further details.

On 14 March 2025, we entered into a MOU with Aik Cheong to explore and establish a JV to develop, manufacture and distribute a new FMCG range, commencing with instant 3-in-1 versions of our most popular Tealive beverages. See Section 7.3.3 of this Prospectus for further details on the MOU and proposed JV with Aik Cheong.

## 7.2 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

### 7.2.1 We own a diverse portfolio of brands within the fast-growing tea shops and café segments of the F&B service industry in Malaysia, with Tealive being the largest F&B services brand in Malaysia by number of stores according to the estimate stated in the IMR Report

We have among the highest revenue, gross profit margin and profit before tax margin compared to the top F&B services chains in Malaysia, according to the estimate stated in the IMR Report. The tea shops and cafés segments in Malaysia are fast-growing, presenting significant growth potential. Our strong brand image, bolstered by multiple awards, reflects our commitment to quality and innovation, positioning us for continued success in this ever-evolving industry.

#### ***Market leadership through direct brand ownership***

Our strategy of developing our Tealive and Bask Bear brands through direct control and ownership has allowed us to establish independent brands, distinguishing us from some of our competitors in the F&B services industry in Malaysia. This ownership enables us to oversee the operational aspects of our stores, ensuring consistent consumer experience and quality product offerings across all locations. This presents us with the flexibility to make more responsive decisions with respect to our business, product offerings and store rollouts across Malaysia and internationally.

## 7. BUSINESS OVERVIEW (Cont'd)

Tealive 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, according to the estimate stated in the IMR Report. The second and third largest brands are KFC and ZUS Coffee, each with fewer than 700 stores as at the LPD. On the other hand, Bask Bear is the largest player within the café segment by number of stores as at the LPD, according to the estimate stated in the IMR Report. In addition, as a local brand, we believe that we are attuned to consumer preferences and tastes, allowing us to tailor our products to better meet customer demand.

### ***Fast-growing tea shop and café segments***

Since launching our first Tealive store in 2017 and our first Bask Bear store in 2019, we have recorded strong growth. Our revenue generated in Malaysia grew at a faster rate of 26.2% between FYE 30 June 2019 and FYE 30 June 2024, compared to the growth of the whole F&B services industry of 0.9% from 2019 to 2024E, according to the IMR Report. Tealive's sales also grew faster at 12.6%, compared to the growth of the tea shops segment of 8.1% from 2019 to 2024E, according to the IMR Report.

According to the IMR Report, the younger consumer base, influenced by social media and viral trends, is increasingly drawn to experiential F&B experiences, while Malaysia's tropical climate and preference for sweet drinks create an attractive market for new F&B brands, especially those specialising in cold beverages like coffee and tea. This drives the market size growth of the tea shop and café segments and we believe that both Tealive and Bask Bear are well-positioned to capture additional market shares.

According to the IMR Report, the market size of the tea shops segment in Malaysia has increased at a CAGR of 8.3%, rising from RM1.2 billion in 2019 to RM1.8 billion in 2024E. Looking ahead, the market size of the tea shops segment in Malaysia is projected to grow at a 2024E to 2029F CAGR of 9.6%, reaching RM2.8 billion by 2029. This growth will be driven by the rapid expansion of tea shops, along with a cultural acceptance and rising interest in tea drinking among locals.

The average tea consumption in Malaysia in 2022 is still low at 1.2 kg per capita compared to selected Southeast Asian countries, according to the IMR Report. By comparison, the average tea consumption in the Southeast Asian countries of Indonesia, Laos and Thailand in 2022 were approximately 2.2 kg, 2.0 kg and 1.7 kg per capita respectively, implying large potential for Malaysia to grow.

On the other hand, the market size of the café segment in Malaysia has increased at a CAGR of 3.1%, rising from RM3.2 billion in 2019 to RM3.7 billion in 2024E. Looking ahead, the market size of the café segment in Malaysia is projected to grow at a 2024E to 2029F CAGR of 9.3%, reaching RM5.8 billion by 2029.

### ***Large and growing follower and member base***

Leveraging our strong brand presence, we have built a large and growing social media following, with over 710,000 followers for Tealive and over 82,000 followers for Bask Bear across platforms including Facebook, Instagram, TikTok, X and Xiaohongshu, as at the LPD. As at the LPD, Tealive and Bask Bear have recorded over 1.1 million engagements across the aforementioned social media platforms. Since launching our Tealive App in 2022, our membership has grown rapidly, surpassing 2.8 million registered members as at the LPD. For Bask Bear, we have also achieved over 220,000 registered members since its launch in January 2024 as at the LPD. We believe that our extensive social media following and large App user base amplifies brand awareness and enhance customer engagement.

## 7. BUSINESS OVERVIEW (Cont'd)

To expand our member base and encourage more frequent visits to our stores, we consistently offer App-exclusive LTO and promotions. Our Tealive App and Bask Bear App users enjoy priority access to our seasonal and limited-time-only drinks, with exclusive discounts and early access. We also offer App-only promotions such as “Up to 4X TPoints for Every RM1 Spent” and “RM5 off for the First 5 Drinks” for Tealive App users, as well as “Up to 2X Paw Points for Every RM1 Spent” and “Buy 1 Free 1 Drink for up to 3 Times for First-time Buyers” for Bask Bear App users. These programs are structured to ensure not just initial trial but a habitual adoption of our Tealive App and Bask Bear App for sustained purchases.

We have also deployed QR coverage across our marketing collaterals and our store network to streamline ordering experiences. Our QR code ordering directs customers to our Apps for seamless ordering or prompts them to download the Apps if they have not done so. Looking ahead, we expect consumer loyalty to strengthen as our follower and member base grows.

### ***Strong brand image and winner of multiple awards***

Over the years, we have developed a strong brand image for Tealive. According to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report, Tealive also has a notable strength in location convenience and diverse range of beverages. We believe that our commitment to these values has provided customers with a reliable and satisfying experience, and also fostered brand loyalty.

In recognition of our brand's strength, Tealive has garnered several awards, including Best Engagement Strategy – App, Diversity Impact Award, International Franchisor of The Year and Platinum – Most Trusted Bubble Tea Brand in Malaysia.

Tealive also stands out as the dominant brand, leading in top-of-mind awareness and it also ranks high for Net Promoter Score compared to other players, indicating that customers are highly likely to recommend it to others, according to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report. Tealive also commands the highest level of monthly usage with 57% of the respondents consumed Tealive in the past month, according to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report.

On the other hand, as a testament to the popularity of Bask Bear's toasties, the brand is the most frequently mentioned by customers who have tried the toastie with price points accepted by many, according to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report.

### **7.2.2 We offer a diverse F&B range tailored to meet the varying consumption needs of different consumer groups**

Tealive's and Bask Bear's competitive strengths are anchored in our ability to offer a diverse array of F&B products that cater to the varied consumption demands of different consumer groups. Our commitment to consistent taste and quality, bolstered by our product development capabilities, have allowed us to innovate and adapt swiftly to changing market trends, thereby reinforcing our position as a market leader.

### ***Wide product variety catering to various preferences***

Tealive is recognised as one of the established MTO beverage brands in Malaysia, offering an extensive range of beverages and the widest selection of toppings. Our Tealive menu features over 45 types of MTO beverages that can be customised to individual tastes, with main bases including tea, coffee, cocoa, fruit and dairy as at the LPD. This variety, coupled with our diverse toppings, ensures that our offerings appeal to customers of all ages.

## 7. BUSINESS OVERVIEW (Cont'd)

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The launch of Bask Bear in October 2019 marks our entry into the café segment in Malaysia. Since its inception, Bask Bear has grown to offer 65 F&B products on its menu as at the LPD, including a diverse array of coffee drinks and fast casual food items. In 2021, we introduced our signature line of toasts, known as toasties, which quickly gain popularity, with over 1,700 toasties sold within the first three (3) months of launch. Building on this success, we expanded our menu to include other offerings like burgers, fried boneless chicken and sides such as macaroni and cheese, muffins and hash brown bites, catering to a wider customer base.

### ***Consistent taste and quality in our F&B***

We have developed standard operating procedures for the various phases of store operations and implemented a uniform kitchen display system in all Tealive stores, providing our employees with clear instructions on the exact ingredients and methodologies required to create each beverage. The uniform kitchen display system, is a standardised digital interface used across all Tealive stores to display customer orders in real time, enabling staff to efficiently manage and prepare orders in the correct sequence. In addition, we have equipped our stores with advanced machinery, such as tea dispensers, tea brewers and coffee machines which operate at pre-set settings to semi or fully-automate key processes. These systems enhance operational efficiency and enable us to deliver consistency across large volume of beverages prepared.

To ensure consistency in raw material supplies, longer shelf lives and better quality across our Tealive bubble beverages, we ventured upstream in December 2019 and invested in a tapioca pearls manufacturing plant in Malaysia, owned by Notable Paramount, which was established by our Chinese partner, Zhejiang Boduo, for the production of tapioca pearls which are used in most of our Tealive stores. In addition, we use aren palm sugar, which has a lower glycaemic index, retains key nutrients and is less processed than refined sugars, giving a unique savoury-sweet flavour with a hint of smokiness that sets us apart from competitors. In terms of taste profile, Tealive outperforms the key MTO F&B brands and has been recognised for its “delicious taste”, according to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report.

For Bask Bear, our specialty coffee is made from 100% Arabica beans sourced from Ethiopia and Guatemala, offering a creamy, well-rounded flavour. We also use premium ingredients such as fresh beef patties and full-meat chicken tenders in some of our food options to ensure the highest quality and a wholesome experience for our customers.

### ***Product development capabilities***

Our product development capabilities stem from our extensive experience in expanding our Tealive network, providing us with valuable insights into the demographic and geographic landscape of MTO beverage consumers in Malaysia, and enables us to craft unique flavours and elevate the overall consumer experience. Our proven track record is evident in the success of our LTO flavours. For example, our “Mangold”, “Fancy Melon” and “Italian Hazelnut Indulgence” LTO flavours each generated over RM7.0 million in POS sales during their limited-time launches, within just three (3) months.

We also consistently introduce LTO approximately once every four (4) to six (6) weeks for Tealive and Bask Bear, which contribute ten (10) to 15 percent of our total POS sales. We believe this strategy keeps our product line-up fresh and engaging, thus sustaining consumer interest. By regularly launching innovative and seasonal options, we create excitement and encourage repeat visits, while catering to evolving tastes and trends.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.2.3 Our brand appeals to a wide base of new-age consumers

Our competitive strengths are exemplified by our ability to resonate with a wide base of new-age consumers, driven by strong brand presence. We employ diversified store formats for Tealive that specifically target different consumer groups, effectively expanding our reach and accessibility. In response to consumers' growing preference for convenience, we ensure that our offerings are readily available and easy to order. In addition, crossover co-branding, recipe collaborations, ESG and brand awareness campaigns, strategic collaborations and intellectual property partnerships enhance brand visibility and attract new customers, further solidifying our market position.

#### ***Diversified store formats for Tealive allowing us to expand our reach***

We have strategically positioned our Tealive stores at various key locations, including shopping malls, transportation hubs, commercial units, banks, petrol stations and drive through stores, to establish a strong presence in both urban and suburban areas and expand our brand's reach to a broader consumer base.

We currently have multiple Tealive store formats, including mall shoplots (200 sq. ft. up to 1,200 sq. ft.), mall kiosks (150 sq. ft. up to 800 sq. ft.), standalone shoplots (400 sq. ft. up to 1,500 sq. ft.), drive through stores (400 sq. ft. up to 3,000 sq. ft.), petrol station stores (150 sq. ft. up to 500 sq. ft.) and transportation hub kiosks to select from for each store opening.

Our diverse range of store formats allows us to quickly respond to market opportunities and expand into areas with significant growth potential. Our shoplots and kiosks in malls leverage high foot traffic generated by Malaysia's vibrant mall culture. Our standalone shoplots provide convenience and attract repeat foot traffic within targeted communities. In addition, our drive through stores and petrol station stores allow our customers to grab-and-go.

We also employ an efficient "kiosk" format which enables us to open smaller stores in prime locations with higher rental costs, expanding our footprint while improving capital efficiency and reducing overall investment. These kiosks are opened at high-traffic transportation hubs, including train, MRT, LRT and bus stations, capturing sales from the commuters in transit.

#### ***Catering to modern consumers' strong preference for convenience***

In response to consumers' increasing demand for convenience, we have implemented several initiatives to streamline the ordering experience.

Our Tealive App and Bask Bear App enable App users to place orders quickly and easily, minimising the need for direct interaction. These systems also support cashless payments, ensuring a smooth and efficient transaction process. Recognising the shift toward convenience and doorstep delivery, our Tealive App and Bask Bear App also allow users to order products via the Apps and use algorithms to assign third-party deliverers.

Our drive through stores and pick-up feature available through our Tealive App and Bask Bear App reduce wait times and provide a more personalised and seamless experience that caters to the fast-paced lifestyle of today's consumers. We believe our commitment to innovation also keeps us ahead of industry trends, delivering convenience and satisfaction at every touchpoint.



**7. BUSINESS OVERVIEW (Cont'd)**

In addition, we have also expanded our delivery capabilities through partnerships with food delivery aggregators such as Grab Food, foodpanda and Shopee Food to enhance our reach and accessibility to a broader customer base. Customers can order Tealive and Bask Bear products via food delivery aggregators, which charge a percentage of sales with delivery fees paid by the customers.

Notably, our sales from Tealive App and Tealive food delivery aggregators contribute approximately 32.5% of our total Tealive POS Sales for the FYE 30 June 2024 and our Bask Bear App and Bask Bear food delivery aggregators contribute approximately 45.5% of our total Bask Bear POS Sales for the FYE 30 June 2024.

***Driving growth through creative collaborations***

We actively pursue unique collaborations through co-branding initiatives, recipe collaborations, strategic collaborations and intellectual property partnerships with well-known brands to enhance our brand awareness and grow our customer base.

By jointly developing and launching creative co-branded products that align with our brand image, we have seen widespread consumer enthusiasm, particularly for collaborations with household names. For instance, in May 2020, our Tealive brand collaborated with Unilever Wall's to launch the special edition Tealive Boba Ice Cream, blending Tealive's soft chewy pearl and rich milk tea with Wall's creamy ice cream. In December 2023, our Tealive brand collaborated with Golden Screen Cinemas to introduce sensational new Golden Caramel Popcorn series featuring four (4) delectable varieties, namely Golden Caramel Popcorn Smoothie, Golden Caramel Popcorn Choc, Golden Caramel Popcorn Coffee and Golden Caramel Popcorn Milk Tea.

Our recipe collaborations with renowned brands allow us to create unique beverage offerings that capture consumer interest. These collaborations not only enhance our product portfolio but also leverage shared marketing efforts, resulting in increased brand visibility and sales. For example, our Tealive brand collaborated with Secret Recipe Malaysia to launch the Cream Cloud Red Velvet series in January 2024, featuring Red Velvet Smoothie, Red Velvet Mocha and Red Velvet Chocolate. Our Bask Bear brand also collaborated with myBurgerLab to create Burger Toasties, pairing myBurgerLab's signature burger patties with Bask Bear's toasties.

To boost sales and enhance product visibility, we have established strategic collaborations that bridged industries in unconventional ways. In August 2024, Tealive collaborated with Santan Restaurant Sdn Bhd, the inflight catering and F&B subsidiary of Capital A Berhad, to provide our healthy beverages on its menu. Our ZERO Original Milk Tea with Konjac Pear was featured on selected AirAsia flights, which not only enhances our brand publicity but also expands our customer reach.

We also actively secure and leverage intellectual property rights to use popular anime and movie characters in our marketing and branding efforts. In 2024 and 2025, Tealive collaborated with Squid Game, Joker-Batman-Harley Quinn, Kuromi and Pokémon to launch exclusive collections of co-branded, limited-edition beverages, snacks and merchandise. These special edition series generated heightened interest in our products and resulted in strong sales performance during the launch periods over the Financial Years Under Review. We launched the Pokémon Yogurt Smoothie series in May 2024, which recorded notable sales of approximately RM4.36 million, representing an increase in POS Sales of 0.8% in the FYE 30 June 2024. Pokémon Yogurt Smoothie series further contributed sales of RM1.9 million for the FYE 30 June 2025. We launched the Squid Game Spicy Budae and Honey Toffee series in November 2024, Joker-Batman-Harley Quinn *Choco Lava* series in January 2025 and Kuromi Royale Mangold series in August 2024 which recorded notable sales of approximately RM3.26 million, RM4.45 million, RM6.62 million, respectively. The total selected LTO sales for the FYE 30 June 2025 amounted to RM16.23 million, representing an increase in POS Sales of 3.7%.

**7. BUSINESS OVERVIEW (Cont'd)*****ESG and brand awareness campaigns***

In November 2024, we pledged to provide one million free school meals in support of the Jom Kosong campaign, an initiative by the MDTCL to promote zero-sugar options. For each cup sold under the campaign, 20 sen will be donated to our Tealive School Meals Fund, with contributions going directly to *Yayasan Didik Negara*. The campaign was launched on 1 December 2024 and we aim to raise the RM3.5 million needed to fund the meals within a year, depending on customer support.

During Ramadan in 2023, we engaged with four (4) celebrities (actor Fikry Ibrahim, actor and model Meirul Aiman, TikTok Imran Brad and comedian, TikTok, Youtuber and TV presenter Mark O'Dea) to create awareness for our new Tealive Bang-Bang Bazaar Combo and maintain top-of-mind awareness, such that consumers would instantly associate our brand with bubble tea beverages, and generate engagement among influencers on social media. This campaign generated more than 2.6 million media reach on TikTok and Instagram and 80 times value-added Instagram stories.

**7.2.4 We utilise technology to deliver a compelling value proposition to customers**

Our competitive strengths are rooted in our adaptive use of technology, which delivers a compelling value proposition to customers. Our Tealive App and Bask Bear App enable us to gain deeper insights into our customers, allowing us to further enhance their overall experience. Leveraging data-driven analytics through our CBIS, we gain valuable insights which drive continuous improvement and our future strategies. In addition, our digitalised marketing efforts effectively engage consumers and amplify brand awareness. See Section 7.5.4.6 of this Prospectus for further details on the technological and operational developments which we have implemented.

***Enhanced customer experience with our Tealive App and Bask Bear App***

We have developed our Tealive App and Bask Bear App that enable customers to pre-pay for store credits which allow us to secure sales from customers at first instance. Our Tealive App and Bask Bear App feature a loyalty program that allows customers to earn points redeemable for purchases at our stores across Malaysia, as well as enjoy exclusive member promotions like free birthday beverages. Our Tealive App and Bask Bear App also gather valuable data on user demographics, helping us better understand customer preferences and tailor our products and marketing efforts accordingly. In addition, it serves as a communication channel, allowing us to share information about new products, store openings and promotional activities.

To enhance customer experience, we have incorporated a pre-ordering feature that allows customers to place orders in advance, which aims to reduce wait times and boost satisfaction. This functionality improves operational efficiency, allowing our staff to focus on preparing pre-ordered beverages rather than taking manual orders, leading to higher customer turnover and increased sales.

Our Tealive App and Bask Bear App are also able to track key metrics such as total registered users, total monthly active users, total transacting users, newly registered members, as well as identify members that have been inactive. This enables us to launch tailored promotions such as coupons and discount vouchers based on customers' historical purchasing data to stimulate purchases again.

**7. BUSINESS OVERVIEW (Cont'd)*****Data-driven analytics driven by our CBIS***

Our CBIS collects real-time data from all our stores, enabling us to analyse operations and financial performance effectively. This includes our integrated POS software, installed across all locations, which allows us to track real-time sales data. Our CBIS also enables us to efficiently monitor inventory levels, make timely adjustments to marketing, products and operations in response to market conditions and shifts in customer purchasing patterns, while also improving the accuracy of demand forecasts.

We use this data to identify key areas for targeted marketing strategies aimed at expanding our customer base. Our CBIS also provides performance metrics across our stores, allowing us to swiftly address any underperforming locations or operational issues. By analysing this data, we gain valuable insights into business opportunities, trends and consumer preferences, all of which are crucial for evaluating potential sites for new stores.

***Digitalised marketing***

Given the high internet usage and social media penetration in Malaysia, our social media channels like Facebook, Instagram, TikTok, X and Xiaohongshu are crucial for us to reach a wide consumer base and enhance brand visibility. We have successfully implemented several targeted digital marketing strategies to foster connections with customers. A notable example is Tealive's School Holiday Bonanza Social Media Contest which garnered over 8.5 million and 4.9 million impressions on Instagram and Facebook, respectively. For Bask Bear, The Contest of Enter the Shop Dancing to Get a Free Americano has garnered more than 20,000 engagements on TikTok.

We have also evolved our social media presence into a direct revenue channel through social commerce and marketplace integrations. For example, we have expanded our presence through live commerce on platforms like Shopee Live, TikTok Shop and Lazada Live, leveraging interactive livestreams to showcase our products and drive product discovery and impulse purchases.

**7.2.5 We have a scalable platform that enables us to expand our sales channels and drive our future growth**

Our competitive strengths are anchored in our scalable platform, which empowers us to expand our sales channels and drive future growth effectively. Our modular store design formats enable new stores to commence operations quickly and efficiently, maximising our market presence. Coupled with a standardised training program, we ensure that all staff deliver good service and product quality consistently across our existing and new stores.

***Modular store design formats***

We have developed a modular format for opening new stores by using prefabricated furnishings and standardised store schematics such as lighting, equipment and signage. Our in-house team of interior designers and project managers also ensure that each store is fitted out according to our internal guidelines. This approach achieves consistency in design and layout across locations and minimises on-site installation time.

In addition, we have streamlined our store opening process, enabling new stores to commence operations quickly and efficiently within two (2) months from securing the sites. This efficiency has significantly contributed to our rapid growth, with the opening of 163, 165 and 86 net new stores in the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, respectively, reflecting a two-year CAGR of 14.7%.

**7. BUSINESS OVERVIEW (Cont'd)*****Standardised training programme***

We have established standardised training procedures for Tealive and Bask Bear to ensure that our staff possess the necessary skills to meet our quality standards before opening new stores. In addition, we have developed an e-learning application that allows employees to undertake training and refresher courses on F&B preparation, including new products. This e-learning application also provides regular updates on new product offerings and marketing initiatives across our stores. Employees can revisit training sessions via the e-learning platform whenever needed to familiarise themselves. By utilising this application, we ensure consistent training for our employees, which has significantly reduced training costs and time while enhancing productivity and efficiency.

**7.2.6 We have operational expertise powered by effective supply chain management and robust internal IT infrastructure**

Our operational expertise enables streamlined processes and reduced overhead costs, while ensuring the quality of raw materials and consistency in supplies. As a result, we are able to achieve an average payback period of approximately 2.8 years for Tealive Corporate Stores and 2.2 years for Bask Bear Corporate Stores for the FYE 30 June 2024, compared to approximately 2.9 years for both Tealive Corporate Stores and Bask Bear Corporate Stores for the FYE 30 June 2023.

We have established a dedicated procurement team at our headquarters responsible for centralised supply chain management for both Tealive and Bask Bear. This team carefully selects suppliers who meet our stringent quality standards and diversifies our supplier base to minimise reliance risks. We also continuously strengthen our partnerships with leading suppliers to secure a reliable supply of raw materials. In addition, we collaborate with multiple established logistics providers to coordinate deliveries to all stores, ensuring a timely and dependable supply of raw materials to consistently meet consumer demand.

As part of our expansion efforts for Tealive and Bask Bear, we have also upgraded our internal IT infrastructure by customising and installing an ERP system in August 2022. This ERP system automates and streamlines core business processes, reducing manual tasks, data entry errors and duplication of efforts. It provides real-time data, enhances decision-making and improves collaboration by centralising information across departments. With better data accuracy, the ERP system fosters collaboration between departments and improve cross-functional communication. This has further strengthened our management of stores, inventory and supply chains.

**7.2.7 We have an experienced and dedicated founder-led management team with significant expertise**

Our Group is managed by our founder-led Key Senior Management team which is headed by our CEO, Bryan Loo, who has over 14 years of experience in the F&B industry. Bryan Loo led the team that developed the business plan, raised capital, secured relevant licences and approvals and negotiated the terms of agreements in relation to our stores. He is also a key member driving the expansion and modernisation strategies of our operations including the introduction of CBIS in our Group's operations which has been instrumental to our business growth. His leadership was significant for our development thus far and which has in turn laid a strong foundation for our future expansion. He has won a number of accolades, including being awarded "EY Emerging Entrepreneur" by Ernst & Young in 2013 and being featured as one of Asia's Most Influential by Tatler in 2022, 2023 and 2024.

## 7. BUSINESS OVERVIEW (Cont'd)

The experience of our Key Senior Management team is also invaluable in delivering our strong historical growth and executing our strategies going forward. Our Key Senior Management members (including our COO, International Business Director and Business Development Director) are experienced professionals in their respective areas of practice and have been critical in strategic planning for store-roll out, building relationships with suppliers and creating our innovative operating systems.

According to the IMR Report, Tealive has showed resilience in overcoming challenges, surpassing competitors and further reinforcing its market share during periods of intense competition, such as the 2020 to 2021 phase marked by an influx of new products and the impact of COVID-19, as well as the 2022 to 2025 period characterised by the rise of premium tea brands and aggressive low-price strategies. This resilience is largely attributed to Tealive's experienced management team to navigate market volatility, according to the IMR Report. The management team's strategic focus on retaining and acquiring new customers, prioritising LTO and building brand equity has enabled Tealive to thrive during those periods without engaging in price wars, according to the IMR Report.

### 7.3 FUTURE PLANS AND STRATEGIES

We believe there are significant opportunities to grow our brands in Malaysia and globally, expand Tealive's and Bask Bear's market positions and deliver shareholder value by executing the following strategies:

#### 7.3.1 We plan to increase same-store sales to drive increased consumption and profitability

We plan to increase same-store sales as a key strategy to improve profitability and target to achieve a positive SSSG with implementation being an ongoing effort. To this end, we will focus on expanding our existing product offerings and extending our product lines through various promotional and marketing strategies, all aimed at increasing foot traffic and consequently, boosting store sales. As disclosed in Section 7.5.7 of this Prospectus, we have a budget of approximately RM6.0 million, for marketing initiatives and a dedicated marketing and creative team. This budget will be funded by our internally generated funds. In addition to the existing marketing efforts we will develop our digital marketing strategy and enhance our overall marketing efforts to engage consumers effectively. Forming strategic partnerships will also play a crucial role in our growth, allowing us to acquire new customers. By prioritising customer satisfaction and loyalty, we aim to create a loyal customer base that drives sustained success.

#### ***Launch new products***

Recognising that identifying and meeting changing consumer demands is essential for our growth, we remain committed to proactively introducing new and innovative Tealive and Bask Bear product offerings. Our product development team will increase the frequency of LTO by introducing "blockbuster hits", tailored to the evolving preferences and buying patterns of our customers in Malaysia. These offerings are designed to attract new customers and drive sales for our core products. We also plan to pair our existing top-selling beverages with exciting new flavours and toppings, as well as refresh our menu with product variations to further engage our current customer base. These product variations refer to building on the success of our original product and offering variations to the product. The associated cost for this initiative will be covered by our aforementioned internal marketing budget. In addition, we will explore and introduce new food offerings to complement the existing Bask Bear menu, aiming to enhance the overall customer experience and expand our reach.

**7. BUSINESS OVERVIEW (Cont'd)*****Increase customers' satisfaction and retain customers' loyalty through our Tealive App and Bask Bear App***

Customer satisfaction is crucial for driving higher consumption across our network of stores and we are committed to enhancing our engagement with them, primarily through our Tealive App and Bask Bear App. We plan to further develop our Tealive App and Bask Bear App to enhance user engagement. Key initiatives include updating users about member-exclusive benefits, promotions and new developments through timely and personalised communications, along with regular campaign updates. We will also enhance our existing points redemption program and expand it to include third-party partnerships, providing users with more ways to earn and redeem rewards. In addition, we aim to enhance our user data capturing to better understand customer preferences, which will allow us to effectively promote upsell and cross-sell opportunities, as well as encourage repeat purchases.

To encourage more frequent visits to Tealive stores, we offer in-app privileges such as "Up to 4 times Points for Every RM1 Spent", "RM5 for the First 5 Drinks" for first-time app users, loyalty rewards, birthday treats and monthly surprise deals. For Bask Bear, we provide similar in-app benefits, including "40% OFF On Us" for new users, "2 Points for Every RM1 Spent", "Birthday Cheers, On Us!" and "Paw-some Member Deals!". These initiatives are designed to drive repeat purchases and enhance customer loyalty.

***Develop our digital market strategy***

With social media penetration in Malaysia reaching 83.1% in January 2024, according to the IMR Report, we aim to enhance our digital communication and strengthen customer affinity for our brand.

We plan to ramp up our efforts in our digital marketing strategy to engage this substantial target market by utilising tailored content formats and various engagement mechanics on social media platforms such as Facebook, Instagram, TikTok and Xiaohongshu. Some engagement strategies include trend-based content, interactive challenges, shoppable videos, polls, contests, giveaways and live question and answer.

On our social-commerce, live-commerce and marketplace channels, we plan to deploy creators and influencers to expand reach, enhance brand trust and boost conversions. We also intend to sell exclusive bundles and merchandise on marketplaces, creating higher-value transactions.

Through these initiatives, we are broadening our digital footprint into a comprehensive ecosystem that not only enhances customer experience but also drives higher transaction volume, increased retention and sustainable long-term growth.

***Enhance our marketing efforts***

We will continue to implement dynamic "push" marketing strategies such as sales promotions to bring Tealive and Bask Bear products directly to customers through our extensive network of stores and strategic partnerships with food delivery aggregators. In addition, our "pull" marketing initiatives will leverage online channels, social media platforms and advertising campaigns to drive store traffic.

## 7. BUSINESS OVERVIEW (Cont'd)

We will also continue targeted marketing campaigns to build brand awareness and enlarge our follower base. For instance, in May 2024, Tealive unveiled its brand refresh, introducing several new elements to enhance its identity. In the rebranding exercise featuring a fun mascot named “Bru”, Tealive introduced a new “Brewing Positivity” theme to our store ambiance, complemented by a catchy brand anthem. We also switched to paper cups across all stores and launched the 'Yumbler,' a reusable bottle, further reinforcing our commitment to ESG. The event was a resounding success, attracting 120,000 attendees and featuring 22,000 participants in various activities.

### ***Continue with crossover co-branding, recipe collaborations, strategic partnerships and intellectual property partnerships***

We will continue to pursue crossover co-branding and recipe collaborations with existing and new brand owners to introduce F&B featuring unique flavours. We believe these products will complement our offerings and, more importantly, facilitate cross-promotion between customer bases, allowing us to tap into the existing clientele of our partners. In addition, we will form selected strategic partnerships and continue to obtain intellectual property rights for using popular anime and movie characters on our packaging materials.

### **7.3.2 We intend to continue our store expansion in Malaysia and internationally**

We believe that our existing network of stores, along with our diverse store formats and new Tealive’s “asset-lite” kiosk store format which mainly applies to Tealive Corporate Stores, provides a strong foundation to accelerate our nationwide store rollout and expand into new markets. While we aim to accelerate our store network expansion, we will remain disciplined in our execution, adhering to our established processes and criteria for selecting suitable store locations and international master franchisees. The store expansion in Malaysia will be funded by a combination of the proceeds from our Public Issue, internally generated funds and/or bank borrowings, if required, whereas the efforts for our international market expansion will be led by our international expansion team focused on exploring such international opportunities which will not require additional funding.

#### ***Increase Tealive’s penetration in Malaysia***

We see a significant opportunity to expand our Tealive stores in Malaysia, particularly outside the Central Peninsular region where we have achieved a per-capita penetration of 35.9 Tealive stores per 1.0 million people as at the LPD. In line with our 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.

#### ***Rollout “asset-lite” kiosk store format***

To achieve our Tealive store rollout plan and increase our market penetration, we plan to adopt a cost-efficient “asset-lite” kiosk store format (approximately 100 sq. ft.). The kiosk store format is built on a modular basis, is designed to be easily and cost-effectively assembled, relocated or dismantled, offering greater operational flexibility and lower setup costs. This is primarily due to its compact footprint and streamlined equipment setup which excludes bulky equipment such as coffee machines, coffee grinders and tea dispensers. This approach will significantly reduce our average capital expenditure per Tealive store from RM[●] for our Tealive Corporate Stores for the FYE 30 June 2024, to an estimated RM150,000 per “asset-lite” kiosk store. As a result, the payback period is expected to decrease to approximately 1.5 years, accelerating our Tealive store expansion in Malaysia. In this regard, 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.

**7. BUSINESS OVERVIEW (Cont'd)**

We plan to open 40 “asset-lite” Tealive kiosk stores annually over the next three (3) financial years.

***Increase Bask Bear's penetration in Malaysia***

Since Bask Bear was introduced in 2019, we see a significant opportunity for store expansion across Malaysia to increase our per-capita penetration. For our expansion plans, we have opened ten (10) new Bask Bear stores across Malaysia during the FYE 30 June 2025 and we plan to maintain a well-distributed rollout of 20 new Bask Bear stores annually over the next three (3) financial years.

***Drive international growth of our brands using a disciplined approach***

For our international market expansion, we will continue to seek suitable master franchising opportunities and collaborate with local partners to leverage their expertise and market insights for new store rollouts. By partnering with local entities, we believe we can better adapt our brand to align with local business practices and consumer preferences. To this end, we have identified four key markets for expansion, namely the UAE, India, Bangladesh and Thailand.

As at the LPD, we have subsisting MFAs in the Philippines (excluding Ilocos region), Myanmar, Mauritius, Cambodia and Canada, subsisting ARDAs in the Philippines (Ilocos region) and Brunei, as well as three (3) executed MFAs in India (August 2024), the UAE (September 2024) and Thailand (October 2024) and one (1) FA in the areas of Dhaka and Chittagong in Bangladesh (December 2024). While no stores have been opened in these markets, there is a target to open over 400 stores across these 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. For the Indian market, we entered into a MFA with Devyani International Limited (“**Devyani**”), one of India's largest operators of chain quick-service restaurants that is listed on the National Stock Exchange of India Ltd. and are in the midst of developing a business plan, planning our entry strategy in India in partnership with Devyani and exploring localisation options for our F&B offerings.

**7.3.3 We introduced new FMCG range across modern trade and key accounts including chained hypermarkets, supermarkets, minimarts and convenience stores as well as independent retailers such as sundry shops and local grocers**

As disclosed in Section 7.1 of this Prospectus, we have, on 14 March 2025, entered into a binding MOU to establish a JV with Aik Cheong to develop, manufacture and distribute our FMCG range, commencing with instant 3-in-1 versions of our most popular beverages. Pursuant to the MOU, we launched three (3) product categories on 5 June 2025, each comprising three (3) SKUs, totalling nine (9) SKUs, which were funded by our internally generated funds. These include:

- Milk tea series: Signature, teh tarik Gula Melaka and matcha
- Chocolate series: Signature, salted dark chocolate and hazelnut
- Coffee series: Signature, caramel macchiato and hazelnut



**7. BUSINESS OVERVIEW (Cont'd)**

Following this, on 6 June 2025, Loob Holding entered into a joint venture and shareholders agreement with Aik Cheong Coffee Roaster Sdn Bhd and Pinnacle Beverages Sdn Bhd, the JV, to govern and regulate the relationship of the shareholders of the JV pursuant to the collaboration. The subscription of shares under the joint venture and shareholders' agreement was completed on 9 July 2025, pursuant to which Loob Holding holds a 51% stake, and Aik Cheong Coffee Roaster Sdn Bhd holds the remaining 49% stake in Pinnacle Beverages Sdn Bhd. Under the collaboration, Aik Cheong is responsible for, among others, the production and distribution of the products while we are responsible for branding and marketing. This collaboration combines the strengths of both companies leveraging our strong brand recognition and appeal among consumers aged 18 to 39, alongside Aik Cheong's expertise in ready-to-drink manufacturing and extensive distribution network across modern and general trade channels in Malaysia and the ASEAN region. Our largest customer base falls within the 18 to 39 age group according to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report. This group of customers is already familiar with our products, which enhances the likelihood of successful adoption and repeat purchase of our FMCG offerings.

Our products will be made available nationwide in Malaysia through a dual distribution strategy. We will directly distribute to modern trade and key accounts, including chained hypermarkets, supermarkets, minimarts and convenience stores. In addition, third-party distributors will serve the traditional trade sector, ensuring availability in independent retailers such as sundry shops and local grocers, particularly in areas outside the Klang Valley. Key retail partners targeted for the product launch include Lotus's, AEON, AEON Big, Econsave, Mydin, NSK, Village Grocer and Jaya Grocer.

As such, we are better-positioned to capture a share in the large grocery-based retail industry in Malaysia which grew from RM71.6 billion in 2019 to RM85.0 billion in 2024E and is projected to grow at a CAGR of 5.7% to reach RM112.3 billion by 2029, according to the IMR Report.

**7.3.4 We intend to continue to innovate and automate using technology to drive our sales**

We are committed to improve our existing technology infrastructure and apply new technologies to improve productivity and support our rapid expansion. We intend to invest in and improve our existing technologies such as POS systems, kitchen display systems, e-learning application, self-serve kiosks and digital signage (if required) to provide us optimal control over our operations. These technological enhancements will be funded by internally generated funds and are targeted for phased implementation on an ongoing basis.

We also believe that strong data analytics capabilities are needed for us to enhance the customer experience and increase customer engagement. By leveraging data insights from our CBIS and being aware of our customer preferences, we can ensure that our promotions are relevant and targeted, tailor product offerings and achieve brand loyalty.

**7.3.5 We intend to further expand and develop our brand portfolio to capture a broader consumer segment**

We aim to expand our existing multi-brand business model to offer our customers a greater variety of choices. In addition, we will continue to develop premium brands to elevate their perceived value and quality and attract discerning consumers. This comprehensive approach will enable us to drive growth and enhance our competitive edge in the industry.

## 7. BUSINESS OVERVIEW (Cont'd)

### ***Expand our existing multi-brand business model***

To remain competitive in the market and offer a wider selection to our customers, we plan to expand our brand portfolio. Our Group's expansion plan under this multi-brand business model is limited exclusively to the F&B sector only. As opportunities arise, we may explore joint ventures, strategic alliances, acquisitions or investments to continually introduce new brands and concepts that enhance our competitive edge and drive growth. In evaluating potential opportunities, we will assess the commercial attractiveness of each brand, considering factors such as its complementarity with our existing portfolio, its potential to attract new customers and any synergies with our existing business. These initiatives will be funded by internally generated funds and are targeted for implementation in phases on an ongoing basis.

### ***Introduce premiumisation of brand***

Alongside adjusting the mix of products at Tealive, we have recognised a growing demand among higher-income customers for more premium offerings. In response to this, we have developed Tealive Plus, a new concept that elevates the foundations of our Tealive brand. This initiative is designed to cater specifically to this discerning market, offering an enhanced experience through premium products and services that align with the evolving expectations of our more affluent consumers.

First introduced in 2022 at Pavilion Kuala Lumpur, we currently operate 17 Tealive Plus stores in prime malls such as Pavilion Kuala Lumpur, The Gardens Mall, 1 Utama Shopping Centre, Suria KLCC and Sunway Pyramid Shopping Mall as at the LPD. Tealive Plus elevates the consumer experience with its premium store design and high-quality ingredients, including fresh berries and premium tea leaves, catering to the upscale markets we serve. By offering an exclusive range of products made with fresh ingredients, our Tealive Plus stores can command higher price points than our Tealive stores, appealing to a more affluent customer base. Some of our Tealive Plus stores also feature a hot kitchen, enabling us to offer exclusive food options and enhancing their appeal to customers.

While premiumisation leads to higher operating and ingredient costs, it enables us to target a discerning and affluent market segment that is less price-sensitive and more willing to spend. This strategic focus allows us to charge higher prices that not only cover the increased costs but also maintain healthy profit margins, ultimately enhancing our Group's overall profitability. Although a Tealive Plus store requires a higher initial setup cost of approximately RM440,000 based on our Tealive Plus stores opened in the FYE 30 June 2024, its revenue potential is expected to shorten the payback period to around two (2) years.

Moving forward, we plan to refurbish selected Tealive stores in prime Grade A shopping malls into Tealive Plus concept, or open new Tealive Plus stores in strategically selected affluent areas.

## 7.4 KEY MILESTONES

The following table highlights our key milestones:

<b>Year</b>	<b>Key milestone</b>
October 2010	1 <sup>st</sup> bubble tea beverage franchise store opened in Malaysia under a third-party brand
November 2014	Launched SodaXpress in Malaysia

**7. BUSINESS OVERVIEW** *(Cont'd)*

<b>Year</b>	<b>Key milestone</b>
February 2017	Launched Tealive in Malaysia, with the introduction of the 1 <sup>st</sup> Tealive store in Pavilion Kuala Lumpur, Kuala Lumpur, Malaysia
July 2019	Launched Tealive in Brunei, with the opening of the 1 <sup>st</sup> Tealive store in Bandar Seri Begawan, Brunei
August 2019	Launched Tealive in Myanmar, with the opening of the 1 <sup>st</sup> Tealive store in Yangon, Myanmar
September 2019	Commenced collaboration with PETRONAS to roll out Tealive stores at PETRONAS stations across Malaysia
October 2019	Launched Bask Bear in Malaysia, with the opening of the 1 <sup>st</sup> Bask Bear in 1 Utama, Petaling Jaya, Malaysia
January 2020	Launched Tealive in the Philippines, with the opening of the 1 <sup>st</sup> Tealive store in Ilocos Norte, Philippines
February 2020	Embarked on our IPO journey with a pre-submission consultation with the SC followed by a relief application in March 2020 which was approved by the SC in June 2020. However, the IPO was not pursued due to the COVID-19 outbreak
April 2020	Launched Tealive e-commerce series, a bubble tea kit for home use
April 2021	Launched Tealive in Cambodia, with the opening of the 1 <sup>st</sup> Tealive store in Phnom Penh, Cambodia
June 2021	Uttama acquired a 30% stake in Loob Holding from its existing shareholders
July 2021	Invested in WonderBrew
April 2022	Launched Tealive Plus in Malaysia, with the opening of the 1 <sup>st</sup> Tealive Plus store in Pavilion Kuala Lumpur, Kuala Lumpur, Malaysia
July 2022	Launched Tealive in Mauritius, with the opening of the 1 <sup>st</sup> Tealive store in Curepipe, Mauritius
November 2022	Launched Tealive in Canada, with the opening of the 1 <sup>st</sup> Tealive store in Ottawa, Canada
January 2023	Commenced roll-out of bank-branch-integrated Bask Bear stores in three (3) locations in Malaysia, namely Sungai Dua (Penang), Sungai Petani (Kedah) and Bandar Baru Bangi (Selangor)
May 2024	Tealive underwent a brand refresh and introduced several new elements including a new tagline "Brewing Positivity" to enhance our identity

**7. BUSINESS OVERVIEW (Cont'd)****7.5 OUR OPERATIONS****7.5.1 Tealive****7.5.1.1 Introduction**

Our Tealive brand was launched in 2017 and is the largest brand in our portfolio. Our Tealive operations accounts for approximately 82.4% of our Group's revenue for the FYE 30 June 2024. Our Tealive stores sell MTO cold and hot non-alcoholic beverages, which include tea-based beverages, coffee and smoothies, with our most popular drinks being the wide variety of flavoured, fruit and milk teas also commonly referred to as "bubble tea". Our Tealive menu also includes snacks such as chicken rolls and popcorn chicken.

We initially launched our Tealive brand in Malaysia where we operate most of our stores and have since expanded our operations internationally. All our Tealive Corporate Stores are located in Malaysia and our Tealive Franchised/Licensed Stores are owned and operated by our franchisees/licensees in Malaysia or internationally. For the Financial Years Under Review, we recorded 99.4%, 96.7% and 94.5% of our Tealive revenue respectively from our Malaysian entities. The table below sets out details of revenue from our Tealive operations by geographical selling location for each of the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Malaysia <sup>(1)</sup>	409,507	99.4	433,770	96.7	460,833	94.5
International <sup>(2)</sup>	2,673	0.6	15,007	3.3	26,775	5.5
<b>Revenue from Tealive stores</b>	<b>412,180</b>	<b>100.0</b>	<b>448,777</b>	<b>100.0</b>	<b>487,608</b>	<b>100.0</b>

**Notes:**

- (1) *Malaysia refers to the revenue generated by the 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, Australia and the Philippines. In the FYE 30 June 2023, we ceased our operations in Australia.*

**7. BUSINESS OVERVIEW (Cont'd)****7.5.1.2 Tealive Menu**

The following table shows the percentage of POS sales generated by the different categories of our Tealive store menu offerings in Malaysia for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	RM'000	% of total POS sales	RM'000	% of total POS sales	RM'000	% of total POS sales
Beverage	494,148	92.9	502,350	93.1	513,338	90.1
Food	15,982	3.0	28,086	5.2	40,878	7.2
Others <sup>(1)</sup>	21,887	4.1	9,396	1.7	15,396	2.7
<b>Total POS sales<sup>(2)</sup></b>	<b>532,017</b>	<b>100.0</b>	<b>539,832</b>	<b>100.0</b>	<b>569,612</b>	<b>100.0</b>

**Notes:**

- (1) *Comprising add-ons (including additional toppings), packaging and application delivery charges.*
- (2) *Includes both Tealive Corporate Stores and Tealive Franchised/Licensed Stores located in Malaysia.*

**Beverages**

As at the LPD, our Tealive menu offers over 45 types of MTO beverages. The MTO beverages can be customised and may be served with a variety of flavours, topping options and ice and sugar levels.

The MTO beverages span a range of categories designed to appeal to a variety of customers throughout the day, including our milk tea, "Signature Bang Bang", "Coco", smoothies, coffee and fruit tea, further details of which are described below:

- (i) **Milk tea:** There are various milk tea offerings on our Tealive menu, including signature, original and classic roasted milk tea, as well as flavoured milk tea such as hazelnut, which are customisable with a variety of toppings including grass jelly, tapioca pearls and coconut jelly.
- (ii) **"Signature Bang Bang":** The "Signature Bang Bang" beverages are served with soft and chewy brown sugar warm tapioca pearls and represents the signature beverage of our Tealive brand.
- (iii) **"Coco" and smoothies:** "Coco" is a rich chocolate drink that is customisable with different flavours and toppings and is another signature drink on our Tealive menu. Our "Coco" beverages are also available in the form of ice-blended smoothies.
- (iv) **Coffee:** In addition to our signature drinks, we also offer coffee in our menus at our Tealive stores, which feature our signature blend of 100% premium Arabica coffee, which is available in a variety of options such as hazelnut latte and caramel macchiato.
- (v) **Sparkling fruit tea, fruit juice and fruity smoothies:** As an alternative to tea and coffee beverages, our Tealive menu also offers a wide range of fruit-based beverages which can also be customisable with toppings such as chia seeds and 3Q jelly.

## 7. BUSINESS OVERVIEW (Cont'd)

To keep up with customer preferences and demand, which are constantly evolving, we update our beverage menu from time to time by introducing new types of beverages, flavours or toppings or craft unique flavours through our LTOs. We also customise product offerings local to the different international countries in which we have Tealive stores by taking into consideration the preferences of consumers in these international countries. See Sections 7.2.2, 7.7 and 7.12 of this Prospectus for further details. We believe our high-quality beverages and customisation offering is a key factor that contributes to the high volume of return visits from customers. According to a survey conducted by NielsenIQ in the first quarter of 2024, as quoted in the IMR Report, Tealive's customer base is demographically diverse with a balanced gender mix. The largest customer segments are the 18-29 and 30-39 age groups.

### **Food**

Our Tealive menu offers a variety of snacks to complement the beverages, further details of which are described below:

- (i) Chicken rolls or popcorn chicken: These are juicy chicken bites and fried popcorn chicken snacks, which can also be topped with our signature cheese sauce and/or spicy Korean sauce.
- (ii) "Mac & Cheese": Creamy and cheesy macaroni and cheese, available in flavours like "Bolognese Chicken" and "Creamy Carbonara", which can be topped with our crunchy popcorn chicken.
- (iii) "Toastea": Our buttery toast available in various flavours.
- (iv) "FunFries": Fries served with a selection of our signature dips for an enhanced snacking experience.

These snacks are offered at a majority of our Tealive stores and can be purchased a la carte or as a combo with our Tealive beverages. Our "Toastea" and "FunFries" snacks are available at over 100 Tealive stores which have hot kitchens. For the Financial Years Under Review, we derived 3.0%, 5.2% and 7.2% of our total Tealive Malaysia POS food sales from Tealive stores in Malaysia which offer food, respectively.

### **7.5.1.3 Tealive stores**

#### ***Tealive Malaysia operations***

As at the LPD, we have 831 Tealive stores in Malaysia, of which 547 stores are Tealive Corporate Stores and the remaining 284 are Tealive Franchised Stores. We have also established one (1) Tealive experience centre pursuant to a sponsorship and licencing arrangement with Rakan Riang Sdn Bhd at KidZania Kuala Lumpur, which includes a small-scale reproduction of a Tealive store where children are able to act out simulations of life as staff in a Tealive store and which also has a limited Tealive menu. See Sections 7.5.4.1 and 7.5.4.2 of this Prospectus for further details.

We operate across all states in Malaysia, with the majority of our Tealive stores being situated in Klang Valley at 337 Tealive stores as at the LPD. Our Malaysia Tealive stores are commonly located at high pedestrian and/or high vehicle traffic areas with the intention to make them easily accessible and convenient for customers.

**7. BUSINESS OVERVIEW (Cont'd)**

The following table sets out the number of Tealive stores in Malaysia that we had at the beginning and end of each financial year indicated:

	FYE	FYE	FYE
<b>Number of Tealive stores in Malaysia<sup>(1)</sup></b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2024</b>
As at the beginning of the relevant financial year	609	753	829
As at the end of the relevant financial year	753	829	838

**Note:**

- (1) *Comprising Tealive Corporate Stores and Tealive Franchised Stores*

**Tealive International Operations**

In addition to the 831 Tealive stores in Malaysia, as at the LPD, we have subsisting Tealive operations in the Philippines, Myanmar, Brunei, Mauritius, Vietnam, Cambodia and Canada.

The following table sets out the number of Tealive stores in the respective international markets as at the end of each financial year indicated:

<b>Number of international Tealive stores as at the end of the relevant financial year<sup>(1)</sup></b>	FYE	FYE	FYE
	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2024</b>
Philippines <sup>(2)</sup>	6	28	66
Myanmar	13	15	15
Brunei	10	10	11
Mauritius	-	3	5
Vietnam <sup>(3)</sup>	9	5	5
Cambodia	1	2	3
Canada	-	1	3
<b>Total</b>	<b>39</b>	<b>64</b>	<b>108</b>

**Notes:**

- (1) *All of our international Tealive stores are Tealive Franchised Stores or Tealive Licenced Stores (as the case may be).*
- (2) *In relation to our Philippines Tealive stores, we operated both Tealive Corporate Stores and Tealive Franchised Stores during the Financial Years Under Review. Following the completion of the Transfer of Loob Philippines on 20 January 2025. Following the completion of the Transfer of Loob Philippines, Loob Philippines is now our franchisee and is operating our Tealive Franchised Stores. As such, we no longer operate any Tealive Corporate Stores in the Philippines. See Section 6.1.2 of this Prospectus for further details on our Tealive operations in Vietnam.*
- (3) *In relation to our Vietnam Tealive stores, in the FYE 30 June 2022 and FYE 30 June 2023, we operated both Tealive Corporate Stores and Tealive Licenced Stores. By December 2022, we closed down all Tealive Corporate Stores and in the FYE 30 June 2023 and the FYE 30 June 2024, all of our Vietnam Tealive stores were Tealive Licenced Stores. Following the completion of the Transfer of LV Holdings VN on 24 February 2025, LV Holdings VN Group is no longer part of our Group and operates as our licensee. See also Sections 6.1.2, 7.5.4 and 7.18.3 of this Prospectus for further details on our Tealive operations in Vietnam.*

For our international Tealive stores, our business model is currently structured by way of a MFA, an ARDA or a licencing agreement (as applicable). See Section 7.5.4.3 of this Prospectus for further details.

## 7. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we have entered into franchising arrangements in respect of certain geographical areas, via (i) MFAs in the Philippines (excluding Ilocos Region), Myanmar, Mauritius, Cambodia, Canada as well as executed MFAs in India (August 2024), the UAE (September 2024) and Thailand (October 2024); (ii) ARDAs in the Philippines (for the Ilocos Region) and Brunei; and (iii) an executed FA in the areas of Dhaka and Chittagong in Bangladesh (December 2024).

### 7.5.2 Bask Bear

#### 7.5.2.1 Introduction

Our Bask Bear brand was launched in 2019 and its operations accounts for approximately 16.9% of our Group's revenue for the FYE 30 June 2024. Bask Bear operates on a café format, with a Halal-certified menu that features MTO coffee-based beverages that are made with our medium roast Arabica brews and freshly-made toasties.

Our Bask Bear menu also offers other MTO beverages such as chocolate and milkshakes, as well as food offerings such as burgers, fried boneless chicken and sides. With a comprehensive menu of premium coffee and specialty beverages, complemented with extensive food options, our Bask Bear cafés aim to provide high quality, affordable and convenient F&B options to customers across Malaysia. As at the LPD, all our 135 Bask Bear stores are located across Malaysia. Our Bask Bear brand accounted for approximately RM8.3 million, RM60.0 million and RM99.7 million representing 1.9%, 11.7% and 16.9% of our Group's revenue in each of the Financial Years Under Review.

#### 7.5.2.2 Bask Bear Menu

##### ***Beverages***

As at the LPD, our Bask Bear menu offers over 25 types of MTO beverages. Bask Bear's beverages are mainly focused on coffee-based beverages and also offers other beverages such as chocolate and milkshakes, further details of which are set out below:

- (i) **Coffee:** Our Bask Bear brand is known for its specialty coffee, made from our signature blend which is creamy, well-rounded and is intended to give our customers an enjoyable coffee experience. The extensive coffee menu features traditional coffee beverages such as americano and latte and also specialty coffee beverages such as Aren caramel latte, coconut latte and espresso Aren frappe latte.
- (ii) **Chocolate and frappes:** The chocolate beverages on our Bask Bear menu includes the signature chocolate latte and other specialty chocolate beverages such as chocolate coconut latte, sea salt chocolate chip and double chocolate frappe. Bask Bear also offers flavoured ice blended drinks (or frappes) which are available in a variety of flavours, including creamy cookie frappe and summer strawberry frappe.
- (iii) **Milkshake, refresher and tea:** As an alternative to the coffee-based beverages, our Bask Bear menu also offers fruit-based beverages in the form of milkshakes and refreshing fizzy drinks which are available in flavours such as lemon, white peach, grapefruit and yuzu, as well as tea-based beverages such as Japanese matcha latte and Japanese matcha Aren caramel latte.



**7. BUSINESS OVERVIEW (Cont'd)****Food**

Our Bask Bear menu also features toasties and is supplemented by other food options such as burgers, fried boneless chicken and sides, further details of which are set out below:

- (i) **Toasties:** The signature toasties are all freshly-toasted to order and are available in a variety of flavours, across the chicken series, beef series, hashbrown series; and egg and cheese series. From time to time, special flavours are developed and launched for a limited time as LTOs.
- (ii) **Burgers and fried boneless chicken:** Our Bask Bear menu also features our “XL Fried Chicken Burger”, 100% premium beef burgers and fried boneless chicken.
- (iii) **Sides:** Our Bask Bear menu also includes a variety of sides, to complement the main food offerings, which include fries, loaded fries, macaroni and cheese and muffins.

These food offerings are available at all our Bask Bear stores and can be purchased *ala carte* or as a combo with our Bask Bear beverages.

**7.5.2.3 Bask Bear POS Sales**

The following table shows the percentage of POS sales generated by the different categories of our Bask Bear store menu offerings in for the Financial Years Under Review:

		FYE 30 June					
		2022		2023		2024	
		RM'000	% of total POS sales	RM'000	% of total POS sales	RM'000	% of total POS sales
Beverage		3,705	62.9	26,608	41.7	38,040	37.3
Food <sup>(1)</sup>		1,985	33.7	36,175	56.8	61,699	60.6
Others <sup>(2)</sup>		203	3.4	950	1.5	2,163	2.1
<b>Total POS sales</b>		<b>5,893</b>	<b>100.0</b>	<b>63,733</b>	<b>100.0</b>	<b>101,902</b>	<b>100.0</b>

**Notes:**

- (1) *Comprising toasties, burgers, fried boneless chicken and sides.*
- (2) *Comprising add-ons (including additional toppings), combos (comprising delivery or in-store items that include a set of one (1) beverage and one (1) food item) and packaging.*

**7.5.2.4 Bask Bear Stores**

As at the LPD, we have 135 Bask Bear stores in Malaysia, of which 129 are Bask Bear Corporate Stores and six (6) are Bask Bear Franchised Stores. As at the LPD, Bask Bear only has operations in Malaysia.

We operate across most states in Malaysia, with the majority of stores located in Klang Valley, which has 57 Bask Bear stores as at the LPD. Our Bask Bear stores are commonly located at high pedestrian and/or high vehicle traffic areas with the intention to make them easily accessible and convenient for customers.

**7. BUSINESS OVERVIEW (Cont'd)**

The following table sets out the number of Bask Bear stores in Malaysia that we had at the beginning and end of each financial year indicated:

<b>Number of Bask Bear stores in Malaysia<sup>(1)</sup></b>	<b>FYE 30 June 2022</b>	<b>FYE 30 June 2023</b>	<b>FYE 30 June 2024</b>
As at the beginning of the relevant financial year	10	24	95
As at the end of the relevant financial year	24	95	128

**Note:**

(1) *Comprising Bask Bear Corporate Stores and Bask Bear Franchised Stores.*

**7.5.3 Other Brands****7.5.3.1 SodaXpress**

We launched SodaXpress in 2014 to sell sparkling water machines as well as refill carbonating gas cylinders that are used to carbonate drinks and create sparkling beverages under our SodaXpress brand. As at the LPD, we also use SodaXpress sparkling water machines and carbonating gas cylinders to carbonate drinks at all the 831 Tealive stores and 135 Bask Bear stores in Malaysia.

As at the LPD, SodaXpress sparkling water machines and refill carbonating gas cylinders are sold regionally in Indonesia via local resellers and locally in Malaysia via various distribution channels, for example through direct distribution, online e-commerce sales, as well as B2B sales to F&B industry players such as dealers and wholesalers, restaurants and cafés and B2C sales to customers through online e-commerce platforms. The SodaXpress operations are managed by SodaXpress International.

**7.5.3.2 WonderBrew**

WonderBrew, founded in 2018, is a lifestyle fermented tea brand in Malaysia and is sold online, as well as via B2B sales to players in the hotel, restaurant and café/catering industries and also in locations that include grocery stores, convenience stores, organic stores and petrol stations. The WonderBrew operations are managed by Wonder Group and WonderBrew where we have a 35.0% interest in each entity.

**7.5.4 Business Model for our Brands*****Tealive and Bask Bear******Corporate Stores***

We own, manage and operate our Corporate Stores and retain any operating profits generated from such stores. We are solely responsible for all capital expenditures in connection with the opening as well as on-going operating expenses in connection with all our Corporate Stores, save for our collaboration with PETRONAS where capital expenditures are shared between PETRONAS and us. See Section 7.20 of this Prospectus for further details. We operate all of our Corporate Stores on tenanted properties. Typical operating hours are from 10:00 a.m. to 10:00 p.m. Depending on store location, some of our Corporate Stores have extended operating hours before or after the standard operating hours. Some of our Corporate Stores may also comprise Franchised/Licensed Stores that were previously owned and managed by our franchisees/licensees and subsequently bought over by us to become our Corporate Stores.

**7. BUSINESS OVERVIEW (Cont'd)***Malaysian Tealive Franchised Stores*

To further promote brand presence and accelerate the expansion of the network of stores across territories in Malaysia where we wish to grow our Tealive brand, we may enter into FAs with entities outside our Group for them to operate and manage Tealive Franchised Stores in specific locations or areas in Malaysia. Under the FA entered into with a franchisee, we grant the relevant franchisee an exclusive right limited to the development and operation of one (1) Tealive Franchised Store within the territory and the right to use our trademarks, standard operating procedures and raw materials, while we provide technical and operational support to our franchisee, including training, operations manuals, access to our supply network and advertising and promotion assistance. Under the FA, the franchisee is solely responsible for all capital expenditures and on-going operating expenses in connection with our Tealive Franchised Store.

Each FA typically lasts for five (5) years with an option to renew for a further period of five (5) years. Loob Holding receives certain fees under the FA, including franchise fees (at the initial term and every five (5) years upon renewal), monthly royalties based on a percentage of gross sales generated by our franchisees and one-off payments for initial training and support as well as equipment and service fees. Upon the expiration or termination of the FA, there is an option for us to require the franchisee to assign the tenancy agreements for the premises where our Tealive Franchised Stores are operating at to us, to ensure business continuity. During the Financial Years Under Review and up to the LPD, there had been 31 instances where upon the expiry or termination of the FAs with the franchisees, we have continued the operation of the stores as our Corporate Stores either by way of assignment of the tenancy agreements by our franchisees to us or by entering into new tenancy agreements with the landlords of the respective premises. This has occurred once in the FYE 30 June 2022, three (3) times in the FYE 30 June 2023, 11 times in the FYE 30 June 2024 and 16 times from 1 July 2024 up to the LPD.

See Annexure D.1 of this Prospectus for the salient terms of the FA entered into with our Malaysian franchisees.

## 7. BUSINESS OVERVIEW (Cont'd)

### *International Tealive Franchised Stores*

On the other hand, our international Tealive Franchised Stores are stores that are operated and managed by entities outside our Group under MFA, ARDA or FA in specific locations to promote our brand presence and accelerate the expansion of our network of Tealive stores. MFA typically applies to arrangement with franchisees who are granted the rights to develop and operate our Tealive brand nationally across an entire country, whereas ARDA typically applies to arrangement with franchisees who are granted the rights to develop and operate our Tealive brand within defined geographic area such as a state or province. Our Brunei franchisee currently operates under an ARDA which was signed in 2019 during the early stages of our international franchising efforts, before we standardised the use of MFAs for nation-wide franchises. FAs typically applies to arrangement with franchisees operating a single store within a specific venue (for example, a mall or an airport) or for multi-unit development within a particular city or city area. Under the MFA, ARDA or FA entered into with a master franchisee or area franchisee, we grant the relevant master franchisee or area franchisee the limited exclusive right to develop and operate a certain number of Tealive Franchised Stores for the entire country or area, save for (i) the Philippines, where the territory is separated into two (2), namely by the Ilocos region (which is assigned to the area franchisee) and the entire Philippines excluding the Ilocos region (which is assigned to the master franchisee); and (ii) Bangladesh, where our area franchisee is granted the rights to develop and operate only in the areas of Dhaka and Chittagong. Our international franchisees are also granted the right to use our trademarks, standard operating procedures and raw materials, while we provide technical and operational support to our international franchisees, including training, operations manuals, access to our supply network and advertising and promotion assistance. Our international franchisees are solely responsible for all capital expenditures and on-going operating expenses in connection with our Tealive Franchised Stores.

Each MFA, ARDA or FA typically lasts for five (5) to ten (10) years. Loob Holding receives certain fees under such franchising arrangements, including franchise fees (at the initial term and every renewal term), monthly royalties based on a percentage of gross sales generated by our master or area franchisees.

Other than the franchisee for the areas of Dhaka and Chittagong, Bangladesh, our master or area franchisees are also permitted to appoint sub-franchises within their territory. Upon expiration or termination of the relevant MFA or ARDA, the master or area franchisee's rights and interests in any unit franchise or sub-franchise agreements are automatically assigned to us. There is also an option for us to require the master or area franchisee to assign the tenancy agreements for the premises where our Tealive Franchised Stores are operating at to us, to ensure business continuity, save for the MFA for UAE where we are only entitled to purchase assets from the master franchisee upon termination of the MFA.

See Annexure D.2 of this Prospectus for the salient terms of the MFA, ARDA or FA entered into with our international franchisees.

### *Licenced Stores*

Licenced Stores are managed and operated by licensees which are entities outside our Group under licence or management service arrangements. As at the LPD, we have five (5) Tealive Licenced Stores located at various airports in Vietnam. See Section 7.18.3 of this Prospectus for further details on the arrangement with Kim Le Vy Trading, which is expected to be replaced with our franchise model as described above by August 2025.

## 7. BUSINESS OVERVIEW (Cont'd)

All of our stores use our operational programmes and tools, including, but not limited to, our information technology and training systems. We have put in place an integrated business intelligence system which provides, among others, real-time sales data for all stores and financial data for all our stores to our headquarters for monitoring which can be analysed and used to streamline procedures to ensure management and operational efficiency. Additionally, periodic site visits and quality, service and cleanliness audits are conducted to ensure that the stores meet the requisite operational standards.

### SodaXpress

Our revenue for SodaXpress is generated through sales of sparkling water machines and carbonating gas cylinders both regionally in Indonesia via local resellers and locally in Malaysia via various distribution channels, for example through direct distribution, online e-commerce sales, as well as B2B sales to F&B industry players such as dealers and wholesalers, restaurants and cafés and B2C sales to customers through online e-commerce platforms.

### Revenue Contribution

We generate revenue from: (i) the sale of F&B to retail consumers at our Corporate Stores; (ii) the supply of goods, comprising mainly ingredients, packaging materials, consumables and equipment subsequent to the initial setting up of a store to our franchisees/licensees as well as sparkling water machines and carbonating gas cylinders to our SodaXpress customers; (iii) franchise/licence fees and royalty from our franchisees/licensees; and (iv) management and marketing income.

A table showing the breakdown of the revenue contribution of our Tealive, Bask Bear and SodaXpress brands is set out below:

	FYE 30 June					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
<b>Revenue from Tealive</b>						
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 <sup>(1)</sup>	11,698	2.8	16,410	3.2	12,935	2.2
Management and marketing income <sup>(2)</sup>	8,378	2.0	8,001	1.6	9,030	1.5
	<u>412,180</u>	<u>97.6</u>	<u>448,777</u>	<u>87.7</u>	<u>487,608</u>	<u>82.4</u>
<b>Revenue from Bask Bear</b>						
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 <sup>(3)</sup>	623	0.1	2,416	0.5	1,202	0.2
	<u>8,264</u>	<u>1.9</u>	<u>59,988</u>	<u>11.7</u>	<u>99,696</u>	<u>16.9</u>
<b>Revenue from SodaXpress</b>						
Supply of goods	2,042	0.5	2,982	0.6	3,939	0.7
<b>Total</b>	<b><u>422,486</u></b>	<b><u>100.0</u></b>	<b><u>511,747</u></b>	<b><u>100.0</u></b>	<b><u>591,243</u></b>	<b><u>100.0</u></b>

### 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.

## 7. BUSINESS OVERVIEW (Cont'd)

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- (2) *Management and marketing income comprises (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; and (ii) unredeemed cash/product vouchers and pre-paid top up credits, upon expiry of such vouchers and credits.*
- (3) *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.*

### 7.5.4.1 Corporate Stores

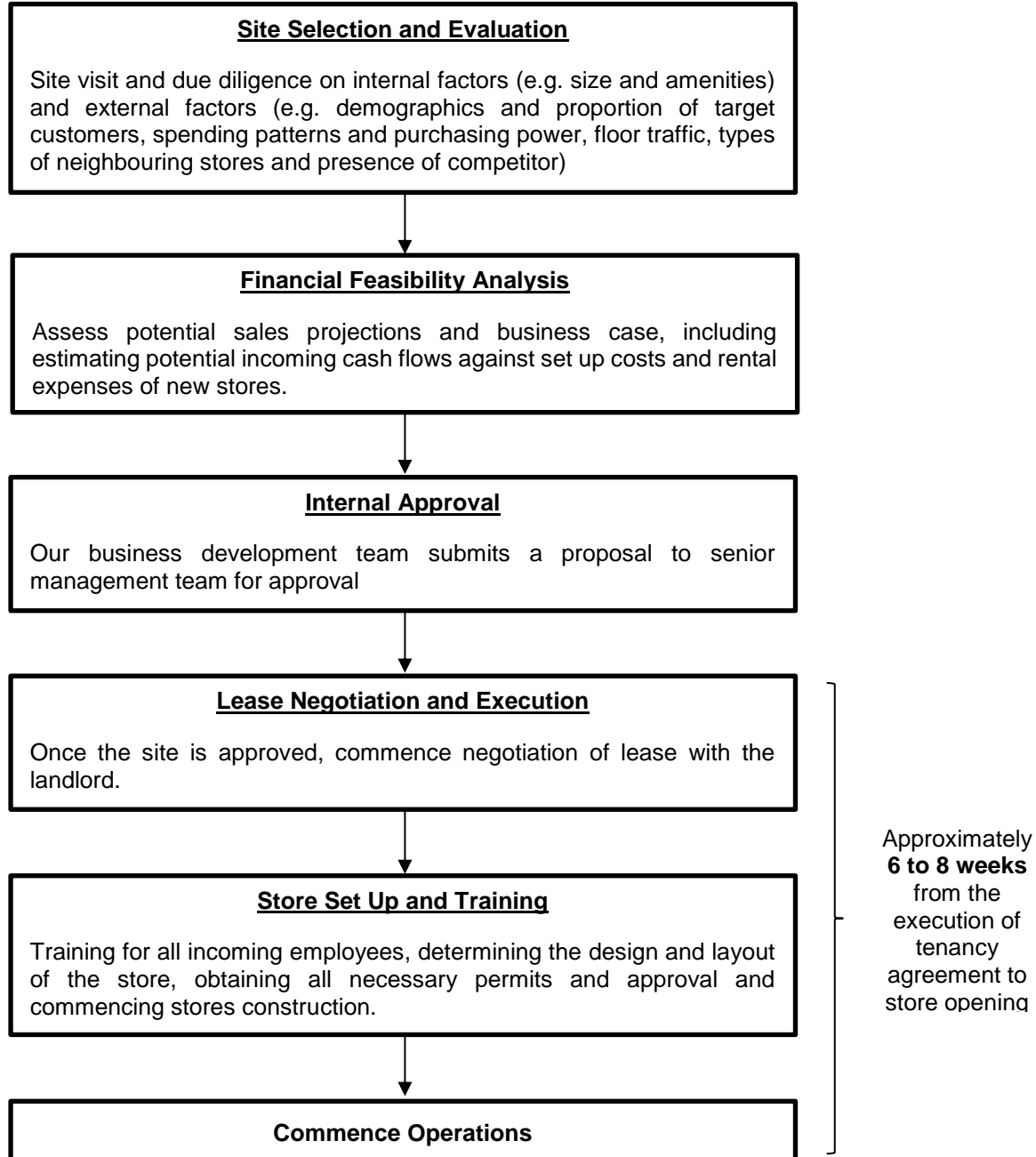
As at the LPD, we have a total of 676 Corporate Stores. Having a majority of our Tealive and Bask Bear stores as Corporate Stores allows us to have greater control and oversight over operations. Some of the factors which we consider when selecting a store site are accessibility, visibility, surrounding complementary stores, population density and foot traffic. See Section 7.5.4.5 of this Prospectus for further details. Performance related and strategic decision making for the stores is made at our corporate headquarters. This control system enables us to be directly responsive to any problems that the store may be experiencing.

All of our stores benefit from the full range of services and support which we provide such as training, technological innovation and marketing.

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**7. BUSINESS OVERVIEW (Cont'd)*****Opening process for Corporate Stores***

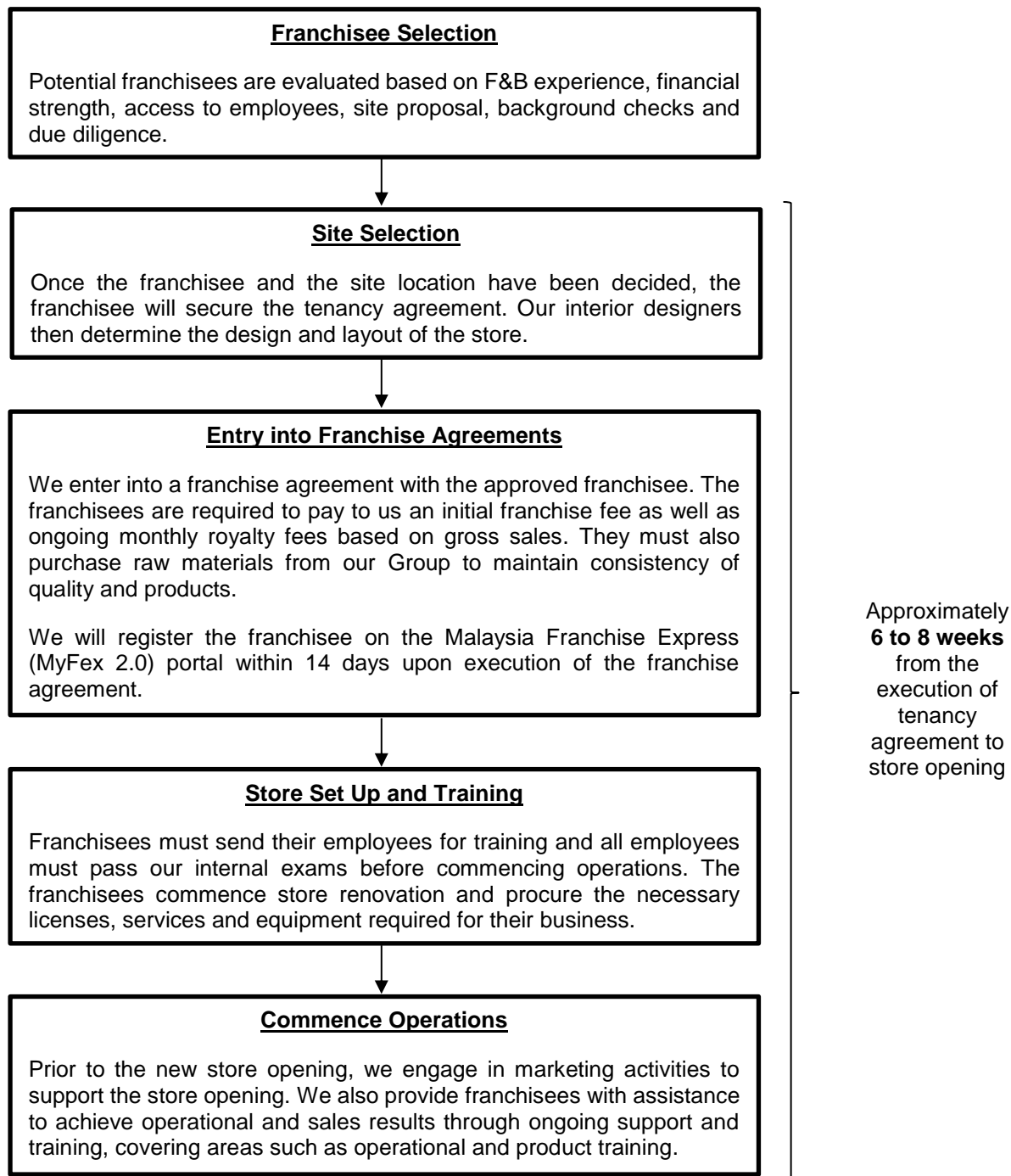
Our ability to adopt business model flexibility, integrate systems and implement SOPs enables us to rapidly roll out our Corporate Stores. Our Corporate Stores opening timeline and methodology is elaborated in the flowchart below:



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.5.4.2 Malaysian Tealive Franchised Stores and Bask Bear Franchised Stores

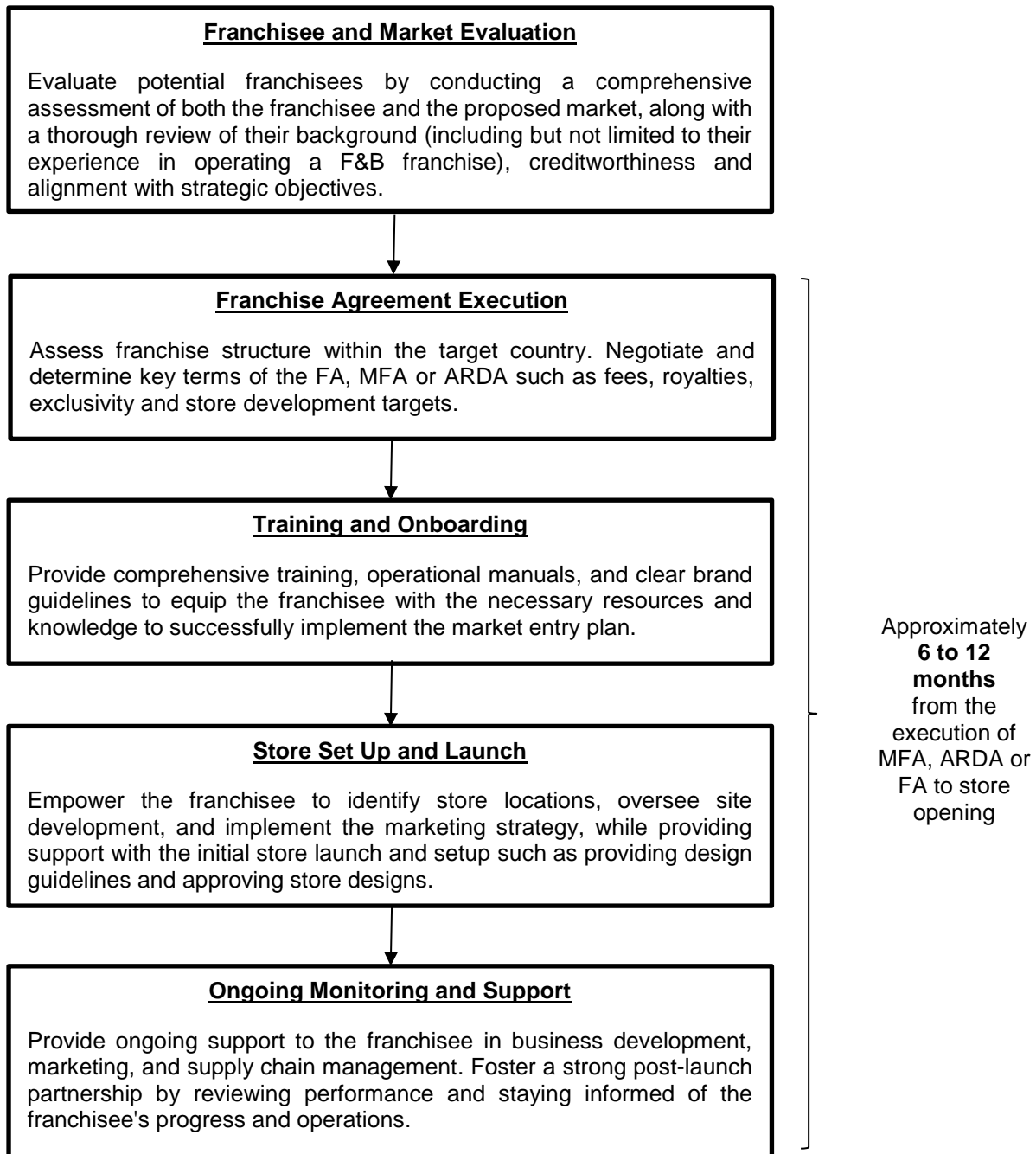
As at the LPD, we have a total of 284 Tealive Franchised Stores and six (6) Bask Bear Franchised Stores in Malaysia. Our franchising process in Malaysia is elaborated in the flowchart below:





**7. BUSINESS OVERVIEW (Cont'd)****7.5.4.3 International Tealive Franchised Stores**

As at the LPD, we have a total of 116 Tealive Franchised Stores internationally. Our franchising process in international locations is elaborated in the flowchart below:



As disclosed in Sections 7.5.4 and 7.18.3 of this Prospectus, as at the LPD, we have five (5) Tealive Licenced Stores in Vietnam. See Section 7.18.3 of this Prospectus for information on our Tealive Licenced Stores, which will be replaced with our franchise model by August 2025.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.5.4.4 Our sales channels

Our Tealive and Bask Bear offerings are sold through both direct and indirect channels in order to achieve greater customer reach. Further details of our various sales channels are set out below.

#### ***Direct sales channels***

Our direct sales channels take the form of physical POS located in our stores situated in various locations through varying store formats, such as shop lots, mall shop lots or mall kiosks, petrol stations, transportation hub kiosks, standalone structures, drive-through stores and airport/hospital/university stores.

#### *Shop lots*

As at the LPD, we have 320 Tealive stores and 102 Bask Bear stores in a 'shop lot' format which typically range between 400 sq. ft. and 1,500 sq. ft.. This is our larger store format as it offers our full range of products and provides a seating area for customers. These stores are mainly located specifically in areas of high footfall, such as residential districts and office lots.

Certain Bask Bear stores and Tealive concept stores are integrated within bank branches located in shop lots. This integration aims to support the bank in attracting younger consumers by offering an integrated lifestyle tea menu while also creating a conducive social meeting place. We had also partnered with another bank to open Bask Bear stores at certain of the bank's branches in Malaysia, which is similarly aimed at creating a differentiated experience and to stay relevant to meet the ever-changing needs of consumers.

#### *Mall shop lots or mall kiosks*

As at the LPD, we have 267 Tealive stores and 28 Bask Bear stores located in shopping malls. These stores are beneficial as they generally require lower capital expenditure and can take the form of either a shop lot or a kiosk in the shopping mall.

The mall shop lot format varies in size and ranges from 200 sq. ft. up to 1,200 sq. ft.. As at the LPD, we have 135 Tealive stores in mall shop lot formats which offer the full range of products, with some Tealive stores providing seating and 23 Bask Bear stores in mall shop lot formats.

As at the LPD, we also have 132 Tealive stores and five (5) Bask Bear stores in mall kiosk formats. These mall kiosks can operate effectively in a space as little as 150 sq. ft., enabling us to offer our products in areas of heavy footfall with lower capital expenditure.

Apart from the regular Tealive mall shop lots and kiosks, we also operate Tealive Plus stores in either a mall shop lot or mall kiosk format. Tealive Plus is a brand concept which offers an enhanced experience through premium products and services. We operate 17 Tealive Plus stores in mall shops and mall kiosk formats in prime malls such as Pavilion Kuala Lumpur, The Gardens Mall, 1 Utama Shopping Centre, Suria KLCC and Sunway Pyramid Shopping Mall as at the LPD. Tealive Plus elevates the consumer experience with its premium store design that offers additional ambience and comfort for the customers' experience and an exclusive menu that is not available at our non-Tealive Plus stores. Some of our Tealive Plus stores in the mall shop lot format feature a hot kitchen, enabling us to offer more extensive food options and enhancing their appeal to customers.

**7. BUSINESS OVERVIEW (Cont'd)***Petrol station*

As at the LPD, we have 209 Tealive stores and two (2) Bask Bear stores at petrol stations throughout Malaysia with PETRONAS and other petrol station brands. These stores, like the standalone kiosks in a shopping mall, generally require lower capital expenditure. Depending on the size of the stores in the petrol stations, the menu of beverages at such stores may vary from a limited menu only, to a full menu providing the full range of product offerings.

Since September 2019, we have collaborated with PETRONAS to roll out Tealive stores at PETRONAS petrol stations across Malaysia, with 155 PETRONAS-branded petrol station Tealive stores launched as at the LPD. See Section 7.20 of this Prospectus for further details.

*Transportation hub kiosks*

As at the LPD, we also operate 12 Tealive kiosks and one (1) Bask Bear kiosk located at various transportation hubs, such as train, MRT and LRT stations. Operating in transportation hubs allows us to garner sales from commuters in transit, or those waiting for their scheduled means of transport.

*Standalone structures*

As at the LPD, we have 11 Tealive stores comprising eight (8) drive-through stores, one (1) container store and two (2) kiosks, and two (2) Bask Bear drive-through stores, as standalone structures. These standalone structure stores are stores that are not attached to or contained within any other buildings.

*Drive-through stores*

As at the LPD, we have 22 Tealive drive-through stores, comprising 13 petrol station stores, eight (8) stores in a standalone structure format and one (1) shoptop store, and three (3) Bask Bear drive-through stores, comprising one (1) petrol station store and two (2) standalone structure stores. These drive-through stores offer customers a different experience and a high level of convenience by allowing them to purchase the MTO beverages while on the road without having to exit their vehicle.

*Airport/Hospital/University stores*

As at the LPD, we have 12 Tealive stores comprising five (5) stores located in airports, six (6) stores located in hospitals and one (1) store located in a university.

**7. BUSINESS OVERVIEW (Cont'd)*****Indirect sales channels***

Our indirect sales channels encompass the sale of our products through third party platforms instead of directly from our stores without any intermediaries. This includes from orders placed on social-commerce, live-commerce and marketplace channels as well as delivery websites and applications. To this end, we have partnered with several businesses such as Grab Food, foodpanda, Shopee Food and other delivery companies to provide customers access to our products without visiting any of our physical stores via third party delivery applications. We also use live-commerce platforms like Shopee Live, TikTok Shop and Lazada Live to leverage our social media presence into a direct revenue channel. Our Tealive App and Bask Bear App are loyalty program platforms that are also used by customers to order and arrange for in-store pick-up and delivery. The last mile delivery for delivery services made through our Tealive App and Bask Bear App are performed by third party on-demand delivery platforms. See Section 7.5.4.6 of this Prospectus for further details on our Tealive App and Bask Bear App. Our sales from Tealive App and Tealive food delivery aggregators contributed approximately 32.5% of our total Tealive POS Sales for the FYE 30 June 2024 and our Bask Bear App and Bask Bear food delivery aggregators contributed approximately 45.5% of our total Bask Bear POS sales for the FYE 30 June 2024.

**7.5.4.5 Network expansion**

As at the LPD, there are 831 Tealive stores in operation across Malaysia, 121 Tealive stores in operation in other countries and 135 Bask Bear stores in operation across Malaysia. We believe that we can leverage on our track record, flexible business model and experienced management team to rapidly expand our presence in Malaysia and international markets. Our flexible business model enables us to adapt to local requirements and open a store in the form and size that best suits the specific location. This allows us to scale our operations in a cost-effective way based on overheads such as rent prices. For details of the type of stores which form the network of our direct sales channel, see Section 7.5.4.4 of this Prospectus.

***Design, Layout and Presentation of Stores***

We employ a team of in-house interior designers and project managers who are responsible for creating new store designs and for overseeing renovations. To maintain a consistent brand image, we ensure all stores have the same designs and similar layouts. Having our designs curated by a centralised team enables us to produce and customise store layouts in a timely and cost-efficient manner. We also use prefabricated and modular furnishings to streamline the fit-out process for a store opening. The renovation works are carried out by external contractors that are selected based on tenders that are submitted to our in-house interior design team and project managers based on the scope provided.

**7.5.4.6 Innovation and technology**

We pride ourselves on achieving operational efficiency and enhancing customer experience through innovative systems. Below are some examples of the technological and operational developments which we have implemented:

***Development of the Tealive App and Bask Bear App***

Our Company utilises both our in-house development team and external vendor(s) to fully support the Tealive App and Bask Bear App. Our in-house team focuses on core strategic functions like user interface, user experience, customer relationship management and data analysis, while the external vendor(s) are responsible for the technical aspects, including coding and app functionality.

**7. BUSINESS OVERVIEW (Cont'd)*****Customer-front tea dispenser***

Our front tea dispensers allow our Tearistas to prepare beverages while facing customers. Customers can see their drinks being prepared and Tearistas are able to interact with customers while concurrently preparing their orders, enhancing in-store customer experience.

***Loyalty programmes***

The loyalty programmes for Tealive and Bask Bear are operated under our Tealive App and Bask Bear App respectively. As at the LPD, we have over 2.8 million and 220,000 members that have subscribed to our Tealive App and Bask Bear App respectively. Our Tealive App and Bask Bear App offer customers the ability to earn points for Tealive and Bask Bear when purchases are made at our stores and these points can subsequently be used to redeem F&B products at our stores across Malaysia, as well as receive members-only promotions such as free birthday beverages. Our Tealive App and Bask Bear App also have a pre-ordering feature that allows customers to place orders in advance, potentially reducing wait times and boost satisfaction.

Our Tealive App and Bask Bear App allow access to data such as the age, location and drink preferences of our customers. By leveraging on such data, for example through data reflecting the frequency and types of products purchased, we can analyse customer behaviour and transaction data to more accurately identify customer preferences, purchasing trends and gives us visibility on the products which are more popular, which allows us to tailor our product and marketing efforts accordingly.

***E-learning application***

Our e-learning application is accessible by employees of all our stores. It enables us to provide in-person training courses for our employees and franchisees, as well as online training courses through our e-learning application, which further allows us to train employees and/or franchisees/licensees in a short timeframe and on a consistent basis through easily accessible training sessions and quizzes. Our employees and/or franchisees/licensees can access this resource at any time in order to familiarise themselves with our operating procedures. Our e-learning application also acts as a manual to assist the employees and/or franchisees/licensees in their day-to-day work. This on-going training enables us to increase efficiency and staff capabilities by giving employees and/or franchisees/licensees access to training sessions at any time if they require a refresher. It has also reduced time and resources previously required to run training sessions for our stores across Malaysia when new products or processes are launched. Our team ensures that the e-learning application provides training in a simplified, timely and effective manner.

***Kitchen display system***

We offer our employees ongoing support through our kitchen display system, which is used in our Tealive stores. Once an order is entered into the system, server-facing screens show our Tearistas the exact ingredients and recipes to make the customer their beverage of choice. This improves the efficiency, ensures consistency in our offerings and reduces training time across our Tealive stores.

**7. BUSINESS OVERVIEW (Cont'd)*****Cloud-based Business Information System***

Our CBIS collects real-time data from all our Tealive and Bask Bear stores which enables us to analyse operations and sales performance effectively. It includes our integrated POS system that is installed across all stores which allows us to track real-time sales data. Our CBIS also allows us to monitor our inventory and make timely adjustments to marketing, products and operations in response to market conditions and changes in customer purchasing patterns, while also enhancing the accuracy of demand forecasts.

We use this data to identify important areas for targeted marketing strategies aimed at expanding our customer base. Our CBIS also provides performance metrics across our stores, enabling us to quickly address underperforming locations or operational challenges. Through analysing this data, we receive valuable insights into business opportunities, trends and consumer preferences which are important for evaluating potential sites for new stores.

***Semi-automated operation processes***

We adopt SOPs for both Tealive and Bask Bear operations and have implemented semi-automated operation processes for our Tealive network of stores, for example through the uniform kitchen display system in all Tealive stores, providing our employees with clear instructions on the exact ingredients and methodologies required to create each beverage. In addition, we have equipped our stores with advanced machinery, such as tea dispenser, tea brewers and coffee machines which operate at pre-set settings to semi or fully-automate key processes. These systems enhance operational efficiency and enable us to deliver consistency across large volume of beverages prepared, as we believe that safety, consistency and quality are crucial elements for maintaining consumers' confidence in our brands. Further, these measures allow us to better replicate our systems and processes for our expansion plans and to create new F&B brands for our growth in the future.

**7.5.5 Operational Data****7.5.5.1 Same store sales performance**

Revenue growth from our stores over the Financial Years Under Review may not only be driven by the expansion of our network of stores, but also potentially by growing sales within our existing stores.

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. 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 during the immediately preceding financial year. Therefore, the SSSG for each financial year can only be calculated for the stores which have been in operation for a minimum of 12 months. The SSSG excludes POS sales generated by the stores that were closed temporarily in the month.

**7. BUSINESS OVERVIEW (Cont'd)**

The table below sets out the SSSG and Same Store ADSS of our stores including the net increase in number of same stores during the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
<b><u>Tealive</u></b>			
SSSG (%)	(0.5) <sup>(1)</sup>	(12.5)	(0.8)
Same Store ADSS (RM)	2,113	1,872	1,868
Number of same stores included in the calculation of SSSG and ADSS <sup>(1)</sup>	606	748	825
Net increase in number of same stores during the financial year <sup>(3)</sup>	-	142	77
<b><u>Bask Bear</u></b>			
SSSG (%)	20.9	40.4	(17.6)
Same Store ADSS (RM)	711	2,576	2,508
Number of same stores included in the calculation of SSSG and ADSS <sup>(2)</sup>	7	22	95
Net increase in number of same stores during the financial year <sup>(3)</sup>	-	15	73

**Notes:**

- (1) *Tealive brand recorded Same Stores ADSS of RM2,113 for the FYE 30 June 2022 which is slightly lower than 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 on 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 behaviour, 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 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 recorded at -0.8% for the financial year.*

**7. BUSINESS OVERVIEW (Cont'd)**

- (2) *Bask Bear brand recorded a 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 brand 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 its 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 was 40.4%.*

*Bask Bear brand 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 the 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%.*

- (3) *Calculated as the difference between the number of same stores included in the calculation of SSSG and ADSS for the financial year and that of the immediately preceding financial year.*

**7.5.6 Quality Control**

Quality control is of fundamental importance to the continuing operations of our business. In order to ensure that we continue to offer high quality products and services, we provide training on food safety and legislative requirements to all our employees. This ensures that the handling and preparation of raw materials are done in line with strict criteria and that equipment is being used correctly. Prior to a store opening, the premises and equipment are inspected by our store audit team. We also require all stores to undergo periodic pest control treatments.

We are committed to providing quality products to our customers as well as maintaining high standards of hygiene at our stores. We conduct scheduled and unannounced quality services and control audits of all our stores and provide store managers with clear equipment cleaning guidelines to ensure our standards are maintained. In addition to this, we evaluate our employees on a regular basis and conduct regular review of our quality and safety framework.

Further, our third-party warehouses providers operate on a 'first-in, first-out' basis based on the dates on which the goods expire.

See Section 7.5.9 of this Prospectus for details on the purchase of our raw materials from our suppliers and how we select our suppliers.



**7. BUSINESS OVERVIEW (Cont'd)****7.5.7 Sales and marketing**

As disclosed in Section 7.2.3 of this Prospectus, one of our competitive strengths is our ability to resonate with a wide base of consumers. As such, our brand identity is central to our business model and we undertake marketing strategies and coordinate national and local marketing to promote brand awareness, sustain sales and retain customer loyalty. We have a budget for marketing initiatives and a dedicated marketing and creative team based in our headquarters who is responsible for planning, creating and implementing various promotional and marketing strategies. The team has the following responsibilities in respect of the development of all the brands in our portfolio:

- (i) designing materials for display at our POS, such as posters and banners for our store fronts and roadshows, in order to promote existing and new products as well as to highlight promotions;
- (ii) formulating our digital marketing strategy and using social media platforms such as Tiktok, Xiaohongshu, Instagram and Facebook to promote our products and provide updates and driving direct revenue growth through the use of live-commerce platforms like TikTok Shop and Shopee Live;
- (iii) engaging media agencies to create brand awareness through public relations activities;
- (iv) working with celebrities and influencers to create brand awareness through paid partnerships and product placement;
- (v) organising marketing campaigns, roadshows and promotional events at shopping malls, music and food festivals, universities and schools; and
- (vi) collaborating creatively with strategic partners to introduce new product offerings and to create unique beverage offerings to capture consumer interest.

Our Tealive website in Malaysia is at <http://tealive.com.my> and our Bask Bear website is at <https://www.baskbear.com/> and our websites display our menus, loyalty programmes, business opportunities and news updates.

We also conduct a variety of sales and promotional campaigns. Among the major marketing initiatives carried out by us include:

***Public relations – news and media***

We use various online and offline news portals to promote our products and increase brand value. We have been featured in a number of Malaysian and international newspapers that discuss our expansion and plans for the future and we continue to be open to being featured and interviewed by local and international newspapers and publications.

***Digital marketing***

We have a team based in our headquarters who is responsible for designing and managing our social media marketing. Our digital marketing strategy uses Facebook, Instagram and Tiktok accounts to directly and instantly reach customers with special promotions, new offerings and news updates. From time to time we work with celebrities and social media influencers to promote Tealive and Bask Bear by featuring our products in their posts. We use their networks to increase our brand awareness and popularity of our products. By sharing frequently online we create awareness of our products and promotional campaigns.

**7. BUSINESS OVERVIEW (Cont'd)**

We also leverage our existing customer bases, for example through tactical marketing campaigns, the use of loyalty points to encourage repeat visits and notifications pushed through our Tealive App and Bask Bear App to remind them of our brands. Our customers' social media networks can also help promote our brand, especially when these customers update their social media accounts with photos of our products or our store locations, sharing their customer journey.

***Event marketing***

We use various means of event marketing to promote our products and in particular, the promotion of our new product offerings. For new product offerings, we often organise a product launch event which allows us to build activity around the new product(s) with an aim of achieving increased sales when the product is launched. Product launch events help create awareness and promote our product offerings, whether new or currently existing on our menu and typically allow for enhanced customer experience where customers may participate in promotional activities and sample the new product offerings. For example, in November 2024, we launched a Korean coffee concept for Tealive, K-Coffee at Sunway Pyramid shopping mall in Malaysia. Customers were invited to an exclusive K-Coffee Pop-up Cafe for pre-tasting with the popular Korean coffee drink made available in all Tealive stores from November 2024 onwards.

***Local store marketing***

All stores are encouraged to carry out localised marketing plans to suit the preference and needs of their respective customer base. Localised marketing plans are designed and executed by the respective stores but the local teams are required to obtain prior approval from our core marketing team before implementing such plan.

**7.5.8 Major customers and suppliers*****Major customers***

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.

We supply our franchisees/licensees with goods, comprising mainly ingredients, packaging materials and consumables necessary for their operations. In addition, we also receive franchise/licence fees and royalty from our franchisees/licensees. The revenue contribution from any franchisee/licensee was less than 1.0% of our Group's revenue for the Financial Years Under Review while the revenue contribution from our Group's top five (5) franchisees/licensees in aggregate was less than 2.8% of our Group's revenue for the Financial Years Under Review. Therefore, franchisees/licensees are not considered our major customers.

Our B2B customer base primarily consists of retailers and distributors who purchase SodaXpress machines and carbonating gas cylinders. The total revenue contribution from the SodaXpress customers which mainly comprises of B2B customers was less than 0.8% of our Group's revenue for the Financial Years Under Review and as such, B2B customers are not considered our major customers.

The sales contributed from our top five (5) customers collectively accounted for less than 5.0% of our revenue for the Financial Years Under Review. As such, we do not have any major customers and hence we are not dependent on any single customer.

**7. BUSINESS OVERVIEW (Cont'd)****Major suppliers**

As at the LPD, our list of suppliers mainly comprises (i) suppliers of ingredients and materials for our stores and (ii) suppliers of sparkling water machines and refill carbonating cylinders required for the operations of our SodaXpress business.

Our top five (5) major suppliers for the Financial Years Under Review are as follows:

FYE 30 June 2022

Name of supplier	Country of origin	Products sourced	Length of relationship as at the LPD (years) <sup>(1)</sup>	Purchases RM'000	Percentage of our Group's purchases <sup>(2)</sup>
Supplier A	Malaysia	Milk	6	16,815	9.3
Supplier B	Japan	Matcha powder	7	13,652	7.6
Supplier C	Malaysia	Non-dairy creamer	7	12,431	6.9
Supplier D	Malaysia	Cheese sauce, syrup, biscuit crumbs	5	11,396	6.3
Supplier E	Malaysia	Plastic cups	7	10,840	6.0
<b>Total</b>				<b>65,134</b>	<b>36.1</b>

FYE 30 June 2023

Name of supplier	Country of origin	Products sourced	Length of relationship as at the LPD (years) <sup>(1)</sup>	Purchases RM'000	Percentage of our Group's purchases <sup>(2)</sup>
Supplier C	Malaysia	Non-dairy creamer	7	20,594	10.9
Supplier D	Malaysia	Cheese sauce, syrup, biscuit crumbs	5	10,691	5.7
Supplier E	Malaysia	Plastic cups	7	10,569	5.6
Supplier F	Taiwan	Syrup	8	7,782	4.1
Supplier G	Malaysia	Packaging materials <sup>(3)</sup>	5	7,315	3.9
<b>Total</b>				<b>56,951</b>	<b>30.2</b>

FYE 30 June 2024

Name of supplier	Country of origin	Products sourced	Length of relationship as at the LPD (years) <sup>(1)</sup>	Purchases RM'000	Percentage of our Group's purchases <sup>(2)</sup>
Supplier C	Malaysia	Non-dairy creamer	7	17,429	9.0
Supplier H	Malaysia	Milk	2	16,989	8.8
Supplier I	Malaysia	Cocoa powder	2	10,432	5.4
Supplier J	Malaysia	Frozen items <sup>(4)</sup> and oat milk	8	9,300	4.8
Supplier F	Taiwan	Syrup	8	8,921	4.6
<b>Total</b>				<b>63,071</b>	<b>32.6</b>

**Notes:**

(1) Rounded up to the nearest whole year if six (6) months or more and vice versa.

**7. BUSINESS OVERVIEW (Cont'd)**

- (2) *Comprising ingredients, packaging materials, consumables, sparkling water machines and carbonating gas cylinders procured by us.*
- (3) *Comprising paper bags, cup carriers and straws.*
- (4) *Comprising burger beef patties, chicken cutlets, chicken sandwich slices, slice cheese, hashbrown and fries.*

To safeguard the competitive position of our Group, the names of Suppliers A, B, C, D, E, F, G, H, I and J have not been disclosed due to the commercial sensitivity of our suppliers' identity and their company policies.

Supplier A is a company incorporated in Malaysia which is involved in distribution of F&B products such as dairy products, juices, pastry, bakery and food ingredients and etc. The principal market in which Supplier A operates is Malaysia. Supplier A is not listed on any stock exchange.

Supplier B is a company incorporated in Japan which is involved in exporting Japanese food ingredients like matcha and squid ink powder, as well as importing healthy food ingredients like essential oils, whey and soy protein powders and epsom salt. The principal markets in which Supplier B operates are Asia, North America, New Zealand, Australia, Middle East and Europe. Supplier B is not listed on any stock exchange.

Supplier C is a company incorporated in Malaysia which is involved in specialising in advanced spray drying and innovative food ingredients, including high-fat powders, nutritional lipids, creamers and malted products. The principal markets in which Supplier C operates are Asia, Africa and North America. Supplier C is not listed on any stock exchange.

Supplier D is a company incorporated in Malaysia which is involved in providing market expansion services, delivering end-to-end solutions such as marketing, sales, distribution and value-added services for FMCG, luxury goods, food services and lifestyle products. The principal market in which Supplier D operates is Malaysia. Supplier D is a subsidiary of a company listed on Bursa Securities and the parent company is listed on the SIX Swiss Exchange.

Supplier E is a company incorporated in Malaysia which is involved in production and distribution of FMCG, as well as warehousing, logistics and assembly of two-wheeler automotive parts. The principal market in which Supplier E operates is Asia. Supplier E is not listed on any stock exchange.

Supplier F is a company incorporated in Taiwan which is involved in production of concentrated syrup, frozen fruit juice and frozen fruit, flavoured powders, tapioca pearls and other drink-related ingredients. The principal markets in which Supplier F operates are Asia, Europe and North America. Supplier F is not listed on any stock exchange.

Supplier G is a company incorporated in Malaysia which is involved in F&B packaging items and printing labels. The principal market in which Supplier G operates is Malaysia. Supplier G is not listed on any stock exchange.

Supplier H is a company incorporated in Malaysia which is involved in farming, manufacturing and distribution of dairy products and plant-based products. The principal market in which Supplier H operates is Asia. Supplier H is listed on Bursa Securities.

Supplier I is a company incorporated in Malaysia which is involved in manufacturing of speciality lipid powders, cheese and dairy powders, snack seasonings, batters and coatings in the food ingredient industry. The principal markets in which Supplier I operates are Asia, North America and Africa. The parent company of Supplier I is listed on the Dublin and London Stock Exchanges.

## 7. BUSINESS OVERVIEW (Cont'd)

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Supplier J is a company incorporated in Malaysia which is involved in the import, trade and wholesale of dairy products, frozen meat and other food products with integrated logistics and warehousing capabilities. The principal market in which Supplier J operates are Asia and Middle East. Supplier J is not listed on any stock exchange.

For each of the Financial Years Under Review, the supplies from our top five (5) major suppliers accounted for 36.1%, 30.2% and 32.6% of our total purchases for the Financial Years Under Review. In addition, for the FYE 30 June 2024, as the purchases from each of the major suppliers are less than 10.0% of the total purchases of our Group, we are not exposed to any concentration risk or dependent on any of the major suppliers in sourcing the ingredients, packaging materials and consumables needed for its businesses as there are a variety of alternative suppliers in the market which provide ingredients, packaging materials and consumables at similar prices.

### 7.5.9 Procurement and logistics

We centralise the purchase of most of our raw materials and supplies through LRTS Retail. Centralising our purchases allows us to obtain the best prices. We source a variety of raw materials, including tea, fruit concentrate and creamer from a list of selected suppliers who produce the ingredients based on our specific requirements. We select our suppliers by evaluating their overall track record, financial strengths, reliability, stability of supply, quality control measures and reasonableness of prices as well as logistics arrangements. In particular, we select our suppliers of raw materials based on stringent standards to ensure quality and safety for our customers. We will also evaluate samples of their supplies, and, if such samples are satisfactory during the sensory taste, the supplier will need to obtain or maintain certain certifications and provide us with a material safety data sheet or certificate of analysis for their supplies. Having met our selection criteria, the supplier will become our pre-qualified supplier. As we believe that stringent quality and safety standards are important, we closely communicate with and monitor our suppliers and require all raw material provided by them to meet our stringent internal and relevant national and/or international quality standards. We have multiple pre-qualified suppliers with whom we have established production capabilities, which gives us the flexibility to optimise our sourcing as needed and ensures we are not dependent on a single supplier for most of our core raw materials.

The team operating at our headquarters uses our analytics system and collects data and forecast the estimated raw materials required, based on trends and seasonality. We typically place an order with our suppliers as and when required.

For our Corporate Stores, the store supervisor performs weekly stock takes and make orders once stock falls below specific thresholds.

Once we have received a stock order from a store, materials are delivered to stores from our warehouse within one (1) to three (3) business days. Generally, deliveries are then organised through our third-party logistics providers, who are responsible for storing our raw materials and providing timely deliveries to the stores. During the Financial Years Under Review and as at the LPD, we have not experienced any delay in the delivery of raw materials to our stores which materially disrupted our business operations. We believe the use of third-party logistics service providers will continue to provide us with sufficient transportation capacity to support the future expansion of our network.

## 7. BUSINESS OVERVIEW *(Cont'd)*

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### 7.6 TRAINING AND DEVELOPMENT

We recognise the importance of having a strong team of management and technical personnel to meet our growth plans. We also depend on store employees to ensure our operations are efficiently run and that our customers receive the desired experience. For these reasons we place a great emphasis on training and development.

For all new stores our employees and franchisees/licensees are required to go through a series of training sessions. The training includes all aspects covering operations training, customer service, food and workplace safety and IT training. New employees are also required to undergo the same training. Following the opening of a store, our employees and franchisees/licensees are required to periodically undergo additional training to ensure that they remain up to date on the standard operating procedures.

We have developed an e-learning application which enables our Tealive employees and franchisees/licensees and our Bask Bear employees and licensees to have access to training and tutorials on a consistent basis. This keeps them informed on new product offerings and allows them to re-take training sessions if necessary. This has increased efficiency of our training delivery and reduced training time as employees do not have to travel for class sessions. See Section 7.5.4.6 of this Prospectus for further details.

### 7.7 PRODUCT DEVELOPMENT

We have a dedicated product development team which regularly crafts new food products and beverage flavours to be introduced under our Tealive and Bask Bear brands. We also engage in product and brand development activities 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. Our product development team experiments with new products for our Tealive and our Bask Bear operations, or engages with selected suppliers or ingredient manufacturers to formulate new beverage concepts from time to time. Other than standard menu items, we also offer LTOs, which are seasonal or themed beverages approximately once every four (4) to six (6) weeks for Tealive and Bask Bear. In tailoring our beverage offerings, we may use data gathered from our Tealive App and Bask Bear App to understand customer preferences.

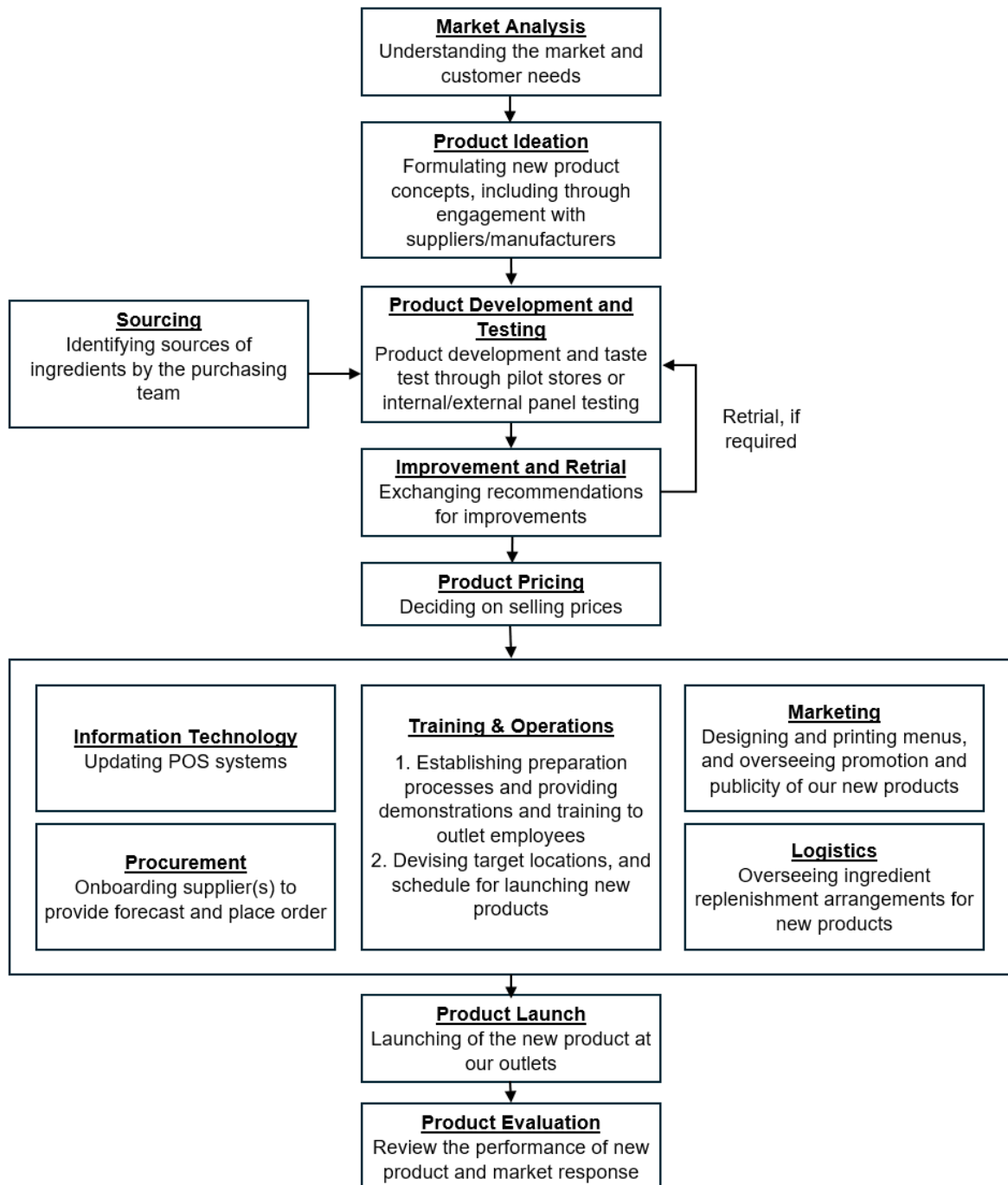
New and seasonal food as well as beverage menu items are reviewed, revised and approved by our product development and operations teams. Prior to launching a new beverage, our product development team runs product testing internally with our operations team, which involves our employees and also occasionally conducts in-store customer tasting with customers or unrelated third parties. Upon the successful completion of this stage, the new beverage menu items are launched in selected pilot stores nationwide. Feedback is then gathered from these pilot launches and analysed to refine and optimise the product prior to the official launch across all stores.

Prior to launching a new food item, we organise focus groups to conduct both internal and external panel tests where the panelists will taste a group of food samples and rate their experience and overall liking of the beverage product, evaluating on factors such as appearance, portion size, taste, texture, perceived value and purchase intention. The internal panel test consists of our employees or other members of management and the external panel test is conducted with external third parties or non-employees.

Once the new product is developed, our various business teams will create a SOP and training video for the production of such product, to ensure that it will be prepared correctly by all employees and franchisee/licensees. We also make other preparations for the product to be rolled out at our Tealive and Bask Bear stores, such as arranging for POS systems to be updated, onboarding suppliers to place orders for specific supplies, conducting promotion and publicity of the new products and reviewing inventory for ingredient replenishment arrangements post-launch.

**7. BUSINESS OVERVIEW (Cont'd)**

The following diagram illustrates our beverage development process for our menu:



For LTOs or project-based beverages such as creative collaborations involving third-party intellectual property, the process is largely the same save that we will negotiate and enter into a collaboration agreement for such projects prior to the commencement of development or testing.

**7. BUSINESS OVERVIEW (Cont'd)****7.8 INSURANCE**

We have purchased insurance policies to cover a variety of risks that are relevant to our business needs and operations. As at the LPD, we have the following insurance policies in place:

- (i) all-risks insurance on all fixed office equipment and machines including signboard in the relevant premises against loss or damage caused by any accident or misfortune;
- (ii) fire insurance for our moveable and immoveable property in relation to any damage caused by fire, explosions, water or other fire extinguishing agent accidentally discharged or leaking from the sprinklers or extinguishing installation or apparatus and civil disorders;
- (iii) burglary insurance in relation to any goods held in trust or on commission, furnitures, fixtures, fittings and office equipment stored in the relevant premises;
- (iv) money insurance in relation to any loss of money in the relevant premises or in transit to/from bank and money in locked safe;
- (v) glass insurance in relation to all external and internal glass doors, mirrors, frameworks and windows in the relevant premises;
- (vi) deterioration of stock insurance for all frozen stocks;
- (vii) personal accident insurance for accidental death or total permanent disability on our employees, which is limited to three (3) employees per store with worldwide coverages;
- (viii) public liability insurance for third party accidental bodily injury and/or accidental property damage;
- (ix) employer's liability insurance for accidental bodily injury or disease on our employees arising out of or in the course of employment;
- (x) fidelity guarantee insurance on all direct pecuniary loss sustained by any act or fraud or dishonesty committed by our employees;
- (xi) machinery breakdown insurance on all plant, machineries and mechanical equipment which is owned/leased or under our control or custody;
- (xii) marine cargo insurance on goods for loss of or damage to goods shipped during transportation; and
- (xiii) goods in transit insurance on business goods while in transit including loading and unloading of any vehicle by land.

The insurance policies that we currently hold are customary in the industry in which we operate and we will review our insurance coverage annually.



**7. BUSINESS OVERVIEW (Cont'd)****7.9 MAJOR LICENCES AND PERMITS**

We have various licences, permits and approvals for our operations in Malaysia and other jurisdictions where we operate. Details of our major licences, permits and approvals are set out in Annexure A of this Prospectus. Save as disclosed in Annexure A of this Prospectus, as at the LPD, our Group is not dependent on any major licences, permits and approvals for our business operations.

**7.10 SEASONALITY**

As a F&B provider, we experience seasonality in our Tealive and Bask Bear operations. We generally experience increased customer traffic and sales during public holidays and festive periods.

**7.11 EMPLOYEES**

As at the LPD, we have approximately 4,148 employees in Malaysia, out of which we have four (4) contractual employees and 20 foreign employees.

The following table sets out the number of our employees by function as at the dates indicated:

Category	Number of employees as at	
	30 June 2024	LPD
Management	13	10
Administration	184	191
Operations		
- Headquarters	110	126
- Stores (full-time)	2,261	2,150
- Stores (part-time)	1,831	1,671
<b>Total</b>	<b>4,399</b>	<b>4,148</b>

None of our employees belong to any labour union. During the Financial Years Under Review and up to the LPD, there has been no industrial disputes pertaining to our employees.

**7.12 COMPETITION**

According to the estimate stated in the IMR Report, Tealive 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 while Bask Bear is the largest player within the cafe shops segment by number of stores as at the LPD. However, the products that we and our franchisees/licensees sell compete directly against products sold by other selected key players.

We also offer extensive beverage categories across different price points, coupled with a wide range of toppings on our menu. This enables us to serve broader categories of customers with different health preferences. The introduction of Tealive Plus enhances this experience by providing premium ingredients and a more extensive drinks menu compared to the standard Tealive stores. The ability to innovate as well as continuously develop and introduce new and localised flavours enables us to capture local market interest and satisfies changes in consumer preferences. Additionally, the adoption of technologies such as our POS systems, CBIS and Tealive App and Bask Bear App allow us to remain competitive by delivering a better customer experience as well as improving our operational efficiency. Our expansion into upstream ventures such as the production of tapioca pearls in Malaysia enables us to oversee and manage the quality and consistency of one of the key ingredients used in our MTO beverages.

**7. BUSINESS OVERVIEW (Cont'd)****7.13 INTELLECTUAL PROPERTY AND TRADEMARKS**

Our intellectual property is used by all our stores for their operations. As at the LPD, we have registered 51 material trademarks and made 14 material trademark applications which are pending registration in the principal markets in which we and our franchisees/licensees currently operate and/or intend to operate. As part of our business operations, we have granted licences to external entities to use our trademarks, such as our franchisees, licensees and collaborative business partners. Our major trademarks include our Tealive logo and Bask Bear logo. Save as disclosed in Annexure C of this Prospectus, as at the LPD, we do not have any other material patents, trademarks, brand names, technical assistance agreements, franchises and other intellectual properties on which we are materially dependent.

**7.14 BUSINESS INTERRUPTION**

We did not experience any disruption to our business which had a significant effect on our operations for the 12-month period prior to the date of this Prospectus.

**7.15 MATERIAL PROPERTIES AND MATERIAL EQUIPMENT**

Details of our material properties and our material equipment are set out in Annexure B of this Prospectus.

**7.16 CASH MANAGEMENT POLICY**

Though our transactions are moving towards cashless payment methods such as through e-wallets, a notable amount of our in-store transactions are still settled in cash. For example, in the FYE 30 June 2024, cash sales contributed approximately 37.4% of our total sales for our Tealive and Bask Bear operations and therefore, we have adopted a cash management policy to ensure the authorised access to cash proceeds and proper handling of cash and to avoid misappropriation or illegal use of cash received from our operations. Our cash collection policy is designed to standardise practices across our stores with respect to cash handling. We also designate authorised personnel to handle cash at each store and have strict cash bank-in or cash collection procedures. We have also installed closed-circuit television systems at all our stores to monitor operations including cash handling.

At our headquarters, we perform reconciliation and cross-checking procedures to detect possible variances in our cash management process. In the event of fraud, mismanagement or mishandling of cash, appropriate actions such as internal inquiries are taken.

**7.17 GOVERNING LAWS AND REGULATIONS**

Our Group's business is regulated by and in some instances required to be licenced under specific laws of Malaysia and foreign jurisdictions. The relevant laws and regulations governing our Group which are material to our operations are summarised below. The below does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to and is only intended to provide general information to investors. It is not intended to be a substitute for independent professional advice. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

**7. BUSINESS OVERVIEW (Cont'd)****7.17.1 Malaysia**

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

**(i) Franchise Act**

Franchise Act applies throughout Malaysia to the sale and operation of any franchise in Malaysia. A franchisor or a foreign person who has obtained an approval to sell a franchise in Malaysia or to any Malaysian citizen under Section 54 of the Franchise Act shall register his franchise with the Registrar of Franchises before he can operate a franchise business or make an offer to sell the franchise to any person. The Franchise (Prescription of Period of Effectiveness of Registration) Regulations 2022 prescribes a period of five (5) years as a period of effectiveness of registration of a franchise. A franchisor may apply to the Registrar of Franchises for renewal of the registration of franchise by submitting an application in such form as may be determined by the Registrar of Franchises together with the prescribed fee within 30 days from the expiration date of such registration. Any person who contravenes any provision under the act and/or regulations as mentioned above shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**(ii) Local Government Act 1976, Trades Licensing Ordinance 1949, Local Authorities Ordinance 1996, Businesses, Professions and Trades Licensing Ordinance 1958, Local Authorities Ordinance 1996, Local Authorities (Advertisements) By-Laws 2012 and the by-laws of the respective local councils and authorities**

It is a legal requirement under the Local Government Act 1976, Trades Licensing Ordinance 1949, Local Authorities Ordinance 1996, Businesses, Professions and Trades Licensing Ordinance 1958, Local Authorities Ordinance, 1996 of Sarawak and the by-laws of respective councils and authorities applicable to where our Tealive Corporate Stores and Bask Bear Corporate Stores are located that business and signage licences shall be obtained prior to commencement of our Tealive Corporate Stores and Bask Bear Corporate Stores. No person shall operate any activity of trade, business and industry or use any place or premises for any activity of trade, business and industry without a licence issued pursuant to the relevant by-laws. Generally, these business and signage licences are valid for a period of 12 months and renewable on a yearly basis. Any person who contravenes any provision under the act, ordinances and/or by-laws as mentioned above shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**(iii) Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009**

The Food Act 1983 and the Food Regulations 1985 are laws governing the food safety and quality control including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, sale and use of foods and for other related matters. The legislation applies to all foods, locally produced or imported, which are sold in the country. It covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalties.

**7. BUSINESS OVERVIEW (Cont'd)**

The Food Hygiene Regulations 2009 governs the registration of food premises and conduct and maintenance of food premises in Malaysia. No person shall use any food premises specified in the Food Hygiene Regulations 2009 for the purposes of, or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabelling, reprocessing or reconditioning of any food except the premises is registered under the Food Hygiene Regulations 2009. A certificate of registration for food premises shall be valid for a period not exceeding three (3) years from the date of its issuance. An application for renewal of a certificate of registration for food premises shall be made at least 30 days before its expiry date. Any proprietor, owner, occupier of food premises who fails to comply with any provision under the act and/or regulations as mentioned above shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**(iv) SDBA, Uniform Building By-Laws 2022 under the Local Government Ordinance 1961, Buildings Ordinance 1994 ("Building Laws")**

The Building Laws is enforced by the local authorities of Malaysia and it provides for the requirement of having a CCC or equivalent for the occupation of any building or any part thereof. Any person who occupies or permits to be occupied any building or any part thereof without a CCC shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**(v) Trade Descriptions Act 2011, Trade Descriptions (Definition of Halal) Order 2011 and Trade Descriptions (Certification and Marking of Halal) Order 2011**

The Trade Descriptions Act 2011 aims to promote good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services. Halal certification and surveillance in Malaysia has been assigned to the government bodies by virtues of the act.

The Trade Descriptions Act 2011 further standardises the issuance of Halal certificates. JAKIM is appointed as the sole issuer of Halal certificates for any food, goods or related services.

The Trades Description (Definition of Halal) Order 2011 and the Trade Descriptions (Certification and Marking of Halal) Order 2011 give specific legal proviso on matters pertaining to Halal. It provides protection to traders and consumers from unhealthy trade practices. Any person who contravenes any provision under the act and/or orders as mentioned above shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**7. BUSINESS OVERVIEW (Cont'd)****(vi) Personal Data Protection Act 2010**

The Personal Data Protection Act 2010 regulates the processing of personal data in commercial transactions in Malaysia. Personal data relates directly or indirectly to a data subject, who is identified or identifiable from that information or from that and other information in the possession of a data user, including any sensitive personal data and expression of opinion about the data subject. The processing of personal data by a data user must comply with the personal data protection principles as provided under the Personal Data Protection Act 2010. Our Group from time to time collects, stores and processes certain personal data of our franchisees/licensees during franchisee/licensing onboarding process and our consumers when they place orders through our Tealive App and Bask Bear App. Therefore, we are required to comply with the personal data protection principles as provided under the Personal Data Protection Act 2010. Any person who fails to comply with any provision under the act as mentioned above shall, upon conviction, be liable to a monetary fine and/or imprisonment.

**7.17.2 International markets where our Group operates through a franchise model**

Most of the countries in which our Group has signed MFA, FA or ARDA (as the case may be) with local franchisees namely, Bangladesh, Brunei, Cambodia, India, Mauritius, Myanmar, the Philippines, Thailand and the UAE, do not have dedicated franchise laws. In the absence of specific laws and regulations governing franchise arrangements, franchise agreements are considered commercial transactions between private parties and are thereby governed under contract law in general. In these countries, there is no requirement for the franchisor and master franchisee to obtain any approval, registration or consent from governmental or regulatory authorities to exercise their rights or perform their obligations under the franchise agreements.

In Canada, the offering of franchises is regulated in some Provinces. In the Province of Ontario, the Arthur Wishart Act (Franchise Disclosure), 2000, SO 2000, c 3 is the legislation governing franchises. This law imposes on each party a duty of fair dealing in every franchise agreement. A franchisee has the freedom to associate with other franchisees and join an organisation of franchisees. The law further requires franchisors to comply with mandatory franchise disclosure requirements (e.g. a franchisor must provide a prospective franchisee with a disclosure document not less than 14 days before the signing by the prospective franchisee of the franchise agreement and the payment of any consideration to the franchisor. A franchisee may rescind a franchise agreement no later than 60 days after receiving the disclosure document or no later than two (2) years after entering into the franchise agreement if a disclosure document was never provided). The parties will have a right of action for damages if in breach of the duty of fair dealing, in addition to other rights and remedies available under contract law. However, there is no requirement for franchisor and franchisee to obtain prior approval, registration or consent from governmental or regulatory authorities before offering a franchise in Canada.

**7. BUSINESS OVERVIEW (Cont'd)**

However, for the Philippines, Loob Holding is required under the Intellectual Property Code of the Philippines to obtain and has obtained the approval, registration or consent from the Intellectual Property Office of the Philippines, through the Documentation, Information, Technology Transfer Bureau to enter into, exercise their rights or perform their obligation under the MFA and ARDA in the Philippines. While the certificate of registration (“**COR**”) covering the MFA remains valid to date, the COR covering the ARDA had expired on 16 January 2025. Notwithstanding the expiration of the COR, the parties to the ARDA have agreed to extend the term of the ARDA for an additional period of six (6) months until 16 July 2025. The parties are currently negotiating on the renewal terms for the ARDA. The non-renewal of the COR does not constitute a breach or non-compliance of any applicable Philippine laws. Furthermore, the ARDA, despite non-renewal of the COR, may still be considered an enforceable contract by virtue of ratification as it is an executed and implemented contract where the parties benefited from the fulfillment of each other's obligations.

In Vietnam, pursuant to the Commercial Law of Vietnam, franchising is a commercial activity in which the franchisor allows and requires the franchisee to conduct the purchase and sale of goods and provision of services on its own according to the following conditions:

- (a) the purchase and sale of goods and provision of services are conducted in a business organisation manner prescribed by the franchisor and are associated with the franchisor's trademark, trade name, business secrets, business slogan, business symbol and advertisement; and
- (b) the franchisor has the right to control and assist the franchisee in operating the business.

Foreign franchisors who operate through a franchise system in Vietnam must register their franchise business with the Ministry of Industry and Trade, Vietnam before entering into a franchise agreement with a local franchisee. See Section 7.18.3 of this Prospectus for further details on the status of registration by Loob Holding of our Tealive franchise business in Vietnam.

**7.18 Non-compliances with the relevant laws, regulations, rules and requirements governing the conduct of the operations of our Group**

**7.18.1 Tealive Corporate Stores and Bask Bear Corporate Stores without CCC**

In Peninsular Malaysia, pursuant to Section 70(27)(f) of the SDBA, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding ten (10) years or to both.

In Sabah, pursuant to Sections 220, 233(f) and 235 of the Uniform Building By-Laws 2022 under the Local Government Ordinance 1961, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding one (1) year or to both and in the case of a continuing offence, to a further fine not exceeding RM5,000 for every day during which the offence continues after conviction.

In Sarawak, pursuant to Section 24 of the Fourth Schedule of the Buildings Ordinance 1994, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM10,000 and in the case of a continuing offence, to a further fine not exceeding RM300 for every day during which the offence continues after notice to cease occupying the building has been issued on such person.

**7. BUSINESS OVERVIEW (Cont'd)**

As at 26 May 2025, all of the 684 tenanted Tealive Corporate Stores and Bask Bear Corporate Stores, comprising 555 Tealive Corporate Stores and 129 Bask Bear Corporate Stores, have CCCs save for the following:

- (i) 34 Tealive Corporate Stores representing 6.1% of our total 555 Tealive Corporate Stores and 5.0% of our total Corporate Stores

<b>No. of stores</b>	<b>Category and Status</b>
27 (4.9%)	<p><b>Landlords did not provide CCCs:</b> The landlords have indicated that they do not possess a copy of the CCC in their records either due to (i) the buildings having been completed many years ago; (ii) the CCCs were not issued as the buildings are constructed before the SDBA came into effect; or (iii) the building has a newly built structure or has undertaken renovations.</p> <p>Out of these stores, 16 Tealive Corporate Stores (2.9%) are located in petrol stations.</p>
7 (1.2%)	<p><b>Local councils do not have CCCs in their records:</b> The landlords or we have received letters from the respective local councils indicating that the CCCs are not in their records.</p> <p>Out of these stores, two (2) Tealive Corporate Stores (0.4%) are located in petrol stations.</p>

(The above shall hereinafter be referred to collectively as “**Tealive Outstanding CCCs**”)

- (ii) Ten (10) Bask Bear Corporate Stores, representing 7.8% of our total 129 Bask Bear Corporate Stores and 1.5% of our total Corporate Stores

<b>No. of stores</b>	<b>Category and Status</b>
5 (3.9%)	<p><b>Landlords did not provide CCCs:</b> The landlords have indicated that they do not possess a copy of the CCC in their records due to (i) the building having been completed many years ago; or (ii) the building has a newly built structure or has undertaken renovations.</p> <p>Out of these stores, four (4) Bask Bear Corporate Stores (3.1%) are located in bank branches.</p>
5 (3.9%)	<p><b>Local councils do not have CCCs in their records:</b> The landlords have received letters from the respective local councils indicating that the CCCs are not in their records.</p>

(The above shall hereinafter be referred to collectively as “**Bask Bear Outstanding CCCs**”)

(The 34 Tealive Outstanding CCCs and ten (10) Bask Bear Outstanding CCCs are collectively referred to as “**Outstanding CCCs**”)

**7. BUSINESS OVERVIEW (Cont'd)**

The rectification steps for the Outstanding CCCs are as follows:

<b>Category</b>	<b>Rectification step</b>
Landlords did not provide CCCs	<p><b><u>Confirmation from landlords</u></b></p> <p>Our Group has written to the landlords for 27 Tealive Corporate Stores and five (5) Bask Bear Corporate Stores for confirmation that CCCs have been issued for the respective premises in accordance with the relevant act, by-laws and approved plans. The status of the landlords' confirmation as at 26 May 2025 is as follows:</p>

	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear Corporate Store(s)</b>
Stores for which written confirmation have been received	18 <sup>(1)</sup>	4 <sup>(2)</sup>
Stores which are awaiting responses	9	1
<b>Total</b>	<b>27</b>	<b>5</b>

**Notes:**

- (1) Out of these 18 Tealive Corporate Stores, 16 Tealive Corporate Stores are located in petrol stations where the main tenant of these Corporate Stores had provided an undertaking to indemnify our Group against all costs, losses, penalties and claims in respect of the premises arising from any non-issuance of CCC.
- (2) These four (4) Bask Bear Corporate Stores are located in bank branches where the main tenant and/or landlord of these Corporate Stores had provided an undertaking to indemnify our Group against all costs, losses, penalties and claims in respect of the premises arising from any non-issuance of CCC.

**Extraction of CCC from local councils**

As at 26 May 2025, our Group and/or the landlords have written to the local councils and/or submitted applications to extract a copy of the CCC for the 27 Tealive Corporate Stores and five (5) Bask Bear Corporate Stores. The status of the local councils' responses as at 26 May 2025 is as follows:

	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear Corporate Store(s)</b>
Stores which are in various stages of obtaining CCCs, approval and/or licence to occupy	6 <sup>(1)</sup>	1 <sup>(1)</sup>
Stores where the tenancy will be ending by the third quarter of 2025 and will not be renewed	2 <sup>(2)</sup>	-
Stores which are awaiting responses	19	4
<b>Total</b>	<b>27</b>	<b>5</b>



**7. BUSINESS OVERVIEW (Cont'd)**

Category	Rectification step
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**Notes:**

- (1) Out of these six (6) Tealive Corporate Stores and one (1) Bask Bear Corporate Store, our Group has received responses from the local councils stating that CCC has not been issued for two (2) Tealive Corporate Stores and one (1) Bask Bear Corporate Store. Our Group will not be following up for the remaining responses for these stores as we are already in the midst of obtaining CCCs, approval and/or license to occupy.
- (2) Out of these two (2) Tealive Corporate Stores, our Group has not received any response from the local councils. Our Group will not be following up for the responses for these stores as the tenancies for these stores will not be renewed when they end by the third quarter of 2025.

For the remaining 19 Tealive Corporate Stores and four (4) Bask Bear Corporate Stores, our Group has been following up with the respective local councils for their responses, including making in-person visits. Our Board anticipates receiving responses from the relevant local councils within three (3) to six (6) months from the submission date.

**Request for CCC from the Board of Engineers Malaysia ("BEM")**

In addition to the written requests to the local councils to extract a copy of the CCC from local councils, our Group has also written to the BEM requesting for a copy of the CCCs for the 27 Tealive Corporate Stores and five (5) Bask Bear Corporate Stores. The status of the BEM's responses as at 27 May 2025 is as follows:

	No. of Tealive Corporate Store(s)	No. of Bask Bear Corporate Store(s)
Stores which are in various stages of obtaining CCCs, approval and/or licence to occupy	6 <sup>(1)</sup>	1 <sup>(1)</sup>
Stores where the tenancy will be ending by the third quarter of 2025 and which will not be renewed	2 <sup>(2)</sup>	-
Responses received from the BEM that there are no records of the CCC	1	-
Stores which are awaiting responses	18	4
<b>Total</b>	<b>27</b>	<b>5</b>

**Notes:**

- (1) Out of these six (6) Tealive Corporate Stores and one (1) Bask Bear Corporate Store, our Group has received responses from the BEM stating that they do not have records of the CCCs for five (5) Tealive Corporate Stores and one (1) Bask Bear Corporate Store. Our Group will not be following up for the response for the remaining store as we are already in the midst of obtaining CCCs, approval and/or license to occupy.
- (2) Out of these two (2) Tealive Corporate Stores, our Group has received responses from the BEM stating that they do not have records of the CCC for one (1) Tealive Corporate Store. Our Group will not be following up for the response for the remaining store as the tenancy will not be renewed when it ends by the third quarter of 2025.

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Category</b>	<b>Rectification step</b>
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Our Group has been following up with the BEM for their responses, for the remaining 18 Tealive Corporate Stores and four (4) Bask Bear Corporate Stores. Our Board anticipates receiving responses from the BEM within three (3) to six (6) months from the request date.

**Additional measures taken based on store type or location**

The additional measures taken based on the type or location of stores are as follows:

<b>Type or location of store</b>	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear Corporate Store(s)</b>	<b>Current status / Next step</b>
Shoplot	8	4	<p>For one (1) Tealive Corporate Store located in government building, our Group has written to the relevant administrator to confirm that the premises have been duly constructed and completed in accordance with the relevant act, by-laws and approved plans. Our Group has been following up and will continue to follow up with the relevant administrator for their response.</p> <p>With respect to five (5) Tealive Corporate Stores, the landlords are in various stages of obtaining the approvals from the relevant authorities in relation to the issuance of the CCCs, approval and/or licence to occupy these Corporate Stores. Our Group has been and will continue to follow up with the relevant authorities to obtain the CCCs, approval and/or licence to occupy these Corporate Stores.</p> <p>Our Group will be closing down one (1) Tealive Corporate Store whose tenancy will end by the third quarter of 2025 and which will not be renewed due to continued underperformance.</p> <p>With respect to one (1) Tealive Corporate Store which was taken over from our existing franchise operator in May 2025 and four (4) Bask Bear Corporate Stores located in bank branches, our Group will continue to follow up with the local councils and the BEM for their responses.</p>

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Category</b>	<b>Rectification step</b>		
<b>Type or location of store</b>	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear Corporate Store(s)</b>	<b>Current status / Next step</b>
Petrol Station	16	-	The main tenant is in the process of locating the CCCs. Our Group has been and will continue to follow up with the main tenant for the status of the CCCs.
Mall	1	-	Our Group will be closing down this Tealive Corporate Store whose tenancy will end by the third quarter of 2025 and which will not be renewed due to continued underperformance.
Standalone store	1	1	With respect to one (1) Tealive Corporate Store and one (1) Bask Bear Corporate Store, the landlords are in various stages of obtaining the approvals from the relevant authorities in relation to the issuance of the CCCs, approval and/or licence to occupy these Corporate Stores. Our Group has been and will continue to follow up with the relevant authorities to obtain the CCCs, approval and/or licence to occupy these Corporate Stores.
Transportation Hub – LRT /MRT/R&R	1	-	Our Group has written to the relevant expressway operator to confirm that the premise has been duly constructed and completed in accordance with the relevant act, by-laws and approved plans. Our Group has been following up and will continue to follow up with the relevant expressway operator for their response.
<b>Total</b>	<b>27</b>	<b>5</b>	

It is the intention of our Group to carry on our operations at the affected stores while we work towards obtaining the CCCs, confirmation and/or undertakings.

In the event that the CCCs and/or the confirmations from the landlords, relevant administrators and expressway operator are not forthcoming, our Group will liaise with the landlords to apply for CCCs. If the application is not made by June 2026 by the landlord, the affected stores will either be relocated or closed within three (3) months.

**7. BUSINESS OVERVIEW (Cont'd)**

Category	Rectification step
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Local  
councils

do not  
have  
CCC in  
their  
records

**Confirmation from landlords**

Our Group has written to the landlords and/or main tenants of all seven (7) Tealive Corporate Stores and five (5) Bask Bear Corporate Stores for confirmation that CCCs have been issued for the respective premises in accordance with the relevant act, by-laws and approved plans and the landlords undertake to indemnify our Group against all costs, losses, penalties and claims in respect of the premises arising from any non-issuance of CCC. The status of the landlords' confirmation as at 26 May 2025 is as follows:

	No. of Tealive Corporate Store(s)	No. of Bask Bear Corporate Store(s)
Stores for which written confirmation have been received	3	2
Stores which are awaiting responses	4	3
<b>Total</b>	<b>7</b>	<b>5</b>

Our Group will continue to follow up with the remaining seven (7) landlords for their responses by October 2025.

**Request for CCC from the BEM**

In addition to the above, our Group has also written to the BEM requesting for a copy of the CCCs for the seven (7) Tealive Corporate Stores and five (5) Bask Bear Corporate Stores. The status of the BEM's responses as at 27 May 2025 is as follows:

	No. of Tealive Corporate Store(s)	No. of Bask Bear Corporate Store(s)
Responses received that there is no CCC in BEM's records	5	5
Stores which are awaiting responses	2	-
<b>Total</b>	<b>7</b>	<b>5</b>

Our Group has been following up with the BEM for their responses for the remaining two (2) Tealive Corporate Stores. Our Board anticipates receiving responses from the BEM within three (3) to six (6) months from the request date.

**7. BUSINESS OVERVIEW (Cont'd)****Category Rectification step****Additional measures taken based on store type or location**

The additional measures taken based on the following type or location of stores are as follows:

<b>Type or location of store</b>	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear corporate store(s)</b>	<b>Current status / next step</b>
Shoplot	5	4	<p>With respect to one (1) Tealive Corporate Store, the landlord is in the midst of obtaining the necessary confirmation from the approving architect in relation to the issuance of the CCC. Our Group has been and will continue to follow up closely with the approving architect for his confirmation.<sup>(1)</sup></p> <p>With respect to four (4) Tealive Corporate Stores and four (4) Bask Bear Corporate Stores, our Group will liaise with the landlords and/or main tenants to apply for CCCs.</p> <p>With respect to three (3) Tealive Corporate Stores and two (2) Bask Bear Corporate Stores whose tenancies will end by the end of 2025, our Group will only renew the tenancies on a short-term basis while discussing with the landlord on the application for the CCCs. With respect to two (2) Tealive Corporate Stores whose tenancies have expired, our Group is currently negotiating the renewal of the expired tenancies on a short-term basis and continues to occupy the premises on a month-to-month basis at the previous rental rates pending the outcome of these negotiations. If these tenancies are not renewed by July 2025, our Group will proceed to relocate or close these stores within three (3) months.</p>

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Category</b>	<b>Rectification step</b>		
<b>Type or location of store</b>	<b>No. of Tealive Corporate Store(s)</b>	<b>No. of Bask Bear corporate store(s)</b>	<b>Current status / next step</b>
Petrol station	2	-	With respect to these two (2) Tealive Corporate Stores, BEM's responses are pending, and our Group has been following up with the BEM for their responses. <sup>(1)</sup>
Standalone store	-	1	With respect to this one (1) Bask Bear Corporate Store located in government leased building, our Group has also written to the relevant administrator to confirm that the premises have been duly constructed and completed in accordance with the relevant act, by-laws and approved plans. Our Group has been following up and will continue to follow up with the relevant administrator for their response. <sup>(1)</sup>
<b>Total</b>	<b>7</b>	<b>5</b>	

**Note:**

- (1) *If the responses from these parties are not forthcoming, our Group will liaise with the landlords and/or main tenants to apply for CCCs. If the application is not made by June 2026, the affected stores will either be relocated or closed within three (3) months.*

It is the intention of our Group to carry on with our operations at the affected stores while we work towards obtaining the CCCs, confirmation and/or undertakings.

The above non-compliances were due to deficiencies in adherence to the established procedures by the business development unit, resulting in the failure to obtain the CCCs from our landlords or main tenants. Notwithstanding the above, our Group has since further enhanced its internal control system to ensure future compliance with the proper procedures. See Section 7.18.7 of this Prospectus for further details on the steps taken to prevent a recurrence of such non-compliance including measures implemented to enhance the internal control system of our Group.

The estimated relocation cost is up to RM250,000 per store where the relocation period is expected to be between three (3) to six (6) months. In addition, our Group may be liable, on conviction, to a maximum potential fine of RM10.1 million for occupying the 34 Tealive Corporate Stores and ten (10) Bask Bear Corporate Stores without CCC or to imprisonment for a term not exceeding ten (10) years or to both.

**7. BUSINESS OVERVIEW (Cont'd)**

Our Board is of the view that there is no material adverse impact to our Group's business operations and financial condition as:

- (a) the total cost of rectification of approximately RM6,300, has already been incurred, which is mostly administrative in nature and is not material to our Group; and
- (b) the maximum potential fine of RM10.1 million is unlikely due to the following:
  - (i) the affected stores are dispersed throughout Malaysia under the jurisdiction of different local councils which operate independently, with varying enforcement practices and timelines. As such, it is unlikely that enforcement actions will be carried out simultaneously and/or uniformly across all jurisdictions;
  - (ii) the majority of the affected stores are situated in petrol stations (40.9%) whose operations are highly regulated and as such, it is unlikely that CCCs have not been issued for such petrol stations; and in rows of commercial shop lots (50.0%) that have neighbouring tenants that are operating similar retail businesses and are not operating businesses that are large scale and/or industrial in nature;
  - (iii) the records for certain older buildings are no longer available in the records of the local councils and the local councils have not requested for CCCs in most, if not all, of the affected areas. when applying for business licences; and
  - (iv) in the event of enforcement, the local councils may grant a rectification period before imposing any penalties.

The aggregate revenue contribution of the 34 Tealive Corporate Stores and ten (10) Bask Bear Corporate Stores is only approximately 3.7% of the revenue of our Group for the FYE 30 June 2024 and the aggregate operating profit of these stores is only approximately 2.0% of the PBT of our Group for the FYE 30 June 2024, respectively based on our audited combined financial statements for the FYE 30 June 2024. Any impact to our Group's sales would occur only during the relocation period of between three (3) to six (6) months.

The 22 Corporate Stores for which indemnities have been provided by the landlords and/or main tenants comprise the following:

- (i) 18 Tealive Corporate Stores located in petrol stations where their aggregate revenue contribution and aggregate operating profit is approximately 1.4% of our Group's revenue for the FYE 30 June 2024 and approximately 1.0% of our Group's PBT for the FYE 30 June 2024; and
- (ii) four (4) Bask Bear Corporate Stores located in shop lots where bank branches are located where their aggregate revenue contribution and aggregate operating profit is approximately 0.2% of our Group's revenue for the FYE 30 June 2024 and approximately 0.1% of our Group's PBT for the FYE 30 June 2024.

## 7. BUSINESS OVERVIEW (Cont'd)

In aggregate, this amounts to approximately 1.6% of our Group's revenue for the FYE 30 June 2024 and approximately 1.0% of our Group's PBT for the FYE 30 June 2024 based on our audited combined financial statements for the FYE 30 June 2024.

### 7.18.2 Delay in obtaining business and signage licences for Tealive Corporate Stores and Bask Bear Corporate Stores

In Peninsular Malaysia, pursuant to subsection 107(6) of the Local Government Act 1976, any person who fails to exhibit or produce his licences on the premises shall be liable for a fine not exceeding RM500 or to imprisonment for a term not exceeding six (6) months or to both. In addition, as a general penalty, a fine of not exceeding RM2,000 or a term of imprisonment not exceeding one (1) year or both will be imposed on anyone who is guilty of any offence against the Local Government Act 1976 or any by-law, rule or regulation for which no penalty is expressly provided under Section 119 of the Local Government Act 1976. In addition to any other powers conferred upon it by the Local Government Act 1976 or by any other written law, a local authority shall have power, among others, to do all things necessary for or conducive to the public safety, health and convenience pursuant to Section 101(v) of the Local Government Act 1976 which may include suspension or closure of business.

In Sabah, pursuant to Section 3 of the Trades Licensing Ordinance, 1949, any persons who carry on any business without a valid trading licence shall be liable to a fine of four (4) times the amount of the licence fee and a further fine of RM10 for each day or part of a day during which the contravention continues.

In Sarawak, pursuant to Sections 145 and 150 of the Local Authorities Ordinance, 1996, any person who fails to exhibit or produce his licences on the premises shall be liable for a fine not exceeding RM2,000. In addition, pursuant to Section 3 of the Businesses, Professions and Trades Licensing Ordinance 1958, any persons who carry on business without a licence shall be liable to a fine of RM1,000 and pursuant to Section 28 of the Local Authorities (Advertisements) By-Laws 2012 of Sarawak, any person who exhibits advertisement without a licence shall be liable for a fine of not exceeding RM5,000 and imprisonment of not exceeding six (6) months and in the case of a continuing offence, a further fine not exceeding RM200 for each day during which the offence continues.

As at 15 August 2025, our Group has obtained all the business and signage licences for our Tealive Corporate Stores and Bask Bear Corporate Stores, save for the following:

- (a) 29 Tealive Corporate Stores, representing 5.2% of our Group's total 555 Tealive Corporate Stores and 4.2% of our Group's total Corporate Stores, of which:
  - 15 Tealive Corporate Stores (2.7%) are pending renewal of the business and signage licences; and
  - 14 Tealive Corporate Stores (2.5%) are pending the submission of an application for the new business and signage licences,
- (b) three (3) Bask Bear Corporate Stores, representing 2.3% of our Group's total 129 Bask Bear Corporate Stores and 0.4% of our Group's total Corporate Stores, of which:
  - two (2) Bask Bear Corporate Stores (1.5%) are pending renewal of the business and signage licences; and



## 7. BUSINESS OVERVIEW (Cont'd)

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- one (1) Bask Bear Corporate Store (0.8%) is pending the submission of an application for the new business and signage licence.

(collectively, “**Outstanding Licences**”)

As at 15 August 2025, our Group has submitted two (2) out of 17 applications to the local councils for renewal of the business and signage licences and one (1) out of 15 applications for new business and signage licences and is pending approval from the local councils.

Our Group is in the midst of preparing the required documents for the application to renew or apply for new business and signage licences (e.g. building plan or support letter from the relevant authorities) and is expecting to submit the remaining applications by November 2025.

The issuance of business and signage licences is administrative in nature. The delay in obtaining the licence is mainly due to:

- the need to submit additional documents that may be requested by the local councils such as the latest year assessment bill and renewed tenancy agreement for renewal of the business and signage licences application; and
- awaiting inspection from Bomba and/or the local council for new business and signage licences application.

Based on our Group’s experience, the business and signage licences for new stores are typically obtained within one (1) to three (3) months after the opening of the stores. Applications for the business and signage licences can only be made after the stores have been fitted out and stocked up as verification to the local councils and authorities that the stores are ready for opening. For this reason, in most cases, such licences remain pending at the time of store opening. This situation affects only the opening of new stores. Moving forward, we will ensure that, to the extent permitted by the relevant authorities, all the necessary applications are submitted to the authorities prior to the new stores being fitted out and ready for opening. Where such avenue is available, we will also procure a temporary business licence prior to the store opening.

Our Group will continue to follow up with the relevant local councils to expedite the process of obtaining the business and signage licences.

The estimated average cost per store for the application of business and signage licences are as follows:

- RM900 for the administrative costs;
- RM600 for the licence fees; and
- RM6,000 for the architect fee, where new building plans are required for the application.

Barring any unforeseen circumstances, our Board anticipates the Outstanding Licences to be obtained and the above non-compliance to be rectified by March 2026.

Our Group may be liable, on conviction, to a maximum fine of RM0.5 million for operating without valid business and signage licences or a term of imprisonment not exceeding one (1) year or both.

## 7. BUSINESS OVERVIEW (Cont'd)

Our Board is of the view that there is no material adverse impact to our Group's business operations and financial condition as the total estimated cost of rectification of RM0.3 million and the potential maximum penalty of RM0.5 million is not material to our Group and the simultaneous closure of all the affected stores is unlikely as they are dispersed throughout Malaysia and are under the jurisdiction of different local councils.

The aggregate revenue contribution of these stores is only approximately 8.4% of our Group's revenue for the FYE 30 June 2024 and the aggregate store operating profit of these stores is only approximately 2.3% of our Group's PBT for the FYE 30 June 2024, respectively, based on our audited combined financial statements for the FYE 30 June 2024. Any impact on our Group's sales would only occur during the suspension or closure period.

(The above non-compliances in relation to the stores, comprising:

- (i) occupation of premises for which no CCC has been provided, or where the local councils do not have the CCCs in their records; and
- (ii) delay in renewing and obtaining business and signage licences,

are collectively referred to as "**Store Non-Compliances**")

The overall impact of the Store Non-Compliances as stated in Sections 7.18.1 and 7.18.2 of this Prospectus as at 26 May 2025 is summarised below:

State	Total Loob stores as at 26 May 2025	No. of affected store(s)	Revenue contribution towards revenue of our Group's Corporate Stores for the FYE 30 June 2024 (%)
Perlis	3	1	0.1
Kedah	28	4	0.2
Pulau Pinang	46	4	0.3
Perak	41	7	0.9
Kelantan	8	2	0.1
Terengganu	12	1	0.2
Pahang	26	1	0.2
Kuala Lumpur	84	17	1.5
Selangor	198	31	2.8
Putrajaya	7	1	0.1
Negeri Sembilan	26	6	0.4
Melaka	24	6	1.0
Johor	89	5	0.3
Labuan	1	1	*
Sabah	52	22	3.1
Sarawak	39	31	3.8
<b>Total</b>	<b>684</b>	<b>140</b>	<b>15.0</b>

**Note:**

\* Negligible

Simultaneous enforcement on all the affected stores resulting in the forced closure of all the affected stores at once is remote and the risk is diversified as the affected stores are located throughout Malaysia and under various different local councils.

## 7. BUSINESS OVERVIEW (Cont'd)

For stores without signage licences, the authorities may impose a fine not exceeding RM5,000 or order for the removal of such signage.

In addition, although certain stores have been imposed fines by the relevant authorities, there has been no stop work order issued by the relevant authorities on the non-compliance stores for the Financial Years Under Review, which may have a material adverse impact to the business operations or financial condition of our Group.

### 7.18.3 Our Company did not register with the Ministry of Industry and Trade, Vietnam for its Tealive franchise business prior to 26 April 2025

LV Holdings VN had granted Kim Le Vy Trading the exclusive right to operate Tealive outlets in Vietnam for a period of 10 years effective from 18 September 2017. In turn, Kim Le Vy Trading had on 16 October 2019 entered into an intellectual property rights sub-licence agreement with Autogrill VFS F&B Co., Ltd (“**Sub-Licensee**”) granting the Sub-Licensee the rights to operate five (5) Tealive outlets located at various airports in Vietnam (“**Sub-Licence Agreement**”).

Pursuant to the Commercial Law of Vietnam, franchising is a commercial activity in which the franchisor allows and requires the franchisee to conduct the purchase and sale of goods and provision of services on its own according to the following conditions:

- (a) the purchase and sale of goods and provision of services are conducted in a business organisation manner prescribed by the franchisor and are associated with the franchisor's trademark, trade name, business secrets, business slogan, business symbol and advertisement; and
- (b) the franchisor has the right to control and assist the franchisee in operating the business.

At the time of entering into the Sub-Licence Agreement in Vietnam, our Group did not register its Tealive franchise business in Vietnam with the Ministry of Industry and Trade, Vietnam. No legal adviser was appointed to assess the legal implications of the arrangement and no comprehensive legal review was undertaken to determine whether the agreement fell within the definition of a “franchise” under Vietnamese law. As a result, the arrangement was structured as a licence agreement rather than a franchise agreement. However, having sought legal advice, the Vietnamese local counsels have opined that the Sub-Licence Agreement satisfies the conditions of a “franchise”, regardless of what the agreement is titled as and as such, Loob Holding is required under the laws of Vietnam to register with the Ministry of Industry and Trade, Vietnam for its Tealive franchise business.

Pursuant to Article 4.4.b; 75.3.a; and 75.6 of Decree No. 98/2020/ND-CP amended by Decree No. 17/2022/ND-CP, foreign franchisors operating in Vietnam without proper registration may face:

- administrative fines of up to VND20,000,000 (equivalent to RM3,480 based on an exchange rate of VND100: RM0.0174, being the middle rate prevailing at 5.00 p.m. on the LPD as published by BNM); and
- mandatory return of benefits illegally obtained.

On 17 March 2025, our Group submitted the application for the registration of Loob Holding as a franchisor in Vietnam and such application was approved by the Ministry of Industry and Trade, Vietnam on 26 April 2025.

## 7. BUSINESS OVERVIEW (Cont'd)

Following the approval, on 27 May 2025, Loob Holding has entered into an MFA with Kim Le Vy Trading, granting Kim Le Vy Trading the exclusive master franchise rights for the Tealive brand in Vietnam, effective from 26 April 2025.

Kim Le Vy Trading is currently in the process of terminating the existing Sub-Licence Agreement and will be entering into a new sub-franchise agreement with the Sub-Licensee. The draft sub-franchise agreement is under review by both the Sub-Licensee and local legal counsel appointed by us and is expected to be finalised and executed by September 2025 due to extended negotiations with the Sub-Licensee and the time required to complete the Vietnamese translation of the agreement.

Our Board is of the view that there is no material adverse impact to our Group's business operations and financial condition as there are no benefits illegally obtained from the Sub-Licensee and no fines imposed by the Ministry of Industry and Trade, Vietnam following the registration approval obtained on 26 April 2025, and the cost of rectification of RM80,000 (being legal and professional fees) which is approximately 0.1% of our Group's PBT of approximately RM75.0 million based on our audited combined financial statements for the FYE 30 June 2024 is not material to our Group.

### 7.18.4 BB Coffee did not register with the Registrar of Franchises for commencement of our Bask Bear franchise business prior to 22 May 2025

Pursuant to Section 6(1) of the Franchise Act, a franchisor or a foreign person who has obtained an approval to sell a franchise in Malaysia or to any Malaysian citizen under Section 54 of the Franchise Act shall register his franchise with the Registrar of Franchises before he can operate a franchise business or make an offer to sell the franchise to any person.

Pursuant to Section 4 of the Franchise Act,

- “franchise” means a contract or an agreement, either expressed or implied, whether oral or written, between two or more persons by which-
  - (a) the franchisor grants to the franchisee the right to operate a business according to the franchise system as determined by the franchisor during a term to be determined by the franchisor;
  - (b) the franchisor grants to the franchisee the right to use a mark, or a trade secret, or any confidential information or intellectual property, owned by the franchisor or relating to the franchisor and includes a situation where the franchisor, who is the registered user of, or is licenced by another person to use, any intellectual property, grants such right that he possesses to permit the franchisee to use the intellectual property;
  - (c) the franchisor possesses the right to administer continuous control during the franchise term over the franchisee's business operations in accordance with the franchise system; and
  - (d) in return for the grant of rights, the franchisee may be required to pay a fee or other form of consideration.
- “franchisor” means a person who grants a franchise to a franchisee and includes a master franchisee with regard to his relationship with a sub-franchisee;
- “franchisee” means a person to whom a franchise is granted and includes a master franchisee with regard to his relationship with a franchisor and a sub-franchisee with regard to his relationship with a master franchisee; and

## 7. BUSINESS OVERVIEW (Cont'd)

- “franchise agreement” means a contract or an agreement made between a franchisor and a franchisee in respect of a franchise in return for any form of consideration but does not include any contract or agreement made for the purpose of direct selling as provided by the Direct Sales Act, 1993 of Malaysia.

BB Coffee Sdn Bhd did not have the three (3)-year track record required to register as a franchisor in Malaysia. As a result, and as Bask Bear primarily operates as a corporate model, our Group had no intention to expand it through a franchise model at that point in time. No legal adviser was appointed to assess the legal implications of the arrangement. Hence, BB Coffee entered into licencing agreements with six (6) licensees to grant the right and licence to the licensees to operate and manage six (6) Bask Bear stores in Malaysia (“**Licencing Agreements**”) in June 2022, July 2022, November 2022, December 2022, August 2023 and July 2024 respectively.

Pursuant to the definition “franchise” under Section 4 of the Franchise Act, the Licencing Agreements may have satisfied the conditions of a “franchise”, regardless of the title of the agreement and as such, BB Coffee is required to register with the Registrar of Franchises of Malaysia under Section 6(1) of the Franchise Act before offering the franchise for sale.

As such, there is a potential non-compliance with Section 6(1) of the Franchise Act by BB Coffee for failure to register with the Registrar of Franchises before the commencement of our Bask Bear franchise business. BB Coffee may be liable, on conviction, to a fine not exceeding RM250,000 and for a second or subsequent offence, to a fine of not exceeding RM500,000.

After obtaining legal advice, BB Coffee and all the licensees mutually terminated the Licencing Agreements and entered into the LMSAs on 31 December 2024 to address the potential non-compliance. Further, the licensees have expressly executed undertaking letters confirming that they will not lodge any complaints, claims or reports to the Registrar of Franchises of Malaysia, or initiate, file or pursue any legal action, suit or proceeding against BB Coffee (including its officers, agents, or affiliates) asserting that the earlier Licencing Agreements and LMSA are illegal or constitute franchise agreements under the Franchise Act.

On 3 January 2025, Loob Holding filed an application for the registration of Loob Holding as franchisor with the Registrar of Franchises and such application was approved by the Registrar of Franchises of Malaysia on 22 May 2025. Following the approval, all LMSAs were terminated and ceased to have any force or effect after 21 May 2025 and Loob Holding entered into franchise agreements with all the licensees (now franchisees of Bask Bear) in June 2025, which took effect from 22 May 2025.

Our Board is of the view that there is no material adverse impact to our Group's business operations and financial condition as no penalties have been imposed on Loob Holding and BB Coffee following the registration approval obtained on 22 May 2025, and the total cost of rectification of RM81,050 (comprising RM1,050, being the franchise registration and RM80,000, being legal and professional fees incurred) which is approximately 0.1% of our Group's PBT of approximately RM75.0 million based on our audited combined financial statements for the FYE 30 June 2024 is not material to our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

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### 7.18.5 Non-material operational non-compliances

As at 26 May 2025, our Group has not obtained storage licences for 52 external storage spaces which are used to store ingredients, packaging materials and consumables for the business operations from the relevant local councils as our Group was not aware that a storage licence was required for such storage spaces. 18 applications have been submitted and 34 applications for storage licences are pending (“**Operational Non-Compliances**”). Our Group is expecting to submit the remaining applications by November 2025.

In the event that the relevant local councils require us to vacate the external storage spaces for which the storage licences are pending applications, our Group would need to secure alternative storage spaces or increase restocking frequency of our ingredients, packaging materials and consumables, which is not expected to disrupt store operations or materially impact the business operations and financial conditions, as alternative storage spaces are readily available.

The estimated costs to rectify these non-compliances and the potential maximum penalties are in aggregate approximately RM0.2 million, which represents approximately 0.2% of our Group’s PBT for the FYE 30 June 2024, and is not material to the business operations and financial condition of our Group.

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**7. BUSINESS OVERVIEW (Cont'd)****7.18.6 Summary of nature of breaches of the properties with non-compliances**

The table below summarises the nature of non-compliances of the directly-owned stores as at 26 May 2025:

Nature of non-compliance/ Type or location of store	Tealive Corporate Stores				Bask Bear Corporate Stores			
	Landlord did not provide CCC	Local councils do not have CCC in their records	Delay in obtaining business and signage licences	Delay in obtaining storage licences	Landlord did not provide CCC	Local councils do not have CCC in their records	Delay in obtaining business and signage licences	Delay in obtaining storage licences
Shoplot	8	5	37	1	5	4	6	2
Petrol Station	16	2	15	-	-	-	-	-
Mall	1	-	38	43	-	-	2	4
Standalone	1	-	2	1	-	1	-	-
Transportation Hub – LRTMRTR&R	1	-	3	-	-	-	1	-
Airport/Hospital/University	-	-	-	1	-	-	-	-
<b>Total</b>	<b>27</b>	<b>7</b>	<b>95</b>	<b>46</b>	<b>5</b>	<b>5</b>	<b>9</b>	<b>6</b>
Total operating profit (RM'000)	688	150	1,614	(1)-	49	634	107	(1)-
% to our Group's PBT for the FYE 30 June 2024	0.9	0.2	2.2	-	0.1	0.8	0.1	-
Total revenue (RM'000)	11,811	4,594	46,087	(1)-	1,377	4,142	3,471	(1)-
% to our Group's revenue for the FYE 30 June 2024	2.0	0.8	7.8	-	0.2	0.7	0.6	-
<b>Total rectification cost (RM'000)</b>	<b>-</b>	<b>-</b>	<b>287</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>9</b>
<b>Total potential penalty (RM'000)</b>	<b>5,850</b>	<b>1,750</b>	<b>428</b>	<b>92</b>	<b>1,250</b>	<b>1,250</b>	<b>51</b>	<b>12</b>
<b>Total potential penalty (excluding 22 Corporate Stores, comprising 18 Tealive Corporate Stores located in petrol stations and four (4) Bask Bear Corporate Stores located in bank branches, for which indemnities have been provided) (RM'000)</b>	<b>2,300</b>	<b>1,250</b>	<b>428</b>	<b>92</b>	<b>250</b>	<b>1,250</b>	<b>51</b>	<b>12</b>

**Note:**

- (1) The external storages do not generate any revenue and profit for these Tealive Corporate Stores and Bask Bear Corporate Stores. The delay in obtaining storage licences for the external storage spaces would not result in the closure of these Tealive Corporate Stores and Bask Bear Corporate Stores.

**7. BUSINESS OVERVIEW (Cont'd)****7.18.7 Overall impact of the outstanding non-compliances**

The table below summarises the total estimated cost of compliance (including potential maximum penalties applicable) relating to the abovementioned non-compliances that are pending rectification as at 26 May 2025:

No.	Summary description of non-compliances	Reference to section in this Prospectus	Estimated cost to rectify non-compliances (RM'000)	Potential maximum penalty (RM'000)	Total estimated costs (RM'000)	% of our Group's PBT for the FYE 30 June 2024 (%)
(1)	Tealive Corporate Stores and Bask Bear Corporate Stores without CCC:	7.18.1				
	(a) Landlord did not provide CCC					
	(i) Corporate Stores for which the landlords and/or main tenants have provided indemnities (comprising Corporate Stores located in petrol stations and shop lots where bank branches are located)		-	4,550	4,550	6.1
	(ii) Other Corporate Stores		-	2,550	2,550	3.4
	Subtotal of (a)		-	7,100	7,100	9.5
	(b) Local councils do not have CCC in their records					
	(i) Corporate Stores for which the main tenants have provided indemnities (comprising Corporate Stores located in petrol stations)		-	500	500	0.7
	(ii) Other Corporate Stores		-	2,500	2,500	3.3
	Subtotal of (b)		-	3,000	3,000	4.0
	Subtotal of (1)		-	10,100	10,100	13.5



**7. BUSINESS OVERVIEW (Cont'd)**

<b>No.</b>	<b>Summary description of non-compliances</b>	<b>Reference to section in this Prospectus</b>	<b>Estimated cost to rectify non-compliances (RM'000)</b>	<b>Potential maximum penalty (RM'000)</b>	<b>Total estimated costs (RM'000)</b>	<b>% of our Group's PBT for the FYE 30 June 2024 (%)</b>
(2)	Delay in obtaining business and signage licences for Tealive Corporate Stores and Bask Bear Corporate Stores:	7.18.2				
(a)	Pending approval for renewal application		117 <sup>(1)</sup>	369	486	0.7
(b)	Pending approval for new application		195 <sup>(2)</sup>	110	305	0.4
	Subtotal of (2)		312	479	791	1.1
(3)	52 external storage spaces for which storage licences or applications are pending	7.18.5	78 <sup>(3)</sup>	104 <sup>(4)</sup>	182	0.2
	<b>Total</b>		<b>390</b>	<b>10,683</b>	<b>11,073<sup>(5)</sup></b>	<b>14.8</b>

**Notes:**

- (1) Consists of administrative costs of RM900 and licence fees of RM600 per store for 71 Tealive Corporate Stores and seven (7) Bask Bear Corporate Stores.
- (2) Consists of administrative costs of RM900, licence fees of RM600 and architect fees of RM6,000 per store for 24 Tealive Corporate Stores and two (2) Bask Bear Corporate Stores.
- (3) Consists of administrative costs of RM900 and licence fees of RM600 per storage space.
- (4) Maximum penalty of RM2,000 per storage space.
- (5) The total estimated costs exclude any penalties that may be incurred due to early termination of the tenancies, including rent payable for the remaining tenure, the amount of which has yet to be determined at this juncture.

## 7. BUSINESS OVERVIEW (Cont'd)

### **Impact of the estimated cost to rectify non-compliances and the potential maximum penalties**

As shown in the table above, the estimated costs to rectify the non-compliances and the potential maximum penalties are approximately RM11.1 million, which represents approximately 14.8% of our Group's PBT for the FYE 30 June 2024. Out of the above, the estimated costs to rectify the non-compliances and the potential maximum penalties for the Store Non-Compliances are approximately RM10.9 million, which represents approximately 14.5% of our Group's PBT for the FYE 30 June 2024.

Notwithstanding the above estimated costs to rectify the non-compliances and the potential maximum penalties, 22 landlords and/or main tenants for the Corporate Stores located in petrol stations and shop lots where bank branches are located have provided undertakings to indemnify our Group against all costs, losses, claims, fines and/or penalties arising from any non-issuance of CCC/CF, as set out in items (1)(a)(i) and (1)(b)(i) of the above table.

After excluding the estimated costs to rectify the non-compliances and the potential maximum penalties in relation to the Corporate Stores located in petrol stations and shop lots where bank branches are located where indemnities have been provided, the estimated costs to rectify the non-compliances and the potential maximum penalties for the remaining outstanding non-compliances are approximately RM6.0 million, which represents approximately 8.0% of our Group's PBT for the FYE 30 June 2024. Out of the above, the estimated costs to rectify the non-compliances and the potential maximum penalties for the Store Non-Compliances are approximately RM5.8 million, which represents approximately 7.8% of our Group's PBT for the FYE 30 June 2024.

For the Financial Years Under Review and up to the LPD:

- (i) no fines or penalties have been imposed on our Group by the relevant local authorities for the CCC non-compliances for the stores;
- (ii) fines ranging from RM50 to RM1,500 have been imposed on our Group for operating its stores without a business licence;
- (iii) fines between RM50 to RM1,000 have been imposed on our Group for operating its stores without a signage licence; and
- (iv) no fines or penalties have been imposed on our Group by the relevant local authorities for the Operational Non-Compliances.

Notwithstanding the above, the total fines imposed by the relevant authorities for the Store Non-Compliances for the Financial Years Under Review and up to the LPD of less than RM0.1 million do not have a material impact to the financial position of our Group ("**Past Penalties**").

Premised on the above, our Board is of the view that the estimated costs to rectify the outstanding non-compliances and the potential maximum penalties of approximately RM11.1 million, which represents approximately 14.8% of our Group's PBT for the FYE 30 June 2024, will not have a material adverse impact to our Group's business operations and financial condition, taking into consideration, among others, the following:

- (a) the indemnities provided by landlords and/or main tenants for certain Corporate Stores located in petrol stations and shop lots with bank branches will reduce our Group's exposure in respect of the estimated costs to rectify the outstanding non-compliances and the potential maximum penalties to approximately RM6.0 million, which represents approximately 8.0% of our Group's PBT for the FYE 30 June 2024;

**7. BUSINESS OVERVIEW (Cont'd)**

- (b) with respect to the estimated exposure of RM6.0 million set out in item (a) above:
- (i) the estimated cost to rectify the outstanding non-compliances is approximately RM0.4 million, representing only 0.5% of our Group's PBT for the FYE 30 June 2024; and
  - (ii) the probability of our Group being imposed with the maximum penalties of RM5.6 million, representing 7.5% of our Group's PBT for the FYE 30 June 2024 is low due to, among others, the following:
    - (a) based on the Past Penalties, the authorities typically do not impose the maximum penalty for the aforementioned offences;
    - (b) for stores which our Group had recently obtained the business and signage licence, the local councils did not impose any penalty for the past breaches; and
    - (c) the affected stores are dispersed throughout Malaysia under the jurisdiction of different local councils which operate independently, with varying enforcement practices and timelines. As such, it is unlikely that enforcement actions will be carried out simultaneously and/or uniformly across all jurisdictions.

See Sections 7.18.1, 7.18.2 and 7.18.5 of this Prospectus for further details on the outstanding non-compliances.

Notwithstanding that the outstanding non-compliances may remain unresolved at the time of our Listing, our Directors undertake to continue to make the necessary applications and/or engage with the relevant authorities to resolve and address the outstanding non-compliance incidents in accordance with the directions of the relevant authorities after our Listing. Our management is following up and liaising with relevant authorities to resolve the said non-compliances in the best interest of our Company. We will update our shareholders on the status of our outstanding non-compliance incidents in our annual report.

**Steps taken or to be taken to rectify the non-compliances and prevent recurrence of such non-compliances**

Our Group has established a CMC comprising of the Key Senior Management and the Director of Strategy and Portfolio. The CMC is responsible for:

- (i) monitoring and overseeing our Group's regulatory compliance matters including the compliance with licensing, certificates and approvals for the businesses and operations of our Group;
- (ii) overseeing the implementation of the Compliance Framework described in item (i) below as well as ensuring the framework remains up to date through periodic reviews and communication of regulatory changes; and
- (iii) addressing breaches to ensure that non-compliance incidents are adequately investigated and issues would be reported to appropriate parties in a timely manner.

**7. BUSINESS OVERVIEW (Cont'd)**

Our Group has implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the non-compliance incidents set out in Sections 7.18.1 to 7.18.5 of this Prospectus:

- (i) our Group has implemented a structured compliance framework based on the Institute of Internal Auditors' Three Lines Model ("**Compliance Framework**"), which clearly defines roles and responsibilities across the following functions:
  - (a) operations - responsible for identifying and managing compliance risks on a day-to-day basis, including maintaining valid licences, monitoring regulatory requirements and reporting breaches;
  - (b) compliance oversight - responsible for developing policies, assessing risks, conducting compliance reviews and monitoring of regulatory changes; and
  - (c) internal audit - provides independent assurance on the adequacy and effectiveness of compliance controls and reports directly to the Audit and Risk Management Committee.

To support the Compliance Framework, our Group has developed and implemented formal Compliance Monitoring Policies and Procedures covering key areas such as data protection, anti-bribery and corruption, health and safety, ethical conduct and sustainability. Compliance is reinforced through structured training programs, regular audits and centralised tracking of licences and regulatory obligations. Non-conformities and incidents are promptly investigated with corrective actions monitored to completion. This integrated approach fosters a strong culture of accountability, integrity and ongoing compliance across our Group;

- (ii) our Group has established a register of requisite approvals, licences and registrations with respect to the business operations of our Group detailing amongst others the timelines for registration and approvals, including renewal; and
- (iii) where necessary, our Group will seek professional advice and assistance from internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to the internal controls and regulatory compliance of our Group, and to provide our Group with updates on the applicable laws relating to the business operations of our Group from time to time.

**7.19 Franchisees' and licensees' obligations to ensure compliance with relevant laws and regulations**

Under the FAs, MFAs and ARDAs with our franchisees and licence and management service agreements with our licensees, our franchisees and licensees have undertaken that they shall, among others:

- (i) comply with all applicable laws, regulations, by-laws and guidelines relating to the operation of our Tealive Franchised Stores and Bask Bear Franchised Stores, including but not limited to laws and regulations relating to product liability, consumer protection, handling and preparation of food and beverages, Halal certification, health, cleanliness, sanitation and hygiene, safety standards, occupational hazards and health, workers compensation insurance and taxes;
- (ii) secure and maintain in force, in the franchisees' and licensees' name, all required licences, permits, approvals and certificates relating to the operation of our Tealive Franchised Stores and Bask Bear Franchised Stores; and

**7. BUSINESS OVERVIEW (Cont'd)**

- (iii) promptly notify us in writing of any complaints, documents or summons received as a result of breach of applicable laws in relation to the operation of the business and the franchisees and licensees shall be responsible for and shall handle such complaints, documents or breaches at its own cost and expense.

In addition, according to the FAs for our Malaysian Tealive Franchised Stores, our franchisees shall, at its own cost and expense, obtain the required approvals from all governmental authority, departmental agency or local council before the opening of our Tealive Franchised Stores.

In the event of a breach of the above undertakings by the franchisees or licensees, the FAs, MFAs, ARDAs and the licence and management service agreements stipulate that we have the right to unilaterally terminate the agreements and the franchisees or licensees shall, among others:

- (i) immediately cease to operate the business of our Tealive Franchised Stores and Bask Bear Franchised Stores and the use in any way whatsoever of the intellectual property owned by us;
- (ii) indemnify us against and reimburse any claims, obligations and damages arising directly or indirectly out of:
  - (a) their operation of our Tealive Franchised Stores and Bask Bear Franchised Stores in any manner not in accordance with the FAs, MFAs, ARDAs or licence and management service agreements;
  - (b) the franchisees' or licensees' breach of the agreements entered into with us;
  - (c) negligence by the franchisees or licensees; and
  - (d) any civil wrong or criminal offences by the franchisees or licensees relating to the business of our Tealive Franchised Stores and Bask Bear Franchised Stores.

Furthermore, according to Section 29 of the Franchise Act, our Malaysian franchisees shall:

- (i) operate their businesses separately from us as the franchisor, and the relationship between us and our franchisees shall not at any time be regarded as a partnership, service contract or agency;
- (ii) act in a lawful manner and to pursue the best franchise business practice; and
- (iii) avoid, among others, conduct that is not reasonably necessary for the protection of our legitimate business interests, those of the franchisees, or the franchise system.

As at the LPD, we have not received any notification from our Malaysian and international franchisees or licensees of any complaints, documents or summons received as a result of breach of applicable laws in relation to the operation of their business. Notwithstanding, as part of our standard procedures, we conduct periodic site visits to the operations of our franchisees and licensees which allows us to, among others, send out reminders to our franchisees and licensees in respect of expiring business and signage licences, if applicable. We also conduct quality, service and cleanliness audits to ensure that the stores meet the requisite operational standards.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.20 Material dependency on commercial contracts, agreements or other arrangements

As at the LPD, there are no commercial contracts, agreements, other arrangements or other matters entered into by or issued to us which we are materially dependent on and which are material to our business and profitability save for the following:

#### 7.20.1 Collaboration Agreement (as novated by PETRONAS to MRCSB via the Letter of Novation)

Loob Integrated has entered into the Collaboration Agreement with MRCSB to record their collaborative relationship with each other to roll out Tealive stores in PETRONAS petrol stations throughout Malaysia.

##### **Term**

The Collaboration Agreement shall continue in full force and effect for two (2) years ("**First Term**") and may be extended for a further term of two (2) years from 1 January 2026 till 31 December 2027 ("**Extended Term**"). Either MRCSB or Loob Integrated may give written notice of not less than three (3) months before the expiry of the First Term to the other whether it wishes to extend the First Term to the Extended Term based on the existing terms and conditions of the Collaboration Agreement. Any further extensions after the Extended Term shall be subject to terms and conditions to be mutually agreed between MRCSB and Loob Integrated. The Collaboration Agreement shall automatically lapse upon the expiry of the First Term in the event that such written notice is not given in the manner set out above unless MRCSB and Loob Integrated mutually agree otherwise.

##### **PETRONAS Tealive outlets opening**

For the opening of each new PETRONAS Tealive outlets to be set up and operated by Loob Integrated ("**New PETRONAS Tealive Outlets**"), MRCSB shall provide written notice ("**MRCSB's Notice**") to notify Loob Integrated the location where such New PETRONAS Tealive Outlet is proposed to be opened and shall obtain Loob Integrated's concurrence on the proposed location. If Loob Integrated is agreeable to the opening of a New PETRONAS Tealive Outlet at the proposed location, it shall indicate its concurrence in writing to MRCSB ("**Loob Integrated's Response**") within 14 business days upon receipt of MRCSB's Notice.

Loob Integrated shall also have the option to provide written notice ("**Loob Integrated's Notice**") to notify MRCSB the location where the New PETRONAS Tealive Outlet is proposed to be opened and shall obtain MRCSB's concurrence on the proposed location. If MRCSB is agreeable to the opening of a New PETRONAS Tealive Outlet at the proposed location, it shall indicate its concurrence in writing to Loob Integrated ("**MRCSB's Response**") within 14 business days upon receipt of Loob Integrated's Notice.

Upon receipt by MRCSB of Loob Integrated's Response or receipt by Loob Integrated of MRCSB's Response, where applicable for the concurrence of the selection of locations as stipulated above, once MRCSB and Loob Integrated have mutually agreed on the location, MRCSB and Loob Integrated shall also enter into an addendum to the Operating Agreement(s) for the operation of each New PETRONAS Tealive Outlet.

**7. BUSINESS OVERVIEW (Cont'd)*****Obligations of the parties***

The obligations of MRCSB include, among others, to identify suitable PETRONAS's petrol stations for Loob Integrated to set up and operate the New PETRONAS Tealive Outlets, subject to Loob Integrated's concurrence as stipulated above and to provide management of its dealers (i.e. petrol station operators) where the PETRONAS Tealive outlets are located to ensure full cooperation from such dealers throughout the entire term of the Collaboration Agreement to Loob Integrated to operate the PETRONAS Tealive outlets at an optimal level.

While the obligations of Loob Integrated include, among others, to manage the daily operations of all PETRONAS Tealive outlets and Loob Integrated will not operate (directly or through an affiliate) nor grant a franchise to a third party for the operation of a Tealive outlet except at the following locations:

- (a) shopping malls;
- (b) PETRONAS stations;
- (c) transportation hubs;
- (d) existing non-PETRONAS Tealive outlets opened prior to the date of the Collaboration Agreement;
- (e) premises that are mutually agreed upon by MRCSB and Loob Integrated; and/or
- (f) any premise located outside the specifically designated area of 0.5km radius from the front entrance of any PETRONAS Tealive outlet.

As for non-PETRONAS Tealive outlets to be opened within the specifically designated area of 0.5km radius from the front entrance of any PETRONAS station, Loob Integrated shall provide written notification of 30 days to notify MRCSB the location where such non-PETRONAS Tealive outlet is proposed to be opened prior to the opening of such non-PETRONAS Tealive outlet.

***Non-Exclusivity***

MRCSB and Loob Integrated acknowledge and agree that they are at liberty to enter into any agreement with any third party that are the same as, or comparable to the arrangements described in the Collaboration Agreement.

***Termination***

Either MRCSB or Loob Integrated ("**Terminating Party**") shall have the right to terminate the Collaboration Agreement if the defaulting party ("**Defaulting Party**") commits any breach of the terms of the Collaboration Agreement:

- (i) forthwith on giving notice in writing to the Defaulting Party where the breach is not capable of being remedied; or
- (ii) in the case of a breach capable of being remedied, forthwith on giving notice to the Defaulting Party after the Defaulting Party shall have failed, within 30 days after the receipt of a request in writing to do so, to remedy such breach.

**7. BUSINESS OVERVIEW (Cont'd)**

The Terminating Party shall have the right to terminate the Collaboration Agreement at any time with immediate effect without prejudice to any other rights or remedy available to it under the Collaboration Agreement or by law and without the requirement of notice and the opportunity for the Defaulting Party to remedy the breach in any of the following circumstances:

- (a) a petition for winding up or bankruptcy is presented against the Defaulting Party which has not been opposed or set aside under the laws of its incorporation;
- (b) an order is made which has not been opposed or set aside under the laws of its incorporation or a member's resolution is passed for the winding up of the Defaulting Party; or
- (c) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the Defaulting Party or any substantial part of the Defaulting Party's assets and properties.

The Terminating Party shall have the right to terminate the Collaboration Agreement forthwith after the Defaulting Party shall have failed, within 14 days after the receipt of a request in writing to do so, to remedy any of the following events:

- (a) change in the majority shareholding of the Defaulting Party without prior notification from the Defaulting Party<sup>(1)</sup>;
- (b) where Loob Integrated, any of its affiliates, directors, officers or shareholders is investigated for, charged with or convicted of any breach of applicable laws, rules or requirements relating to anti-bribery, money laundering, competition or corruption and such investigation, charge or conviction has a material adverse effect on the collaboration between MRCSB and Loob Integrated; or
- (c) where MRCSB, in its reasonable discretion, determines that Loob Integrated has acted in a manner which is materially prejudicial to MRCSB and/or the PETRONAS brand and reputation.

**Note:**

- (1) *Loob Integrated has notified MRCSB on the change in the shareholding structure of our Company pursuant to our Listing, whereby Loob Integrated will become an indirect subsidiary of our Company via Loob Holding, upon completion of the change in the shareholding structure.*

**Effect of Termination**

All rights and obligations of MRCSB and Loob Integrated shall cease to have effect immediately upon termination of the Collaboration Agreement save for the survival provisions of the Collaboration Agreement (i.e. confidentiality clause, notice clause, governing law clause and any provision of the Collaboration Agreement necessary for interpretation or enforcement) which shall continue in force following termination of the Collaboration Agreement and further save that termination of the Collaboration Agreement shall be without prejudice to the respective rights and liabilities of each of MRCSB and Loob Integrated accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by MRCSB and Loob Integrated.



**7. BUSINESS OVERVIEW (Cont'd)*****Indemnification***

MRCBSB and Loob Integrated ("**Indemnifying Party**") undertake and agree to pay and to indemnify fully, hold harmless and defend the other party from and against any and all of the loss, cost, expense, damage, consequence and third-party claim for damages suffered directly or indirectly by the other party in connection with:

- (a) any inaccuracy or breach of any of the representations and warranties;
- (b) any proceedings taken by the other party claiming that any of the representations and warranties or the performance of the obligations under the Collaboration Agreement, as the case may be, is untrue or misleading in any material respects or has been breached in any material respects and in which judgment is given for the other party; and
- (c) breach of any of the terms and conditions of the Collaboration Agreement by the Indemnifying Party.

Loob Integrated undertakes and agrees to pay and to indemnify fully, hold harmless and defend MRCBSB from and against any and all of the loss, costs, expense, damage and third party claims for damages suffered directly by MRCBSB arising from Loob Integrated or its affiliates, franchisee, contractors or vendors' act or omission in the operation and maintenance of PETRONAS Tealive outlets except where any of such loss, costs, expense, damage or third party claims is caused by the act, omission or negligence of MRCBSB or its affiliates.

***Confidentiality***

MRCBSB and Loob Integrated shall hold in strict confidence all provisions of the Collaboration Agreement and all confidential information furnished by the other party under the Collaboration Agreement. Any such information shall not be disclosed to any third party without the prior written consent of the party which had originally disclosed such information first being obtained, unless disclosure of such information is necessary for the proper discharge of either parties' rights or obligations under the Collaboration Agreement and in law. The confidentiality undertakings provided herein shall survive any termination, whether herein envisaged in the Collaboration Agreement or otherwise.

The obligations of confidentiality shall not extend to:

- (a) any matter which is in or becomes part of the public domain otherwise than by reason of a breach of the obligations of confidentiality in the Collaboration Agreement or which any party receives from a third party independently entitled to disclose it;
- (b) matters which the party is required by law, any regulatory authority or the rules of a recognized stock exchange applicable to that party to disclose; or
- (c) any professional advisors or affiliates to the receiving party who are bound by a duty of confidence which applies to any information disclosed.

In the event Loob Integrated is required to disclose confidential information to Loob Holding, or its holding company, where applicable, or potential investors of Loob Holding or its holding company where applicable, relevant authorities or regulators, for purposes of any corporate exercises including but not limited to an initial public offering of the shares of Loob Holding or its holding company on a stock exchange, Loob Integrated shall seek the prior written consent from MRCBSB for disclosure of such confidential information, however such consent shall not be unreasonably withheld by MRCBSB.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.20.2 Operating Agreement

Loob Integrated has entered into the Operating Agreement with MRCSB whereby Loob Integrated was granted a licence by MRCSB to use and occupy a certain area of Petronas's petrol stations ("**Demised Premises**") for operating our Tealive business.

#### **Term**

The Operating Agreement shall continue two (2) years ("**First Term**") and shall be renewed for a further term of two (2) years ("**Subsequent Term**"). Either MRCSB or Loob Integrated may give written notice of not less than three (3) months before the expiry of the First Term to the other whether it wishes to extend the First Term to the Subsequent Term based on the existing terms and conditions of the Operating Agreement. Any further extensions after the Subsequent Term shall be subject to terms and conditions to be mutually agreed between MRCSB and Loob Integrated. The Operating Agreement shall automatically lapse upon the expiry of the First Term in the event that such written notice is not given in the manner set out above unless MRCSB and Loob Integrated mutually agree otherwise.

#### **Contribution of the Parties and Profit Sharing**

MRCSB and Loob Integrated shall each contribute up to RM200,000 for the purpose of purchasing items and services for each new PETRONAS Tealive outlet to be set up and operated by Loob Integrated.

In consideration of MRCSB allowing Loob Integrated to occupy and sell Loob Integrated's products at the Demised Premises, Loob Integrated shall pay to MRCSB a (i) variable rent of 10 to 20% of the monthly net product sales, (ii) equipment rental fee equivalent to a variable sum consisting of half of the monthly net product sales after deducting cost of goods sold, royalty fee, percentage rental fee, labour costs and other costs, (iii) security deposit and (iv) utility fee.

Loob Integrated shall provide and maintain, at its own costs, a bank guarantee for the due observance and performance by Loob Integrated of all terms and conditions of the Operating Agreement and as security during the term of the Operating Agreement ("**Bank Guarantee**"). The Bank Guarantee shall be provided to MRCSB within 30 business days upon execution of the Operating Agreement and shall be refunded to Loob Integrated without interest upon the expiration or termination of the Operating Agreement whichever is earlier but after deducting any outstanding payment from Loob Integrated to MRCSB.

Upon the expiry of the Operating Agreement and upon Loob Integrated redelivering the vacant possession of the Demised Premises in a reasonable and clean condition and in tenable repair (fair wear and tear excepted) to MRCSB or its agents, MRCSB shall refund or cause to be refunded the security deposit free of interest to Loob Integrated after deducting whatever sum that may then be due and payable by Loob Integrated to MRCSB including but not limited to the cost of any repairs or replacement of any damaged or lost fixtures belonging to MRCSB, any loss or damage suffered by MRCSB due to Loob Integrated's breach of any of terms in respect of the use and otherwise of the Demised Premises and any claims for cost, damages, penalties, fines or compensation in respect of any action or proceedings that may then be brought against MRCSB or his estate goods or effects by reason of or arising from Loob Integrated's breach of any of the terms conditions stipulations and covenants therein.

Provided always that it is hereby expressly agreed and declared by the parties hereto that the forfeiture of the security deposit by MRCSB or any deductions made by MRCSB from the same pursuant to the terms and conditions herein contained shall not prejudice the right of MRCSB to seek additional recovery or remedy against Loob Integrated for any breach of the Operating Agreement.

**7. BUSINESS OVERVIEW (Cont'd)*****Obligations of the parties***

The obligations of MRCSB include, among others, to provide Loob Integrated and its employees, customers, guests, invitees, servants and agents with reasonable access to the Demised Premises and/or Loob Integrated's equipment located within MRCSB's operating premises at all times and to keep and maintain in a clean, safe and good condition all common areas on MRCSB's operating premises.

While the obligations of Loob Integrated include, among others, to provide, deliver and install at the Demised Premises all the facilities and equipment needed for Loob Integrated's business operation and to obtain all appropriate and necessary licences, approvals and permits for the operation of the PETRONAS Tealive outlet and sale of Loob Integrated's products.

***Termination***

Either MRCSB or Loob Integrated ("**Terminating Party**") shall have the right to terminate the Operating Agreement if the defaulting party ("**Defaulting Party**") commits any breach of the terms of the Operating Agreement:

- (i) forthwith on giving notice in writing to the Defaulting Party where the breach is not capable of being remedied; or
- (ii) in the case of a breach capable of being remedied, forthwith on giving notice to the Defaulting Party after the Defaulting Party shall have failed, within 30 days after the receipt of a request in writing to do so, to remedy such breach.

The Terminating Party shall have the right to terminate the Operating Agreement at any time with immediate effect without prejudice to any other rights or remedy available to it under the Operating Agreement or by law and without the requirement of notice and the opportunity for the Defaulting Party to remedy the breach in any of the following circumstances:

- (a) a petition for winding up or bankruptcy is presented against the Defaulting Party which has not been opposed or set aside under the laws of its incorporation;
- (b) an order is made which has not been opposed or set aside under the laws of its incorporation or a member's resolution is passed for the winding up of the Defaulting Party; or
- (c) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the Defaulting Party or any substantial part of the Defaulting Party's assets and properties.

The Terminating Party shall have the right to terminate the Operating Agreement forthwith after the Defaulting Party shall have failed, within 14 days after the receipt of a request in writing to do so, to remedy any of the following events:

- (a) change in the majority shareholding of the Defaulting Party without prior notification from the Defaulting Party<sup>(1)</sup>;
- (b) where Loob Integrated, any of its affiliates, directors, officers or shareholders is investigated for, charged with or convicted of any breach of applicable laws, rules or requirements relating to anti-bribery, money laundering, competition or corruption and such investigation, charge or conviction has a material adverse effect on the collaboration between MRCSB and Loob Integrated; or

**7. BUSINESS OVERVIEW (Cont'd)**

- (c) where MRCSB, in its reasonable discretion, determines that Loob Integrated has acted in a manner which is materially prejudicial to MRCSB and/or the PETRONAS brand and reputation.

**Note:**

- (1) *Loob Integrated has notified MRCSB on the change in the shareholding structure of our Company pursuant to our Listing, whereby Loob Integrated will become an indirect subsidiary of our Company via Loob Holding, upon completion of the change in the shareholding structure.*

In the event of MRCSB giving notice to Loob Integrated to improve the sales performance of a particular PETRONAS Tealive outlet ("**Affected PETRONAS Tealive Outlet**"), in its reasonable discretion, determines that there is no satisfactory improvement to the performance of the Affected PETRONAS Tealive Outlet:

- (a) MRCSB shall offer Loob Integrated the first right but not the obligation to continue to operate the Affected PETRONAS Tealive Outlet as a non-PETRONAS Tealive outlet; and
- (b) If Loob Integrated did not opt to operate the Affected PETRONAS Tealive Outlet as per sub-clause (a) above, MRCSB may exercise the right to close the Affected PETRONAS Tealive Outlet by giving notice of three (3) months' and the parties agree to terminate the Affected PETRONAS Tealive Outlet in accordance with the terms and conditions of the Operating Agreement.

For the avoidance of doubt, in the event Loob Integrated elects to continue to operate the Affected PETRONAS Tealive Outlet, it shall notify MRCSB in writing within 14 days from the date notice given by MRCSB is received by Loob Integrated.

In the event of a material non-compliance to the health, safety and environment laws, regulations and requirements as determined by the relevant authorities and/or MRCSB at a PETRONAS Tealive outlet ("**Non-Compliant PETRONAS Tealive Outlet**"), the non-defaulting party may suspend the operation of the Non-Compliant PETRONAS Tealive Outlet until the non-defaulting party is satisfied that the cause for the material non-compliance has been rectified. Where such suspension continues for a period of more than two (2) consecutive months, the non-defaulting party may exercise the right to close such Non-Compliant PETRONAS Tealive Outlet by giving notice 14 days' and the parties agree to terminate the Non-Compliant PETRONAS Tealive Outlet in accordance with the terms and conditions of the Operating Agreement.

Pursuant to clauses stated above, Loob Integrated shall, within 30 days following the closure of the Affected PETRONAS Tealive Outlet, the closure of the Non-Compliant PETRONAS Tealive Outlet or Loob Integrated's decision to continue to operate the Affected PETRONAS Tealive Outlet, where applicable, acquire from MRCSB all of the fixed assets as listed in the Operating Agreement for the Affected PETRONAS Tealive Outlet or the Non-Compliant PETRONAS Tealive Outlet, where applicable, failing which MRCSB may, among others, charge variable rent of 10 to 20% of the monthly net product sales for the Affected PETRONAS Tealive Outlet or the Non-Compliant PETRONAS Tealive Outlet, where applicable under the Operating Agreement. For the avoidance of doubt, the depreciation of the fixed assets shall be based on a useful life policy.

**7. BUSINESS OVERVIEW (Cont'd)*****Effect of Termination***

If either party exercises its right to terminate, the parties shall have no further rights, duties or obligations under the Operating Agreement, except such rights or duties that are expressly agreed to be unaffected by termination and/or any other antecedent breaches and that the monetary obligations due prior to the termination of the Operating Agreement shall be paid and that all fees and other monetary obligations that have been prepaid by either party, shall be prorated for the applicable period.

MRCSB shall permit Loob Integrated to remove and take away from the Demised Premises all equipment and fixtures therein belonging to Loob Integrated within one (1) month after the expiration or sooner determination of the term hereof. If Loob Integrated refuses or fails to remove the equipment and fixtures from the Demised Premises within the period aforesaid after expiration or sooner determination of the Operating Agreement, Loob Integrated shall be deemed to have abandoned the same and MRCSB may, at its sole discretion, dispose of such equipment and fixtures whereby the cost incurred thereto shall be deducted from the security deposit.

Upon the expiration or sooner determination of the Operating Agreement, Loob Integrated shall surrender the Demised Premises to MRCSB in good and tenantable condition subject to reasonable wear and tear.

***Indemnification***

MRCSB and Loob Integrated ("**Indemnifying Party**") undertake and agree to pay and to indemnify fully, hold harmless and defend the other party and its successors, assigns, officers, directors, shareholders, agents, affiliates, subsidiaries, holding company, franchisees, licensees and employees from and against any and all of the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the other party in connection with:

- (a) any inaccuracy or breach of any of the representations and warranties;
- (b) any proceedings taken by the other party claiming that any of the representations and warranties or the performance of the obligations under the Operating Agreement, as the case may be, is untrue or misleading in any material respects or has been breached in any material respects and in which judgment is given for the other party; and
- (c) breach of any of the terms and conditions of the Operating Agreement by the Indemnifying Party.

Loob Integrated undertakes and agrees to pay and to indemnify fully, hold harmless and defend MRCSB and its successors, assigns, officers, directors, shareholders, agents, affiliates, subsidiaries, holding company, franchisees, licensees and employees from and against any and all of the loss, costs, expense, damage and third party claims for damages suffered directly by MRCSB arising from Loob Integrated or its affiliates, franchisee, contractors or vendors' act or omission in the operation and maintenance of PETRONAS Tealive outlets except where any of such loss, costs, expense, damage or third party claims is caused by the act, omission or negligence of MRCSB or its affiliates.

Neither party shall be liable to the other party for indirect or consequential losses arising out of or in connection with the Operating Agreement.

**7. BUSINESS OVERVIEW (Cont'd)*****Confidentiality***

MRCSB and Loob Integrated shall hold in strict confidence all provisions of the Operating Agreement and all confidential information furnished by the other party under the Operating Agreement. Any such information shall not be disclosed to any third party without the prior written consent of the party which had originally disclosed such information first being obtained, unless disclosure of such information is necessary for the proper discharge of either parties' rights or obligations under the Operating Agreement and in law. The confidentiality undertakings provided herein shall survive any termination, whether herein envisaged in the Operating Agreement or otherwise.

The obligations of confidentiality shall not extend to:

- (a) any matter which is in or becomes part of the public domain otherwise than by reason of a breach of the obligations of confidentiality in the Operating Agreement or which any party receives from a third party independently entitled to disclose it;
- (b) matters which the party is required by law, any regulatory authority or the rules of a recognised stock exchange applicable to that party to disclose; or
- (c) any professional advisors or affiliates to the receiving party who are bound by a duty of confidence which applies to any information disclosed.

In the event Loob Integrated is required to disclose confidential information to Loob Holding, or its holding company, where applicable, or potential investors of Loob Holding or its holding company where applicable, relevant authorities or regulators, for purposes of any corporate exercises including but not limited to an initial public offering of the shares of Loob Holding or its holding company on a stock exchange, Loob Integrated shall seek the prior written consent from MRCSB for disclosure of such confidential information, however such consent shall not be unreasonably withheld by MRCSB.

**7.21 HEALTH AND SAFETY MATTERS**

We value the health of our employees and place great emphasis on the safety of our employees at our stores. We ensure that new employees are advised of our OSHE requirements through onboarding inductions and are provided with in-house training tailored to their job functions, including fire safety, first aid and proper equipment handling for store operations.

Each employee is briefed and granted access to our SOP policies which describe our Company's and employee's responsibilities for employee health and safety. Our employee handbook also contains explanations of procedures to be followed in the event of accidents at the workplace and informs our employees of their eligibility for statutory compensation in the event of an injury or accident occurring in the course of their employment.

We have also established an OSHE committee that meets quarterly to promote and oversee the implementation of health and safety initiatives. The OSHE committee supports awareness campaigns through regular OSHE e-newsletters circulated to both HQ and store staff and leads the execution of safety programs, including annual risk assessments based on the Hazard Identification, Risk Assessment and Risk Control framework. To ensure ongoing compliance, our Quality Assurance team conducts store audits covering key OSHE elements. Through these combined initiatives, we continue to foster a safety-first culture across our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.22 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Board holds the ultimate responsibility for integrating ESG considerations into Loob's overall strategy and overseeing our sustainability progress. Our Key Senior Management is tasked with executing the sustainability strategy. Key executives and key departments are responsible for operationalising this strategy across all business functions, ensuring alignment with our overarching ESG objectives.

Our approved sustainability strategy takes a holistic approach, balancing commercial growth, employee well-being, societal impact and environmental stewardship. It is built around three (3) core pillars:

<p>Pillar 1: Nurturing Our Business - This pillar focuses on customer-centricity, brand trust and adherence to A+ business standards, contributing to UNSDGs 2, 8 and 16. We emphasise on quality, product safety, customer satisfaction and effective governance and risk management.</p>	
<p>Pillar 2: Nurturing Our People - This pillar emphasises empowering employees, fostering an inclusive work environment and contributing positively to society, aligning with UNSDGs 3, 5 and 10 with the overarching objective of benefiting both our people and the broader community.</p>	
<p>Pillar 3: Nurturing Our Planet - This pillar focuses on reducing our environmental impact, particularly through sustainable packaging and carbon reduction efforts, in line with UNSDGs 7, 12 and 13. Our aim is to incorporate sustainability throughout our business operations to ensure minimal environmental impact.</p>	

#### 7.22.1 Pillar 1: Nurturing Our Business

The pillar is guided by three (3) themes:

- (i) **Customer as King** – We deliver exceptional customer experiences through an omnichannel strategy, offering dedicated websites and mobile applications for Tealive and Bask Bear. Our integration with platforms like GrabFood, FoodPanda, ShopeeFood and Touch 'n Go eWallet ensures seamless access, enhancing convenience and meeting customer expectations.
- (ii) **Trusted Brand and Product** – We lead with purpose by fostering innovation, prioritising product safety and maintaining Halal certification for the menu offered at most of our stores in Malaysia and all of our stores in Malaysia are using all Halal-certified raw materials. See Section 7.24 of this Prospectus for details of the Halal certification for our stores in Malaysia. We do not require our international franchisees and licensees to apply for Halal certification as it may not always be applicable or practical for our international stores, due to, among others, varying consumer demand (where the majority of the customer base may not prioritise Halal-certified offerings), local sourcing practices and regulatory differences that affect the availability of Halal-certified raw materials. By regularly introducing new flavours, seasonal menu items and incorporating sustainable local ingredients such as Aren palm sugar, we deliver unique offerings that resonate with customer trends while supporting local communities.

## 7. BUSINESS OVERVIEW (Cont'd)

- (iii) **A+ Business Standards and Governance** – We uphold robust governance frameworks, emphasising compliance, risk management and ethical supply chain practices. This commitment includes a robust supplier quality management system and leveraging digital transformation to optimise operations and internal audits.

Our commitment to the themes is driven by three (3) material factors: (i) Quality and Product Safety, (ii) Ethical Supply Chain and (iii) Governance and Transparency.

**(i) Quality and Product Safety:**

By adhering to stringent safety standards, such as Halal Certification, we ensure our products consistently meet the highest standards of food safety. Our dedicated research and development team focuses on creating high-quality offerings that cater to customer preferences through comprehensive market research and alignment with global trends, all while maintaining safety and compliance.

To stay ahead of evolving consumer preferences, we frequently refresh our beverage menu with new flavors, toppings and locally tailored offerings across different markets. We customise our menu selections to reflect local consumer tastes and cultural preferences in each country we operate. For example, in the Philippines, Wintermelon Milk Tea is a permanent fixture on the Tealive menu due to its strong local appeal and the fruit's availability through traditional Filipino agriculture. In contrast, the same beverage is offered only as a LTO in Malaysia. This localisation strategy allows us to remain relevant by aligning with local ingredients, consumption habits and flavour preferences in each market. We also introduce LTO products approximately once every four (4) to six (6) weeks for Tealive and Bask Bear, keeping our lineup fresh and engaging. These exclusive releases generate strong consumer interest, driving repeat visits and reinforcing brand loyalty.

**(ii) Ethical Supply Chain:**

We are committed to building an ethical supply chain that reflects our high standards and values. As part of our onboarding process, all suppliers are required to sign an Anti-Bribery and Corruption Declaration and a CTOS Consent Form, underscoring our emphasis on integrity and ethical practices. We actively engage suppliers through regular communication, meetings and collaborations to ensure alignment with our expectations.

**(iii) Governance and Transparency:**

Our Group recognises that strong governance is fundamental for building a sustainable future. We prioritise ethical business practices and compliance with applicable laws and regulations, supported by a robust internal control system. The system is monitored by our legal and internal audit team, with regular policy reviews and periodic internal audits to uphold the highest standards of governance. In line with this commitment, we aim to align with the recommendations under the MCCG. Key commitments include ensuring at least half of our Board comprises independent directors, maintaining at least 30% women directors and establishing an Audit and Risk Management Committee comprised entirely of independent directors. We are also committed to ensuring that our Independent Non-Executive Chairperson does not serve on any board committees.



## 7. BUSINESS OVERVIEW (Cont'd)

To promote governance and transparency, the Legal and HR teams communicate and disseminate governance policies, such as the Anti-Bribery and Corruption Policy and the Speak Up Policy, to employees through email notifications. These policies are readily accessible on the organisation's internal systems for easy reference. Mandatory training sessions are conducted for all employees, enhancing awareness and fostering a workplace culture centred on ethics, accountability and compliance. Through these initiatives, we reaffirm our commitment to governance practices that are transparent, ethical and aligned with acceptable standards.

### 7.22.2 Pillar 2: Nurturing Our People

The pillar is guided by two (2) themes:

- (i) **Empowering Our People ('Loobies'):** We are committed to ensuring the health, safety and well-being of our employees, while promoting diversity, equality and inclusion in the workplace.
- (ii) **Guardians of Society:** We aim to give back to and support the development of local communities.

Our commitment to the themes is driven by three (3) material factors: (i) Employee Engagement and Diversity, (ii) Community Outreach and (iii) Health and Safety.

#### (i) **Employee Engagement and Diversity:**

##### **(a) DEI**

We are committed to upholding labour and human rights, complying with all applicable laws. Our "Human and Labour Rights Policy" and "Foreign Worker Management Policy," effective since 30 September 2022, align with the ILO Core Conventions. These policies cover key areas, including equal opportunities, the prevention of forced labour, child labour protections, fair working hours and wages, health and safety, workplace security, freedom of association and data privacy.

We are committed to fostering DEI across our organisation, embedding these principles into our practices. As at the LPD, women account for 56% of our Board, 30% of our senior management and 65% of our overall workforce.

To further incorporate DEI practices, we actively champion initiatives such as celebrating International Women's Day, creating leadership opportunities for women and nurturing an inclusive environment that embraces diverse perspectives.

##### **(b) Employee Engagement Initiatives**

We are committed to fostering a collaborative and inclusive work culture by celebrating the diversity of our workforce. Cultural and festive events, along with other initiatives, strengthen relationships, teamwork and engagement across the organisation, while initiatives such as townhall sessions provide open communication platforms that connect leadership with employees.

Complementing these efforts, our HR-led "Loobies Club" promotes employee wellness through weekly sports activities, such as badminton and futsal, as well as special events like zumba, go-karting and bowling. These initiatives encourage team building while nurturing healthy lifestyles among our employees.

## 7. BUSINESS OVERVIEW (Cont'd)

Additionally, the Lunch and Learn Program (“**LALA**”), organised by our HR, supports personal and professional growth by fostering a culture of continuous learning and curiosity. The program provides a relaxed, interactive platform for knowledge sharing, where employees or guest speakers present diverse topics ranging from technical skills to creativity and personal development. In its recent cycle, the LALA Program covered themes such as *Power BI*, *Single-Origin Coffee* and *Poster Design*, engaging a total of 247 attendees. By encouraging collaboration, sparking innovation and strengthening cross-departmental connections, the program plays a key role in enhancing employee satisfaction and cultivating a strong sense of community across the organisation.

### (c) **Employee Career Development**

We are committed to empowering employees through structured opportunities provided by our tailored Career Advancement Program. Designed for employees at our stores, this program provides a clear progression path, starting from new joiner to Tearista/Bearista, advancing to Senior Tearista/Bearista, then to Shift Leader and ultimately reaching the role of Store Supervisor.

The program begins with a comprehensive onboarding process and 20 days of on-the-job training, equipping new joiners with foundational skills in food handling, halal awareness and service standards. As employees progress, they receive targeted training at each stage, including modules on inventory and cash management, customer experience and equipment handling. For those stepping into leadership roles, we provide advanced training covering store operations and people management, ensuring Shift Leaders and Store Supervisors are well-prepared for their responsibilities.

Each stage includes assessments, appraisals and nominations by managers to ensure performance-based career progression. This structured framework reflects our commitment to fostering talent, building a skilled workforce and providing meaningful career pathways within our organisation.

### (ii) **Community Outreach through CSR**

We demonstrate our commitment to community engagement through targeted and impactful initiatives that directly support local communities. Our CSR efforts encompass volunteer activities, cause-related marketing campaigns and corporate philanthropy, all designed to improve lives, foster ethical practices and encourage active employee participation in societal development. These initiatives focus on areas such as education, environmental conservation and community well-being.

From 1 July 2024 up to the LPD, we have spent RM27,670.70 for various CSR activities. Meanwhile, in the FYE 30 June 2024, we allocated RM16,693.20 to CSR, representing 0.03% of our Group's PAT for the FYE 30 June 2024 of RM50.8 million. This funding directly benefited 2,068 individuals through programs focused on education, sports and entertainment sponsorship. While this marks a decrease from the RM143,927.80 spent in FYE 30 June 2023, which supported 16,503 beneficiaries, our commitment to community outreach remains steadfast.

## 7. BUSINESS OVERVIEW (Cont'd)

- Education: We are committed to fostering a more inclusive and equitable society. In May 2023, we partnered with Lahad Datu Community College to offer internships to 20 students from the underserved community of Lahad Datu, Sabah. These internships provide valuable hands-on experience and mentorship opportunities, contributing to the students' professional development.
- Philanthropy: We provide philanthropic support when it's needed most, with a continuous commitment to offering timely assistance to those in need. During the December 2021 floods in Klang, we provided cash aid to affected colleagues and distributed 150 food aid kits across Klang Valley. In January 2022, Tealive donated RM50,000 to the Shah Alam Haemodialysis Centre to support their recovery from flood damages. We extended further flood relief efforts in November 2022, providing essential kits to the Johor community. In April 2023, we aided 78 families of our employees impacted by Johor's severe floods with household essentials and financial support. These initiatives demonstrate our commitment to supporting our people and communities in times of crisis.
- Care for Health: In November 2024, we partnered with the Ministry of Domestic Trade and Cost of Living to support the *Jom Kosong* campaign, part of the *Perangi Gula* initiative by the Ministry of Health. Tealive was proud to be the first local beverage brand to join this effort, encouraging the public to opt for sugar-free beverages. As part of this campaign, 20 cents from each sugar-free drink sold will be contributed to the *Tabung Bantuan Makanan Sekolah Tealive*, which aims to provide one million free school meals to B40 students through Yayasan Didik Negara.<sup>1</sup> This initiative exemplifies our commitment to promoting healthier lifestyle choices, with a fundraising target of RM3.5 million within a year.
- Care for Community: As part of our ongoing efforts to support and uplift underserved communities, we are dedicated to bringing joy and care to orphanages nationwide. Our initiatives aim to foster meaningful connections and create cherished memories through thoughtful experiences. We provide companionship, exclusive drinks and festive joy by hosting movie screenings in May 2020 with the Anak-Anak Yatim UMMI Selangor in collaboration with Astro Malaysia Holdings Berhad.

We are committed to fostering strong cultural connections by supporting community events and engaging with diverse groups. Our products are designed to meet the highest standards of quality, with deep respect for cultural and religious values. In the FYE 30 June 2022, we provided 486 drinks at cultural and religious events, increasing to 600 drinks in the FYE 30 June 2023, highlighting our dedication celebrating and supporting cultural diversity and respecting religious beliefs.

<sup>1</sup> B40 refers to the bottom 40% of household income earners in Malaysia, as classified by the government based on income distribution.

## 7. BUSINESS OVERVIEW (Cont'd)

We have also extended our support to native and Orang Asli communities as part of our broader mission to uplift those in need, offering meaningful assistance that contributes to their well-being and helps preserve their cultural heritage. In 2021, we participated in the Epic Virtual Run 2021, an initiative aimed at raising RM250,000 to provide five Orang Asli families with safer homes. Additionally, we also distributed 18 eco cups with vouchers to native community members in January 2021.

- Promoting Sustainability and Conservation Awareness: As part of our commitment to sustainability and local engagement, we produced and published two videos on Loob Holding's LinkedIn account in June 2024 to raise awareness and inspire action on sustainability initiatives.

The first, *"A Sustainable Local Ingredient: The Aren Palm Sugar,"* highlights our use of sustainably sourced Aren palm sugar from Borneo farmers. It educates customers on the environmental and social benefits of this ingredient, demonstrating Tealive's commitment to supporting local communities and promoting sustainability.

The second, *"Tenom's Journey: The Malaysian Sun Bear Rehabilitation,"* follows the rescue and rehabilitation of Tenom, a Malayan sun bear, at the Bornean Sun Bear Conservation Centre (BSBCC). By sharing Tenom's story, we bring attention to the conservation efforts needed to protect this endangered species, while encouraging donations to support ongoing rehabilitation and release efforts.

In recognition of these impactful initiatives, Loob Holding was honored with Creador ESG Impact Award 2024 under the category *"Community and Social Impact."* This award underscores our commitment to driving positive environmental and social change through meaningful engagement and collaboration.

### (iii) Health and Safety:

We place a strong emphasis on the health and safety of our employees, contractors and visitors.

Our OHSE policy is overseen by a dedicated committee that meets regularly to ensure the ongoing effectiveness of our safety programs. In the FYE 30 June 2023, our OHSE Plan focused on fire safety, first aid and promoting a safety culture. We conduct regular site visits to ensure compliance with safety standards and actively track and report safety incidents to the Department of Occupational Safety and Health.

We prioritise workplace safety through ongoing awareness initiatives and training sessions. In the FYE 30 June 2024, we conducted five OSHE training sessions, engaging 138 participants from various departments. Additionally, our safety efforts are supported by regular OSHE committee meetings, held quarterly, to address workplace safety concerns and enhance compliance.

## 7. BUSINESS OVERVIEW (Cont'd)

From 1 July 2024 up to the LPD, we recorded a total of five (5) incidents with total of 0.7 LTI rate. The incidents involved minor burns, slips and falls and one case of a fractured leg. Immediate action was taken in each case, including first aid, medical treatment, incident reporting to the Department of Occupational Safety and Health where applicable and internal reviews through meetings held in stores and training reinforcement. All incidents have since been resolved and closed. Preventive actions, including reinforcement of safety protocols, staff reminders on proper footwear, hazard awareness and procedural reviews, have been implemented to reduce the risk of recurrence and strengthen our overall workplace safety practices.

Safety awareness materials are distributed to our store staff and plans are underway to integrate these topics into our Learning Management System for better tracking and completion. Our continuous efforts in safety management are further strengthened by a network of 33 trained first aiders as at the LPD.

We have established an Emergency Response Team at each store, trained in fire safety and first aid, to ensure prompt incident reporting and response using contact details and incident reporting forms accessible via quick response codes. All store staff have received briefing sessions on the Emergency Response Procedure. In June 2023, our Training Department introduced a new crisis management module for store staff, which is now included as part of the orientation. This module covers food safety, occupational safety, emergency procedures and audits.

### 7.22.3 Pillar 3: Nurturing Our Planet

This pillar is guided by two (2) themes:

- (i) Incorporating Nature into Business DNA: We are dedicated to minimising environmental impacts across our operations.
- (ii) Sustainability-Driven Decisions, Ethical Supply Chain: We are committed to reducing environmental impacts throughout our supply chain, with a focus on sustainable packaging and efficient logistics.

Our commitment to the themes is driven by three (3) material factors (i) Energy and Emissions, (ii) Waste Management and (iii) Sustainable Packaging.

#### (i) Energy and Emissions:

Our operations nationwide demand significant resources, such as electricity, water and packaging materials. Recognising our responsibility to reduce our carbon footprint, we completed a GHG Emission Inventory in October 2024, in accordance with the 2006 Intergovernmental Panel on Climate Change (IPCC) and GHG Protocol Corporate Accounting and Reporting Standard.

For the FYE 30 June 2024, we recorded total GHG emissions of 26,591 tCO<sub>2</sub>-eq across Scope 1, Scope 2 and Scope 3 emissions. Meanwhile, for the period from 1 July 2024 to 31 January 2025, our total GHG emissions amounted to 16,131 tCO<sub>2</sub>-eq.

The GHG emission inventory covers:

Scope 1: Direct GHG emissions from company-owned vehicles, including delivery trucks and maintenance vans.

Scope 2: Indirect GHG emissions from electricity consumption at our headquarters and stores.

## 7. BUSINESS OVERVIEW (Cont'd)

Scope 3: Other indirect GHG emissions, which includes waste management – wastewater, used cooking oil and business travel.

As at the LPD, few key initiatives have been introduced in efforts to reduce GHG emissions:

### (a) **Energy Efficiency Measures**

From June 2022 till June 2023, we have been progressively installing smart energy-saving devices at 170 Tealive and Bask Bear stores. This initiative has achieved average energy savings of approximately RM225.30 per stores per month, translating into a total reduction of approximately 962,486 kWh annually, equivalent to 680.2 tCO<sub>2</sub>-eq, 2.6% of FYE 30 June 2024 GHG emissions. Encouraged by these results, we are expanding the program to new stores, contributing further to our sustainability goals.

### (b) **Renewable Energy Adoption**

We plan to implement solar PV systems at our headquarters and manufacturing facility by June 2025, with an expected installed capacity exceeding 500 kWp by the end of 2025. These systems are projected to generate over 600,000 kWh annually, reducing emissions by approximately 502.7 tCO<sub>2</sub>-eq per year – equivalent to 1.9% of our FYE 30 June 2024 emissions.

## (ii) **Waste Management:**

We are dedicated to reducing our environmental impact by improving waste management practices across our operations and inspiring our stakeholders to adopt sustainable behaviours.

### (a) **Sustainable Packaging**

- **Phase-out plastic straws:** As part of our commitment to sustainability, we have actively participated in the nationwide initiative to phase out single-use plastics since 2018. Starting from October 2019, we successfully eliminated plastic straws across all our stores, transitioning to eco-friendly alternatives, primarily paper straws. This shift not only aligns with our environmental objectives but also sets a benchmark for sustainable practices within the industry. This initiative has resulted in the avoidance of over 44.0 million plastic straws from entering landfills and polluting waterways, based on the cold drink sales quantity for the FYE 30 June 2024. We remain dedicated to explore innovative alternatives, including palm trunk fiber and rice straws, to further enhance our environmental stewardship.
- **Phase-out plastic bags:** To improve customer satisfaction and to uplift our brand image, we have introduced the usage of Tealive paper bags for all deliveries or takeaway orders. Since August 2022, we replaced plastic bags with paper bags for all deliveries and takeaway orders at Tealive. This transition aligns with our commitment to sustainability across all franchises and business partners.

## 7. BUSINESS OVERVIEW (Cont'd)

- **Phase-out plastic cups:** In May 2024, we initiated the transition from polypropylene plastic cups to paper cups. Tealive fully transitioned by September 2024, while Bask Bear completed its transition earlier in June 2024. From the transition month until December 2024, this shift replaced 12,358,500 cold drink cups at Tealive and 1,781,789 cups at Bask Bear. On a monthly average, plastic use for cups decreased from 32.6 tonnes to 2.9 tonnes for Tealive and from 2.2 tonnes to 0.2 tonnes for Bask Bear, representing an approximate 90% reduction of plastics weight.
- **Alternative packaging and refillable cups:** In February 2021, Tealive launched Malaysia's first strawless bubble teacup, achieving remarkable success with 5,000 units sold out in just two days online. Due to high demand, we expanded availability to physical stores by September 2021. We also introduced the Eco Glass Tumbler in collaboration with OneCup, made from food-grade silicone and borosilicate glass, featuring recyclable packaging to minimise plastic use. Additionally, in 2020, we launched the Eco Tea Bag, a reusable bag that can carry up to four Tealive drinks, further encouraging reductions in single-use plastics.
- **Overall plastic diverted:** From 1 July 2024 to the LPD, these initiatives have collectively contributed to an estimated reduction of 246.5 tonnes in single-use plastics. By leading in sustainable packaging, we aim to inspire our customers and the broader community to adopt eco-friendly practices, aligning with the growing consumer demand for sustainable alternatives.

### (b) Circular Economy and Waste Management

- **UCO Collection:** At our hot kitchen stores, Loob partners with Capital Oil & Fats Sdn Bhd to collect UCO for recycling into biodiesel. Capital Oil is certified with the MYHIJAU label and ISCC certification. All UCO is being collected and recycled to produce biodiesel. From 1 July 2024 to the LPD, we have recycled 57.5 tonnes of UCO, contributing to the circular economy.
- **Reuse and Recycle:** We have introduced the TCC, a sustainable store model built from recycled shipping containers in partnership with PETRONAS and MESRA. In February 2022, we launched our first TCC at Petronas Sungai Udang, Melaka. Our 2<sup>nd</sup> TCC store is completed in the first week of August 2023 at Petronas Padang Midin, Kuala Terengganu, Terengganu. The concept clearly reflects a simple yet workable stand-alone structure using a recycled container. We also collaborated with Heng Hiap Industries Sdn Bhd ("HHI") on a pilot program to recycle Tealive cups. During the pilot program, HHI has collected a total of 0.7 tonnes of plastic, paper and other mixed recyclables from the selected Tealive stores.

**7. BUSINESS OVERVIEW (Cont'd)****7.23 AWARDS**

We have won awards such as:

<b>Year</b>	<b>Recipient/Brand</b>	<b>Category</b>	<b>Award</b>	<b>Awarded by</b>
2024	Tealive	Best Engagement Strategy - App	Martech Excellence Awards Malaysia 2024	Netcore MarTech Mashup
2023	Loob Holding	Diversity Impact Award	Malaysia Best Employer Brand Awards 2023	Employer Branding Institute - India
2023	Loob Holding	Award for Innovation in Recruitment	Malaysia Best Employer Brand Awards 2023	Employer Branding Institute - India
2023	Loob Holding	Award for Excellence in Training	Malaysia Best Employer Brand Awards 2023	Employer Branding Institute - India
2023	Loob Holding / Tealive	International Franchisor of The Year	Malaysia Franchise Awards 2023	Malaysian Franchise Association
2023	Tealive	Platinum - Bubble Milk Tea Category in Malaysia	Reader's Digest Trusted Brands Asia 2023	Reader's Digest Trusted Brands Trustmark
2022	Tealive	Platinum - Bubble Milk Tea Category in Malaysia	Reader's Digest Trusted Brands Asia 2022	Reader's Digest Trusted Brands Trustmark
2022	Loob Holding / Tealive	Silver - Emerging Franchisor of The Year	Malaysia Franchise Awards	Malaysian Franchise Association

**7.24 KEY CERTIFICATIONS**

As at the LPD, Halal certificates have been obtained for 493 Tealive Corporate Stores and 266 Tealive Franchised Stores in Malaysia, representing 91.3% of the 831 Tealive stores in Malaysia. As at the LPD, Halal certificates have been obtained for 119 Bask Bear Corporate Stores and all six (6) Bask Bear Franchised Stores in Malaysia, representing 92.6% of the 135 Bask Bear stores. All our Halal certificates are valid. We will continue to submit applications to JAKIM for Halal certification for the remaining Tealive stores and Bask Bear Corporate Stores in Malaysia. We do not require our international franchisees and licensees to apply for Halal certification as it may not always be applicable or practical for our international stores, due to, among others, varying consumer demand (where the majority of the customer base may not prioritise Halal-certified offerings), local sourcing practices and regulatory differences that affect the availability of Halal-certified raw materials. Details of our Halal certificates are set out in Annexure A of this Prospectus. Save as disclosed in Annexure A of this Prospectus, our Group is not dependent on any major certifications for our business operations.