

6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY

Our history can be traced back to 2002 when Orgapharma Herbal was incorporated on 31 May 2002 by Dato' Ean Yong Tin Sin, Ean Yong Hien Voon and Ean Yong Hien Chal. With the experience that Dato' Ean Yong Tin Sin gained over the years from his past working experience in the sale of traditional herbs and food supplements, he established Orgapharma Herbal for the processing and packing of local traditional herbs and Chinese herbs for domestic sales. We commenced our operations from a rented factory lot in Bandar Teknologi, Kajang in 2002.

On 9 June 2003, Orgapharma Marketing was incorporated to carry out the trading of local traditional herbs, Chinese herbs and body care products. In 2004, due to our business expansion, we rented another factory within the same area in Bandar Teknologi, Kajang to undertake increased manufacturing activities and for warehousing purposes for the provision of processing, packing and trading of local traditional herbs, Chinese herbs and body care products.

In 2005, to cater to our customer's request and from our knowledge in the processing and packing of local traditional herbs and Chinese herbs, our Group decided to venture into the provision of instant beverage premix manufacturing services for third party brand owners. In view of this, we purchased a factory and rented another 2 units of factory lots within the same area in Bandar Teknologi, Kajang to undertake manufacturing activities and for warehousing purposes.

In 2006, we commenced the manufacturing of instant beverage premixes when we secured our first customer for our instant beverage premix manufacturing services namely Amway (M) Sdn Bhd. We also secured our first export sales for instant beverage premix manufacturing services, through Amway (Singapore) Pte Ltd, to Singapore. Subsequently on 10 May 2006, we incorporated Orgabio Manufacturing to undertake all activities pertaining to our instant beverage premix manufacturing business.

Between 2007 and 2008, we continued to secure more customers and among our notable customers in Malaysia included Lotuss Stores (Malaysia) Sdn Bhd (formerly known as Tesco Stores (Malaysia) Sdn Bhd), Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd (formerly known as Tunas Duta Cemerlang Sdn Bhd), in which they were amongst our major customers in the past 3 FYEs 2018 to 2020.

In 2008, we ventured into the provision of food supplement premix manufacturing services for third party brand owners when we secured our first customer for our food supplement premix manufacturing services, namely TDC Avenue Sdn Bhd.

As part of our Group's value-added services to our customers in catering to the Muslim market, we had in 2009 obtained the Certificate of Authentication HALAL ("Halal certification") from Jabatan Kemajuan Islam Malaysia ("JAKIM"). This certifies that our factory and manufacturing processes are in compliance with the Halal requirements, thus enabling us to manufacture Halal certified products for our customers.

In view of our expanding customer base and our positive growth prospects, in October 2010, we purchased a factory building with a total land area of 57,619 sq ft, comprising approximately 31,894.27 sq ft of total built-up area (i.e. 9,848.96 sq ft of manufacturing area, 15,265.89 sq ft of warehouse area and 6,779.42 sq ft of office area), in Beranang, Selangor (Beranang Factory).

6. INFORMATION ON OUR GROUP (Cont'd)

In 2012, we completed the relocation of our entire operations to our Beranang Factory and subsequently ceased the rental of all 4 units of factory lots as well as disposed the purchased factory lot. Upon relocation, we gradually ceased our business in processing, packing and trading of local traditional herbs and Chinese herbs, and focused on the manufacturing of instant beverage premixes.

In 2016, we introduced our house brand of instant beverage premixes under the brand name *EveryDay*. Subsequently on 2 March 2016, we incorporated Everyday F&B to undertake the sales and marketing activities of coffee premix and tea premix under our *EveryDay* brand.

As our business continued expanding, our Group made a decision to focus on enhancing the efficiency of our manufacturing facility. Hence, in October 2017, we completed the purchase of a freehold industrial land measuring approximately 87,123 sq ft in Semenyih, Selangor (Semenyih Land) for the purpose of constructing a new factory to achieve our plan of enhancing the efficiency of our manufacturing facility. Further details on our construction plans are set out in Section 6.19.1.

In 2019, we introduced another house brand of instant beverage premixes under the brand name *BrogaHill*, comprising coffee premixes and tea premixes in traditional local flavours which include "Malaysia Kopi O Kosong", "Malaysia White Coffee" and "Malaysia Teh Tarik". In the same year, we registered our manufacturing facility with the United States Food and Drug Administration ("US FDA"), thus allowing us to export our instant beverage premixes to the USA.

Over the years, we received several food quality and safety certificates as testaments to our conformity to food quality and safety management systems in the manufacturing of instant beverage premixes. The certificates include Good Manufacturing Practice (GMP) Certificate, Makanan Selamat Tanggungjawab Industri (MeSTI) Certificate and Hazard Analysis and Critical Control Point Certificate (HACCP) from the Ministry of Health Malaysia (MOH) and Food Safety System Certification (FSSC) 22000 from Intertek Certification Limited, details are set out in Section 6.18.

Over the years, we have gained extensive experience in the formulation and manufacturing of instant beverage premixes, as well as in-depth insights on various blends, taste profiles and preferences specific to different consumers, which have enabled us to formulate instant beverage premixes based on our customers' target markets and the target markets of our house brands. With that, we have secured various notable customers in Malaysia for our instant beverage premix manufacturing services such as Eonsave Cash & Carry Sdn Bhd, Aeon Topvalu Malaysia Sdn Bhd, GCH Retail (M) Sdn Bhd and Y.S.P. Industries (M) Sdn Bhd, and have continued to retain Lotuss Stores (Malaysia) Sdn Bhd, Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd as our customers. Further, since our first export in 2006, our Group has continued to secure exports to various other countries such as Australia, China, Hong Kong, India, Japan, Myanmar, Papua New Guinea, Russia, Taiwan, Singapore, Trinidad and Tobago, and United Arab Emirates.

Leveraging on the experience and insights, our Group has demonstrated competitiveness in the industry as our revenue increased in the FYE 2020, notwithstanding the challenging times during the COVID-19 pandemic. Further, under our house brands, our Group is targeting specific customer segments, with the launching of low GI Coffee which is suitable for diabetic patients, as well as traditional Malaysian flavours of instant beverage premixes.

On 22 March 2021, our Company and Hai-O Enterprise Berhad entered into the Cornerstone Investment Agreement wherein Hai-O Enterprise Berhad has agreed to subscribe for 30,983,500 IPO Shares at the IPO Price. Kindly refer to Section 6.16(iv) for further details.

6. INFORMATION ON OUR GROUP (Cont'd)**6.1.1 Share capital**

As at LPD, our share capital is RM15,120,001.80 comprising 151,200,000 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration RM	Cumulative share capital RM
2 May 2018	2	2.00	2
[•]	151,199,998	15,119,999.80	15,120,001.80

6.2 OUR GROUP STRUCTURE

To formalise our listing group in preparation of our Listing, we undertook the following transactions:

6.2.1 Pre-IPO changes in our subsidiaries' shareholdings**(i) Orgabio Manufacturing**

Prior to 9 November 2020, the shareholders of Orgabio Manufacturing were as follows:

Shareholders	No. of shares	%
Dato' Ean Yong Tin Sin	152,754	76.38
Ean Yong Hien Voon	11,910	5.95
Ean Yong Hien Chal	9,924	4.96
Ean Yong Han Khian	14,177	7.09
Ean Yong Hen Loen	11,235	5.62
	200,000	100.00

On 9 November 2020, Dato' Ean Yong Tin Sin, Ean Yong Hien Voon, Ean Yong Hien Chal, Ean Yong Han Khian and Ean Yong Hen Loen entered into an agreement to dispose 100% equity interest in Orgabio Manufacturing to Ean Yong & Sons for a total disposal consideration of RM11,133,700. The disposal consideration was satisfied via issuance of 111,337 ordinary shares in Ean Yong & Sons to the vendors of Orgabio Manufacturing at the issue price of RM100.00 per share. The total disposal consideration was arrived after taking into consideration the audited NA of Orgabio Manufacturing as at 30 June 2019 of RM11,133,613.

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6. INFORMATION ON OUR GROUP (Cont'd)**(ii) Orgapharma Herbal**

Prior to 9 November 2020, the shareholders of Orgapharma Herbal were as follows:

Shareholders	No. of shares	%
Dato' Ean Yong Tin Sin	299,160	85.47
Ean Yong Hien Voon	21,282	6.08
Ean Yong Hien Chal	17,735	5.07
Ean Yong Sik Siew	11,823	3.38
	350,000	100.00

On 9 November 2020, Dato' Ean Yong Tin Sin, Ean Yong Hien Voon, Ean Yong Hien Chal and Ean Yong Sik Siew entered into an agreement to dispose 100% equity interest in Orgapharma Herbal to Ean Yong & Sons for a total disposal consideration of RM350,000. The disposal consideration was satisfied via issuance of 3,500 ordinary shares in Ean Yong & Sons to the vendors of Orgapharma Herbal at the issue price of RM100.00 per share.

As at 30 June 2019, Orgapharma Herbal has an audited net liability position of RM774,811. In view of this, the total disposal consideration was arrived based on its issued share capital as at 30 June 2019 of RM350,000, being the initial investments made by the shareholders of Orgapharma Herbal. The said disposal consideration of RM350,000 was not based on fair value and was not undertaken on arm's length basis.

(iii) Orgapharma Marketing

Prior to 9 November 2020, the shareholders of Orgapharma Marketing were as follows:

Shareholders	No. of shares	%
Dato' Ean Yong Tin Sin	245,549	81.85
Ean Yong Hien Voon	18,008	6.00
Ean Yong Hien Chal	15,007	5.00
Ean Yong Han Khian	21,439	7.15
	300,003	100.00

On 9 November 2020, Dato' Ean Yong Tin Sin, Ean Yong Hien Voon, Ean Yong Hien Chal and Ean Yong Han Khian entered into an agreement to dispose 100% equity interest in Orgapharma Marketing to Ean Yong & Sons for a total disposal consideration of RM4,107,700. The disposal consideration was satisfied via issuance of 41,077 ordinary shares in Ean Yong & Sons to the vendors of Orgapharma Marketing at the issue price of RM100.00 per share. The total disposal consideration was arrived after taking into consideration the audited NA of Orgapharma Marketing as at 30 June 2019 of RM4,107,645.

6. INFORMATION ON OUR GROUP (Cont'd)**(iv) Everyday F&B**

Prior to 9 November 2020, the shareholders of Everyday F&B were as follows:

Shareholders	No. of shares	%
Ean Yong Hien Voon	83,499	99.99
Ean Yong Hen Loen	1	0.01
	83,500	100.00

On 9 November 2020, Ean Yong Hien Voon and Ean Yong Hen Loen entered into an agreement to dispose 100% equity interest in Everyday F&B to Ean Yong & Sons for a total disposal consideration of RM3,900. The disposal consideration was satisfied via issuance of 39 ordinary shares in Ean Yong & Sons to the vendors of Everyday F&B at the issue price of RM100.00 per share. The total disposal consideration was arrived after taking into consideration the audited NA of Everyday F&B as at 30 June 2019 of RM3,851.

Resulting from the above, Orgabio Manufacturing, Orgapharma Herbal, Orgapharma Marketing and Everyday F&B became wholly-owned subsidiaries of Ean Yong & Sons.

6.2.2 Acquisition of Subsidiaries

In preparation for our Listing, we undertook the Acquisition of Subsidiaries. On 12 March 2021, we entered into a conditional share sale agreement with Ean Yong & Sons to acquire the entire equity interest in Orgabio Manufacturing, Orgapharma Herbal, Orgapharma Marketing and Everyday F&B for a total purchase consideration of RM15,119,999.80.

The total purchase consideration of RM15,119,999.80 for the Acquisition of Subsidiaries was arrived at after taking into consideration the combined audited NA/(net liabilities) of the Subsidiaries as at 30 June 2020 amounting to RM15,120,347, as follows:

Subsidiaries	NA/(Net liabilities) (RM)
Orgabio Manufacturing	11,893,119
Orgapharma Herbal	(728,625)
Orgapharma Marketing	3,903,538
Everyday F&B	52,315
Combined NA	15,120,347

The purchase consideration for the Acquisition of Subsidiaries was satisfied by the issuance of 151,199,998 new Shares to Ean Yong & Sons at an issue price of RM0.10 per share.

The Acquisition of Subsidiaries was completed on [•]. Thereafter, Orgabio Manufacturing, Orgapharma Herbal, Orgapharma Marketing and Everyday F&B became our wholly-owned subsidiaries.

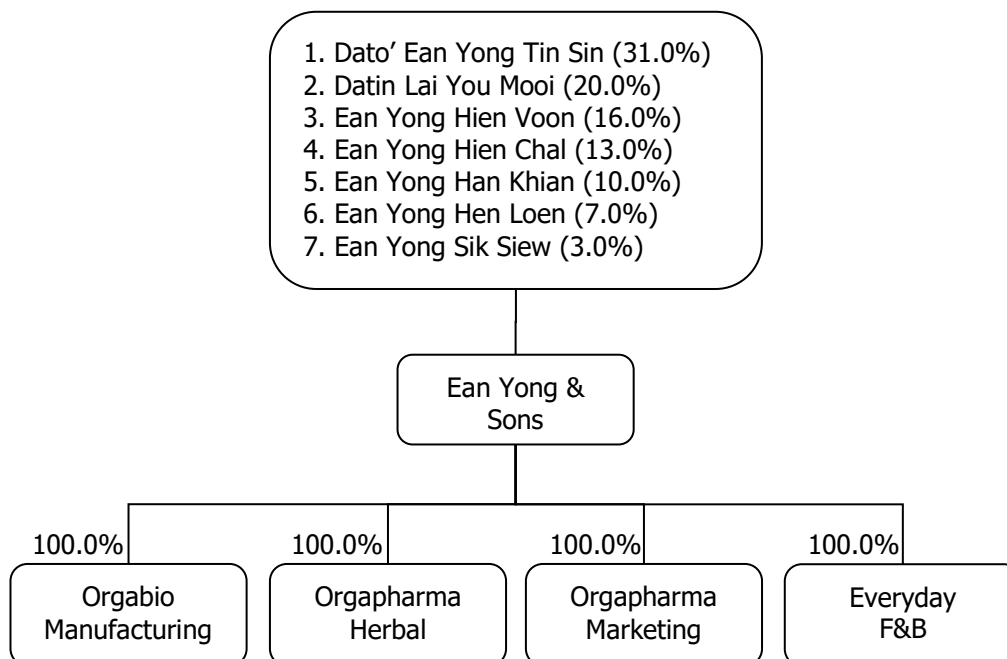
The new Shares issued pursuant to the Acquisition of Subsidiaries rank equally in all respects with our existing Shares.

6. INFORMATION ON OUR GROUP *(Cont'd)*

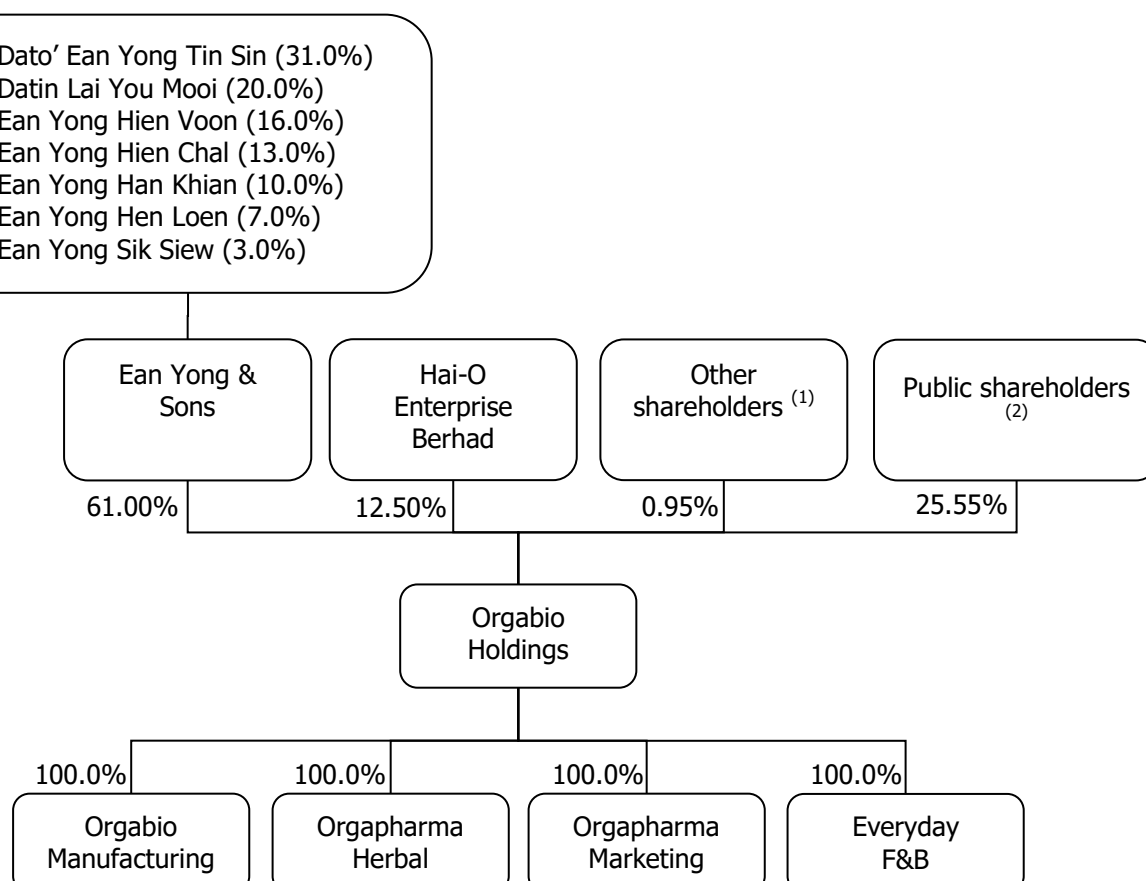
6.2.3 Our Group structure

Our Group structure as at the LPD and after the Listing is set out below:

(i) As at the LPD



(ii) After the Public Issue



6. INFORMATION ON OUR GROUP *(Cont'd)*

Notes:

- (1) Comprising Pink Form Allocations to our eligible Directors, key senior management and employees who are family members of our Directors. These shareholders are not deemed as public shareholders. Further details of our Pink Form Allocations are set out in Section 4.4.2.
- (2) Comprising the Malaysian Public and selected investors as set out in Sections 4.4.1(i) and 4.4.1(iii)(a) and Pink Form Allocations to our eligible employees (who are not family members of our Directors) as well as persons who have contributed to the success of our Group as set out in Section 4.4.2. These shareholders are deemed as public shareholders.

6.3 SUBSIDIARIES

As at the LPD, we have 4 subsidiaries and we do not have any associated companies. Details of our subsidiaries are set out below:

Company	Registration No. (Company No.)	Date / Place of incorporation	Principal of place of business	Effective of equity interest	Principal activities
				<u>%</u>	
Orgabio Manufacturing	200601013445 (733196-H)	10 May 2006 / Malaysia	Malaysia	100.0	Instant beverage premix manufacturing activities for third party brands and house brands comprising instant coffee, tea, chocolate and food supplement premixes, as well as undertaking local and export sale of instant beverage premixes
Orgapharma Herbal	200201014012 (581675-P)	31 May 2002 / Malaysia	Malaysia	100.0	Property investment holding
Orgapharma Marketing	200301015368 (617788-X)	9 June 2003 / Malaysia	Malaysia	100.0	Local sale of instant beverage premixes as well as sale of body care products
Everyday F&B	201601006893 (1177821-P)	2 March 2016 / Malaysia	Malaysia	100.0	Local and export sale of coffee premixes and house brands instant beverage premixes, namely <i>EveryDay</i> and <i>BrogaHill</i>

6. INFORMATION ON OUR GROUP (Cont'd)**6.4 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, there were no other material investment made by us for the past 3 FYEs 2018 to 2020 and up to the LPD:

Description	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	Up to the LPD RM'000
Property, plant and equipment comprising:				
Freehold buildings	(1) 329	30	-	-
Capital work-in-progress (2)	91	177	259	254
Right-of-use assets (3)	378	672	553	-
Plant and machineries (4)	125	579	350	166
Furniture, fittings, office equipment, tool equipment and electrical installation	49	170	51	29
Renovation works	(5) 392	95	-	-
Computers and software	15	-	-	37
Investment properties comprising:				
Freehold land and buildings	(6) 8,545	-	-	-
Capital work-in-progress	(7) 75	-	-	-
	9,999	1,723	1,213	486

Notes:

- (1) Acquisition of 1 unit of terrace house (No. 29) used as workers' hostel during FYE 2018. Kindly refer to Section 6.17.1(v) for further details.
- (2) Capital work-in-progress:
- (i) FYE 2018 – progress payment for 2 units of factories of RM0.09 million which we acquired for use as warehouses. Kindly refer to Sections 6.17.1(vii) and (viii) for further details;
- (ii) FYE 2019 – progress payment for enterprise resource planning software (RM0.05 million) and installation of air condition ducting for Beranang Factory (RM0.13 million);
- (iii) FYE 2020 – progress payment for enterprise resource planning software (RM0.04 million), installation of air condition ducting for Beranang Factory (RM0.08 million) and deposit paid for 1 unit of terrace house used as workers' hostels (RM0.14 million); and
- (iv) LPD – progress payment for enterprise resource planning software (RM0.05 million) and progress claim for 1 unit of terrace house used as workers' hostels (RM0.20 million).

6. INFORMATION ON OUR GROUP *(Cont'd)*

- (3) Right-of-use assets resulting from the application on the MFRS 16 for leases entered into by our Group for tenure of more than 1 year as follows:
- (i) FYE 2018 – purchase of 2 units of passenger cars (totalling RM0.36 million) under finance lease as well as rental of 2 units of terrace house used as workers' hostels (totalling RM0.02 million). Kindly refer to Sections 6.17.2 for further details;
 - (ii) FYE 2019 – purchase of 1 unit of filling machine (RM0.53 million) and 1 unit of pick-up truck (RM0.14 million) under finance lease; and
 - (iii) FYE 2020 – purchase of 1 unit of filling machine (RM0.53 million) under finance lease as well as rental of 2 units of terrace house used as workers' hostels (totalling RM0.02 million). Kindly refer to Sections 6.17.2 for further details.
- (4) Plant and machineries:
- (i) FYE 2018 – purchase of 1 unit of folding machine (RM0.06 million) and 1 unit of wrapping machine (RM0.06 million);
 - (ii) FYE 2019 – purchase of 3 units of mixer (RM0.13 million), 1 unit of sealing machine (RM0.04 million), 1 unit of forklift (RM0.05 million), 7 units of coding machine (RM0.12 million) and parts and components of machinery (RM0.24 million);
 - (iii) FYE 2020 – purchase of 2 unit of coding machine (RM0.07 million), 3 units of mixer (RM0.17 million), 1 unit of wrapping machine (RM0.03 million), 1 unit of high-speed crushing machine (RM0.02 million) and parts and components of machinery (RM0.06 million); and
 - (iv) LPD – purchase of 1 unit of check-weigher machine (RM0.05 million), 1 unit of conveying machine (RM0.01 million), 2 units of sealing machine (RM0.01 million), parts and components of machinery (RM0.08 million).
- (5) Renovation works carried out on our Beranang Factory in FYE 2018.
- (6) Acquisition of the Semenyih Land and related transaction cost. Kindly refer to Section 6.17.1(ii) for further details.
- (7) Progress payment for the acquisition of 1 unit of shop lot for investment purposes. Kindly refer to Section 6.17.1(ix) for further details.

The above material investments were primarily financed by a combination of lease liabilities, term loans and internally generated funds.

6. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group for the past 3 FYEs 2018 to 2020 and up to the LPD:

Description	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	Up to the LPD RM'000
Property, plant and equipment comprising: Right-of-use assets ⁽¹⁾	172	96	-	171

Note:

(1) Comprising disposal of the following:

- (i) FYE 2018 – write-off of 1 unit of passenger car that was damaged in an accident;
- (ii) FYE 2019 – disposal of 1 unit of passenger car to a non-related party; and
- (iii) LPD – disposal of 1 unit of filling machine.

Kindly refer to Section 11.6.1 for details of our material capital commitments as at the LPD.

6.5 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

- (i) No public take-over offers by third parties in respect of our Shares; and
- (ii) No public take-over offers by our Company in respect of other companies' shares.

As at LPD, we have not identified any other companies' shares for acquisition.

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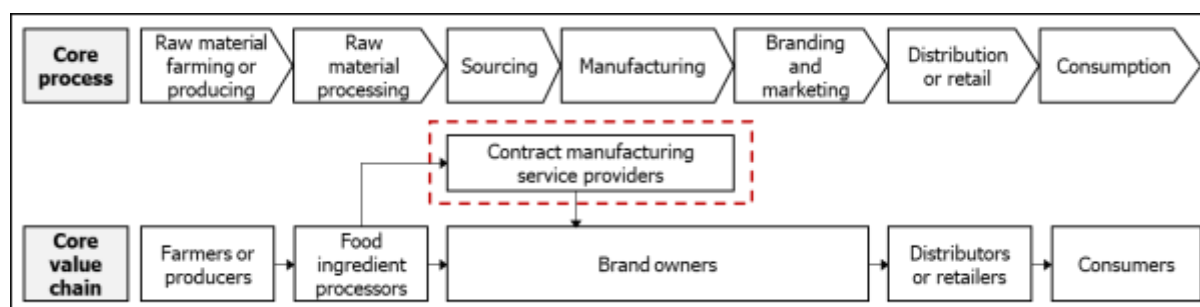
6. INFORMATION ON OUR GROUP *(Cont'd)*

6.6 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

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

(i) Provision of instant beverage premix manufacturing services to third party brand owners

Through Orgabio Manufacturing, we are principally involved in the provision of manufacturing services for instant beverage premixes, for third party brand owners, involving processes of formulating, blending and packing of a variety of instant beverage premixes. We typically provide instant beverage premix manufacturing services to our customers on a contract manufacturing basis.



Note: Contract manufacturing service providers denotes the key segment in which our Group is principally involved in

Source: IMR Report

Instant beverage premix exists in the form of dry, water-soluble powder, which upon mixing with water, turns into a beverage. The dry, water-soluble powder typically comprises a combination of a base (e.g. coffee powder, tea powder and/or cocoa powder), and flavour and taste enhancing ingredients (e.g. creamer powder and sweetener). Instant beverage premixes are usually packaged in single-serve retail packs such as sachets. As the ingredients have been proportionately measured in each serving, it provides the convenience to consumers for instant consumption due to its quick and easy preparation, and portable size. Further, instant beverage premixes are offered in a large variety of flavours at various price points, and thus catering to the various taste and pricing preferences of a wide group of consumers.

Source: IMR Report

Leveraging on our experience and understanding of the industry, we provide end-to-end solutions in manufacturing services pertaining to instant beverage premixes to our customers, as follows:

- (a) **Development of product formulations** – we provide our customers with full customisation of instant beverage premixes by developing product formulations in terms of taste profile, serving size, costing requirements and target market. Product formulation entails the process of keeping up to date with changing market demand, testing various combinations of food ingredients to obtain the desired taste profile and identifying new food ingredient suppliers to create more variations of product formulations.

6. INFORMATION ON OUR GROUP *(Cont'd)*

- (b) **Sourcing of supplies** – we source supplies including food ingredients, printed packaging such as sachets and packing boxes/bags from our network of food ingredient and packaging suppliers for use in the manufacturing processes. Based on our customers' requests and their preferences, some of our customers may also provide us certain food ingredients of their choice to be used in the manufacturing of instant beverage premixes. Examples of such food ingredients are bamboo salt, multi-grain powder and rice powder. This is not a common arrangement between our Group and our customers as this arrangement is only done upon request by our customers that prefer to have more control on certain food ingredients used in their products.
- (c) **Manufacturing** – we carry out the process of weighing, sieving and blending of instant beverage premixes in accordance to our customers' requirements, which will then be filled into individual sachets and packed into packing boxes/bags. We may also fill instant beverage premixes into packing bags of 1kg, 10kg, 15kg or 20kg for bulk purchases when required by our customers.
- (d) **Cartoning and delivery** – we will organise the packing boxes/bags into cartons and thereafter wrap the cartons with stretch film to prepare the goods for delivery. Finally, logistics arrangement will be made to deliver the products to our customers using services from third party logistics service providers.

As we support our customers throughout the whole manufacturing process of instant beverage premixes, it enables the optimisation of efficiency for our customers as our customers do not need to source for multiple suppliers. This is our key value proposition, as it provides our customers with the convenience of outsourcing all of the manufacturing process to us. With this, our customers are able to focus their resources on branding, sales and marketing for onward sale of the manufactured instant beverage premixes to consumers.

Further, as our manufacturing processes are certified Halal by JAKIM, all products manufactured in our factory will be entitled to receive the Halal certification upon registering product formulations with JAKIM. Customers seeking to register their products for Halal certifications may leverage on our services to expedite the Halal registration processes for the respective products manufactured. Customers who register their products for Halal certifications through us are not required to separately register their products for Halal certification. We also assist our customers to apply for the Certificate of Analysis (COA) which certifies that the ingredients and properties in the products meet the required product specifications; Certificate of Free Sale (CFS) which certifies the product as being fit for export; Health Certificate which certifies the product as being safe for human consumption and meeting the standards set by the importing country's food laws, and/or Certificate of Origin (CoO) which certifies the origin of the manufactured goods.

Our manufacturing services are provided to local and foreign customers. Our Group has been expanding our foreign customer base through participation in international trade fairs and exhibitions as well as through direct approaches to establish our market presence overseas.

Further, we are also involved in the sale of a body care product namely aloe vera gel to a customer, a direct selling company. This is to cater for the request of this customer who has been our existing customer for 15 years. We source the ingredient and packaging materials internally and outsource the packaging process to a third party packaging company as we do not have the required machinery to cater to the packaging of products in tube form.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Manufacturing, sales and marketing of house brand instant beverage premixes

We also leverage on our expertise to manufacture our house brand instant beverage premixes under our brand names, namely *EveryDay* and *BrogaHill*. *EveryDay* and *BrogaHill* products are manufactured in-house from product formulation, packaging design, sourcing of supplies, blending, packing, and distribution to sales and marketing activities. The sales and marketing activities for *EveryDay* and *BrogaHill* are undertaken by Everyday F&B. Our *EveryDay* and *BrogaHill* products are also Halal certified.

There is no substantial difference in the instant beverage premixes under our *EveryDay* and *BrogaHill* brands, save for the low GI Coffee formulated with low GI content which is suitable for diabetic patients marketed under *EveryDay*. All other instant beverage premixes under these 2 house brands are mostly traditional Malaysian coffee and tea flavours.

As at the LPD, we distribute *EveryDay* and *BrogaHill* products through 1 third-party local distributor, for onward sale to pharmacies, clinics and hospitals. Our low GI Coffee is distributed in pharmacies, clinics and hospitals to reach out to diabetic patients. However, we also distribute other products under *EveryDay* and *BrogaHill* in pharmacies, clinics and hospitals to capture wider customer base in these locations. We leverage on the network of customers of our distributor (i.e. pharmacies, clinics and hospitals) as well as its logistics network for effective distribution of our house brand instant beverage premixes.

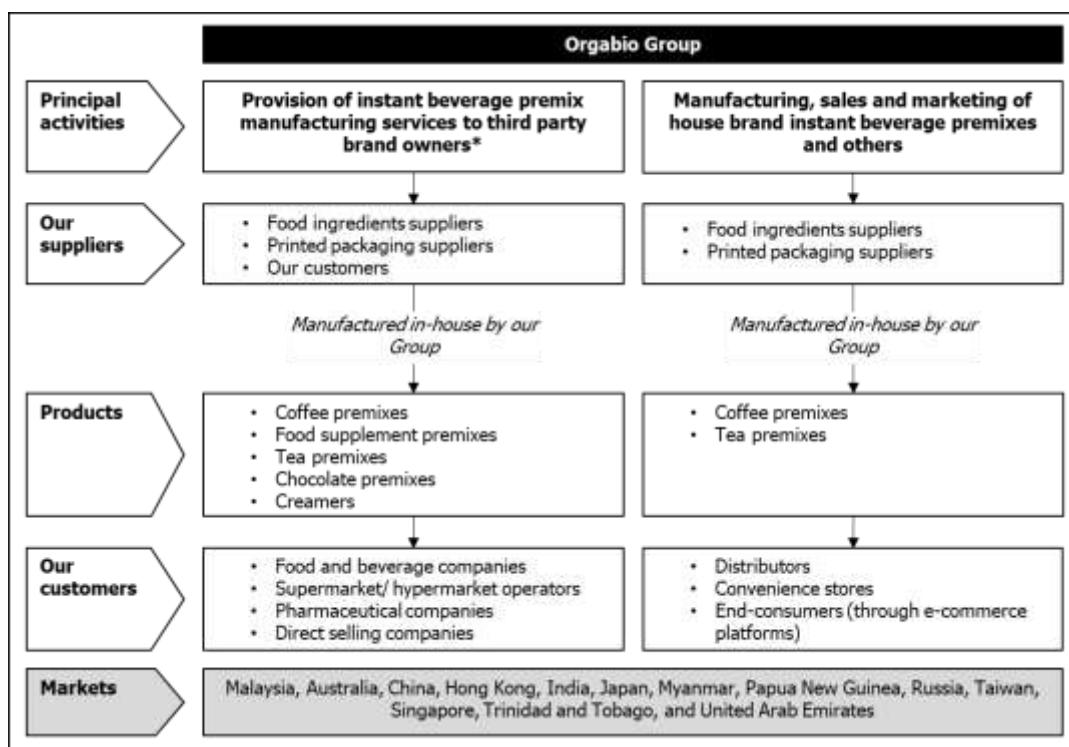
We also sell *EveryDay* and *BrogaHill* products to local convenience stores and *EveryDay* products overseas (i.e. United Arab Emirates, China, Myanmar, Taiwan and Singapore) as well as through e-commerce platforms such as Lazada and Shopee directly to end-consumers.

Since the launch of our house brand *EveryDay* in 2016 and *BrogaHill* in 2019 respectively, we have been expanding our brand presence, both locally and overseas, through participation in international trade fairs and exhibitions, referrals and/or advertising and promotional activities.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.6.1 Our business model



Note:

- * We are also involved in the sale of aloe vera gel, whereby we source for ingredients and packaging materials internally and outsource the packaging process to a third party packaging company.

As instant beverage premixes are available in a large variety of flavours at various price points, our Group's expertise and competitive-edge in the provision of instant beverage premix manufacturing services to third party brand owners lies in our ability to provide full customisation of formulations during product development as well as end-to-end solutions in manufacturing services. As such, we are able to cater to a wide range of customers, both locally and overseas, suiting their varied preferences for instant beverage premixes. While some of our competitors are also able to provide full customisation of formulations during product development as well as end-to-end solutions in manufacturing services, our industry experience and expertise enable us to propose and provide customised formulations for instant beverage premixes to suit the needs of a broad range of customers, we have an established track record of long-standing relationships with our notable customers, we are accredited with various certifications as a testament of our manufacturing compliance to internationally recognised food quality and safety standards and we have an experienced and hands-on management team. Kindly refer to Section 6.8 for further details on our competitive strengths. Further, we also undertake the sale of aloe vera gel to 1 customer, a direct selling company.

We also leverage on our in-house expertise to manufacture, market and sell our house brands instant beverage premixes, namely *EveryDay* and *BrogaHill*, which comprises coffee premixes and tea premixes. The manufacturing, sales and marketing of house brands are fully undertaken by our Group. Our house brands are mainly sold to distributors, both locally and overseas, as well as convenience stores. As part our Group's initiative to expand the

6. INFORMATION ON OUR GROUP (Cont'd)

presence of our house brands among end-consumers, we also leverage on e-commerce platforms to sell our house brands to end-consumers.

While our customers' and our house brand instant beverage premix may have similar flavours, our Group's provision of instant beverage premix manufacturing services to third party brand owners are not in direct competition with our house brand instant beverage premixes, as our customers' products and our products have different formulations, packaging designs, marketing strategies, target customers and pricing strategies. Our house brands targets health-conscious end-consumers (e.g. diabetic patients) who prefer low GI instant coffee premix at competitive prices. Nevertheless, we also offer other non-GI instant beverage premixes under our house brands to capture wider group of end-consumers. Therefore, the focus of our Group's business is in the provision of instant beverage premix manufacturing services to third party brand owners, and we compete with other instant beverage premix manufacturers in this segment. Our Group manufactures our house brand instant beverage premixes to expand our customer base to capture end-consumers as our premix manufacturing business focuses on commercial customers (i.e. brand owners).

6.6.2 Products and Services

6.6.2.1 Products manufactured for third party brand owners

We provide manufacturing services to third party brand owners to manufacture instant beverage premixes comprising coffee premixes, food supplement premixes and other premixes.

We have developed a broad range of instant beverage premixes as our Group recognises the importance of catering to the needs of a broad base of customers, with various preferences for instant beverage premixes. While our instant beverage premixes are fully customisable, the following is a list of the primary categories of instant beverage premixes that we offer to third party brand owners:

(i) Coffee premixes

Coffee premixes typically comprise coffee powder as the base and are added with flavour and taste enhancing ingredients such as sugar, creamer, flavouring and/or herb extracts. Our range of coffee premixes comprises black coffee, regular milk coffee, flavoured coffee and herbal coffee. We offer a wide profile of coffee flavours to allow our customers to choose the profile that is in accordance with their branding objectives and manufacturers. These products are primarily sold to food and beverage companies, supermarket/hypermarket operators, pharmaceutical companies and direct selling companies.

(ii) Food supplement premixes

Food supplement premixes comprise milk powder, grain powder, legume powder or fruit powder/extract as the base and are added with other ingredients such as calcium, collagen, protein, vitamins, water-soluble dietary fiber, psyllium husk powder, flavouring and/or stabiliser. Our range of food supplement premixes comprises colostrum milk, premix oat cereal, instant raw oat, rice bran powder, instant soybean, dietary meal replacement, dietary fruit juice and organic prune extract.

Food supplement premixes typically serve the function as a meal replacement and/or dietary supplement. These products are primarily sold to food and beverage companies, supermarket/hypermarket operators, pharmaceutical companies and direct selling companies.

6. INFORMATION ON OUR GROUP *(Cont'd)*

(iii) Other premixes

Tea premixes

Tea premixes typically comprise tea powder as the base and are added with flavour and taste enhancing ingredients such as sugar, creamer and/or flavouring. Our range of tea premixes comprises *regular milk tea, green tea and matcha latte*. These products are primarily sold to food and beverage companies, supermarket/hypermarket operators, pharmaceutical companies and direct selling companies.

Chocolate premixes

Chocolate premixes typically comprise cocoa powder as the base and are added with flavour and taste enhancing ingredients such as sugar, creamer and/or flavouring. We are also able to offer a variety of flavour profiles for our chocolate premixes as we have a wide network of food ingredients suppliers and the cocoa powder procured may differ from one supplier to another. These products are primarily sold to food and beverage companies, supermarket/hypermarket operators, pharmaceutical companies and direct selling companies.

Creamers

Upon request, we also provide complementary services to our customers for the packing of creamers as we have the machinery to repackage creamers from bulk form into sachets. Creamer does not require further action of mixing with other food ingredients and is repackaged into sachets.

The examples of customers under the categories of food and beverage companies, supermarket/ hypermarket operators, pharmaceutical companies and direct selling companies, are as follows:

<u>Category</u>	<u>Examples</u>
Food and beverage companies	- Carpenter Agricultural & Manufacturing Ltd - Bryden Pi Ltd - Guangzhou Zhen Hongshun Trade Co Ltd
Supermarket/ hypermarket operators	- Econsave Cash & Carry Sdn Bhd - Aeon Topvalu Malaysia Sdn Bhd - Lotuss Stores (Malaysia) Sdn Bhd
Pharmaceutical companies	- Y.S.P. Industries (M) Sdn Bhd - Dr Nutrition Center LLC - Mepharm Sdn Bhd
Direct selling companies	- Hai-O Enterprise Berhad - TDC Avenue Sdn Bhd - Amway (M) Sdn Bhd

6.6.2.2 Products manufactured for house brands

Our house brand instant beverage premixes comprising coffee premixes and tea premixes are branded under *EveryDay* and *BrogaHill*.

6. INFORMATION ON OUR GROUP (Cont'd)

Our range of products under *EveryDay* includes "Low GI Coffee", "White Coffee (Flat White)", "3-in-1 Premix Coffee – Original", "Coffee Tea (Cham)" and "Matcha Latte".



Our range of products under *BrogaHill* includes "Malaysia Kopi O Kosong", "Malaysia White Coffee" and "Malaysia Teh Tarik".



As at the LPD, we distribute *EveryDay* and *BrogaHill* products through 1 local distributor, for onward sale to pharmacies, clinics and hospitals. We also sell *EveryDay* and *BrogaHill* products to local convenience stores and *EveryDay* products overseas as well as through e-commerce platforms such as Lazada and Shopee directly to end-consumers.

6.6.3 Principal Business Segments and Markets

The breakdown of our Group's revenue segmentation by principal business activities is as follows:

Revenue by principal business activities	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Instant beverage premix manufacturing services						
- Coffee premixes	26,063	79.77	24,773	78.16	20,892	53.06
- Food supplement premixes	2,433	7.45	4,940	15.59	16,101	40.89
- Others ⁽¹⁾	3,113	9.53	1,151	3.63	1,872	4.76
	31,609	96.75	30,864	97.38	38,865	98.71
House brands						
- <i>EveryDay</i>	678	2.08	448	1.41	136	0.35
- <i>BrogaHill</i>	-	-	-	-	*	*
	678	2.08	448	1.41	136	0.35
Sale of aloe vera gel	383	1.17	384	1.21	372	0.94
Total revenue	32,670	100.00	31,696	100.00	39,373	100.00

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

* Negligible.

(1) Comprises tea premixes, chocolate premixes and creamers.

For the past 3 FYEs 2018 to 2020, the provision of instant beverage premix manufacturing services was the largest revenue contributor to our Group, contributing 96.75%, 97.38% and 98.71% of our Group revenue, respectively.

The breakdown of our Group's revenue generated from house brands by distribution channels is as follows:

Distribution channels ⁽¹⁾	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Distributors	-	-	253	0.80	109	0.28
Direct sale (include export)	678	2.08	195	0.61	23	0.06
E-commerce platforms	-	-	-	-	4	0.01
Revenue generated from house brands	678	2.08	448	1.41	136	0.35
Total revenue	32,670	100.00	31,696	100.00	39,373	100.00

Note:

(1) We began supplying our house brands to convenience stores subsequent to FYE 2020. Hence, there is no revenue generated from house brands through convenience stores in the past 3 FYEs 2018 to 2020.

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

Revenue by principal market	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Local						
Malaysia	26,456	80.98	23,102	72.89	32,553	82.68
Overseas						
Singapore	112	0.34	2,901	9.15	2,325	5.90
China	5,347	16.37	5,063	15.97	1,630	4.14
Papua New Guinea	-	-	95	0.30	1,081	2.75
United Arab Emirates	366	1.12	447	1.41	714	1.81
Hong Kong	81	0.25	-	-	642	1.63
Others	308 ⁽¹⁾	0.94	88 ⁽²⁾	0.28	428 ⁽³⁾	1.09
	6,214	19.02	8,594	27.11	6,820	17.32
Total revenue	32,670	100.00	31,696	100.00	39,373	100.00

Notes:

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

(2) Comprises revenue derived from sales to India and Russia.

(3) Comprises revenue derived from sales to Australia and Trinidad and Tobago.

6. INFORMATION ON OUR GROUP (Cont'd)

Our revenue from Malaysia contributed approximately 80.98%, 72.89% and 82.68% of our Group's total revenue for the past 3 FYEs 2018 to 2020, respectively. We had 58 customers, 60 customers and 64 customers for the past 3 FYEs 2018 to 2020, respectively.

In the past 3 FYEs 2018 to 2020, our Group had 7 customers from China. The revenue contribution from China decreased due to decrease in orders from Jinjiang Yeeka Commercial and Trading Co Ltd which is based in China.

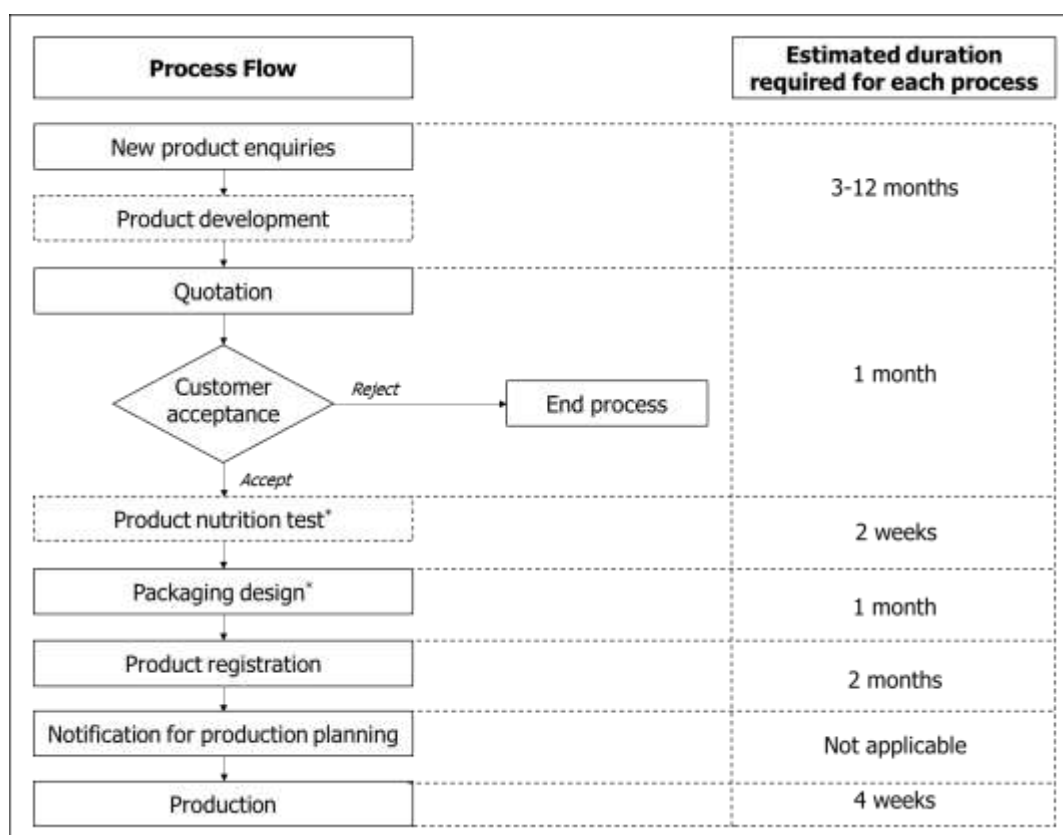
Upon the confirmation of purchase, we collect deposit of up to 50% of order value mainly from new customers and overseas customers, subject to the customers' profile, length of relationship and their past payment records.

6.7 DESCRIPTION OF OUR BUSINESS

6.7.1 Our business processes

The process flow for our Group's business is depicted below:

(i) Product formulation



Notes:

- [] denotes quality control procedure is undertaken for the process.
- * The process is outsourced to third party service providers.

6. INFORMATION ON OUR GROUP (Cont'd)

New product enquiries

Upon the receipt of an enquiry for new product formulation from potential customer or existing customer, our sales and marketing team will forward the request to our product development team.

Product development

We commonly work together with our customers for product formulations, to introduce enhanced premix formulation in order to improve our customers' products. Our product development team will communicate with the customer to understand their requirements for the product such as preferred product profiles in terms of appearance, taste, scent, texture (i.e. mouthfeel) and health functions, costing requirements and target market. With that understanding, our product development team will design and develop customised formulation for the customer. Further details on the quality control procedures undertaken during product development are set out in Section 6.15.

Quotation and customer acceptance

Based on the product formulation developed by our product development team and the quantity requested by our customer, our sales and marketing team will provide a quotation to the customer. Upon acceptance of the quotation, our sales and marketing team will request for the customer to provide an official purchase order.

Product nutrition test, packaging design and product registration

We will send samples of the newly formulated product to a third party laboratory, accredited under the Laboratory Accreditation Scheme of Malaysia, to undergo nutrition test to confirm the nutritional properties present in the product. Upon request, we will also assist our customer to engage a packaging designer to provide packaging designs to our customer.

Thereafter, we will proceed to register the new product formulation with JAKIM to certify that the product is Halal. This allows our customer to display the Halal logo on their product packaging.

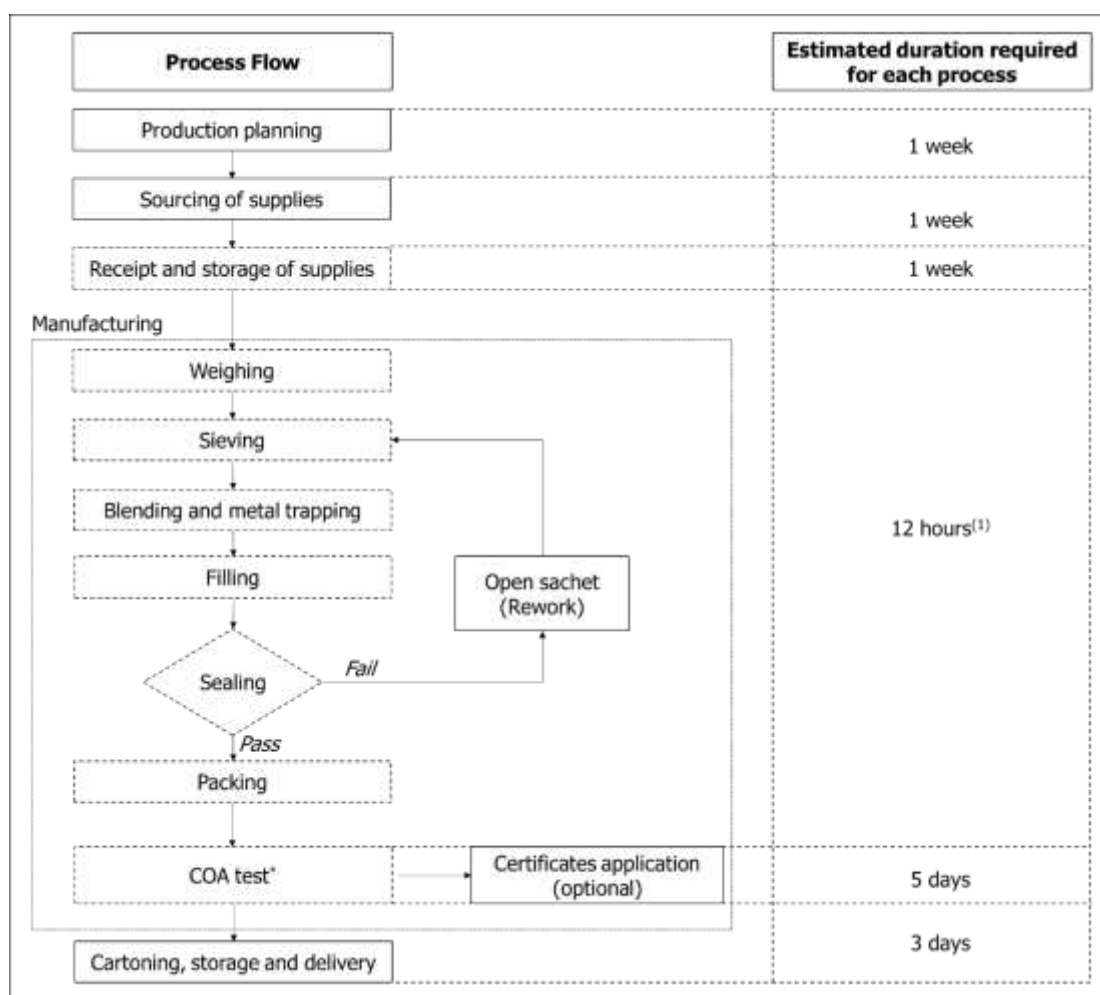
Notification for production planning

Once we have received the purchase order, we collect deposit of up to 50% of order value mainly from new customers and overseas customers, subject to the customers' profile, length of relationship and their past payment records. Thereafter, our production team will be notified of the order for production planning purposes. The formulation for the new product will also be forwarded to the production team to make the necessary arrangement for manufacturing.

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6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Production



Notes:

- [---] denotes quality control procedure is undertaken for the process.
- ⁽¹⁾ Based on a batch of 300kg premix.
- * The process is outsourced to third party service providers.

Production planning

Upon receiving notification of a confirmed purchase order (i.e. based on existing formulation or new formulation), our production team will develop a detailed production plan that specifies all manufacturing and delivery details such as supplies required, manufacturing schedule and delivery timeline. This is critical to ensure that our products are able to be delivered on time to our customers.

Sourcing of supplies

Based on the product formulation, quantity required and timing of delivery, our procurement team will arrange for the sourcing of food ingredients and packaging materials (i.e. customer's packaging designs will be forwarded to the packaging materials supplier for printing of sachets and packing boxes/bags) accordingly.

6. INFORMATION ON OUR GROUP (Cont'd)

Receipt and storage of supplies

Our quality control team will conduct visual inspections on every batch of food ingredients received to ensure that the procured supplies are in good condition and the parameters are within specifications; and visual inspections on packaging materials to ensure that there are no printing defects or printing error. Approved supplies will be temporarily stored at our warehouse prior to manufacturing, while rejected supplies will be returned to suppliers for replacement. Further details on the quality control procedures undertaken for incoming supplies are set out in Section 6.15.

Manufacturing

Selected food ingredients are weighed according to the proportion indicated in the formulation of the product to be manufactured. Once the weighing is completed, these food ingredients will undergo sieving to remove foreign particles of size exceeding 5 millimetres ("mm"). Sieved food ingredients will be transferred to the mixer for blending under a controlled environment. During the blending process, metal trapping procedure will also be performed to remove metal particles that may be present in the mixture.

The mixture, in the form of ready premix, will then be filled into sachets and sealed. Sachets inspection will be conducted by our QC personnel and production worker every 30 minutes on random samples to ensure that the weight of each sachet is in accordance to product specification, the sealing conforms to the required standard and quality, and clear printing of batch number, manufacturing date and expiry date on the sachets. Batches of sachets that fail the inspection test will be reworked, while those that have pass the inspection test will be packed into packing boxes/bags accordingly. Further, the ready premix may also be filled into packing bags of 1kg, 10kg, 15kg or 20kg for bulk purchases when required by our customers.

Samples of the manufactured products will be sent for COA test (i.e. microbiological test, mycological test and heavy metal test) to certify that the ingredients and properties in the product meets the product specification. Upon request, we will also apply for the CFS, Health Certificate and CoO for our customers, in which such certificates are generally required for export purposes.

Further details on the quality control procedures undertaken during the manufacturing process are set out in Section 6.15.

Cartoning, storage and delivery

Ready packing boxes/bags will be organised into cartons and thereafter wrapped with stretch film to prepare the goods for delivery. Finished goods will be temporarily stored in the warehouse while logistics arrangement is made with third party logistics service provider to schedule the delivery to our customer.

(iii) Warranty policy

If the goods delivered to our customers, including recurring and non-recurring customers are damaged or do not meet the specified requirements, they will be entitled for replacement of the goods. The replacement will be made when our customer issues a debit note within a reasonable time period. We will then arrange for shipment for the replacement to the customer.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.7.2 Operating capacities and output

We are primarily involved in the manufacturing of instant beverage premixes. The manufacturing efficiency of our current facility is dependent on the operating speed of our filling and sealing machines. Hence, our annual manufacturing capacity is calculated based on the following:

- (i) The types and number of filling machines in each of the past 3 FYEs 2018 to 2020;
- (ii) The number of instant beverage premix sachets manufactured per shift per filling machine. On average, each lane of filling machine is able to produce 1,200 sachets per hour and the duration of filling for each shift is 5.5 hours (i.e. a total of 8 working hours per shift in which 2.5 hours are occupied with machinery setting, reloading of sachet foils and cleaning of machinery, and the remaining 5.5 hours are available for sachets filling);
- (iii) The number of operational shifts per filling machine per day, taking into consideration the number of workers available and over-time undertaken by workers; and
- (iv) 2 shifts daily, where we split our production workforce and utilised approximately 60% of our total production workforce during the morning shift and 40% of our total production workforce during the night shift with an average of 25 working days per month (i.e. calculated based on 6 working days per week and 12 days of public holiday per year).

Our annual manufacturing capacities, actual output and utilisation rates for the past 3 FYEs 2018 to 2020 are as follows:

	Annual manufacturing capacity (Sachets)	Actual output⁽¹⁾ (Sachets)	Utilisation rate (%)
FYE 2018	130,680,000	108,695,000	83.18
FYE 2019	142,560,000	99,854,000 ⁽²⁾	70.04
FYE 2020	150,480,000	106,002,000	70.44

Notes:

- (1) Premixes in sachets form are in sizes of between 2 grams to 40 grams while the food supplement premixes that are packed into bottles / cans are 300 grams and 350 grams.
- (2) In the FYE 2019, our actual output decreased due to the decrease in sales of coffee premixes to our major customers, Hai-O Enterprise Berhad and Jinjiang Yeeka Commercial and Trading Co Ltd.

In the past 3 FYEs 2018 to 2020, our Beranang Factory operated at utilisation rates of 83.18%, 70.04% and 70.44%, respectively. In the FYE 2019 and FYE 2020, we purchased new filling machines, leading to increases in our annual manufacturing capacity in the

6. INFORMATION ON OUR GROUP (Cont'd)

corresponding years. As a result, our utilisation rates in the FYE 2019 and FYE 2020 decreased due to decreases in our actual output in the corresponding years compared to our actual output in the FYE 2018.

6.7.3 Key machinery and equipment

A summary of the key machinery and equipment owned and used by our Group to facilitate our daily business operations are set out below:

Machinery/ Equipment	Function	No. of units	Average lifespan⁽¹⁾ (years)	Average age⁽²⁾ (years)	NBV as at FYE 2020⁽³⁾ (RM'000)
Mixer	To blend food ingredients into premix	8	8	4.3	166
Filling machine	To fill and seal blended premix into sachets	14	8	4.1	1,163
Sealing machine	To seal packing bags and cartons	5	8	4.8	2
Coding machine	To print batch number and expiry date on sachets/packing boxes/bags	20	8	4.0	90
Conveying machine	To convey sachets from production area to packing area and to count and segregate sachets to be filled into packing boxes/bags	13	8	6.7	77
Wrapping machine	To shrink wrap packing boxes and cartons	3	8	4.0	45
Check-weigher machine	To check the weight of packing boxes/bags to ensure that the correct number of sachets are packed	2	8	4.5	9
Labelling machine	To paste labels onto bottles / cans	1	8	9.0	-
Folding machine	To fold and glue packing boxes	1	8	4.0	24
High-speed crushing machine	To grind granular form coffee into smaller particle size	1	8	1.0	13
Forklift/ Reach-truck	To carry and transfer pallets of raw materials and ready products	3	8	4.0	38
					1,627

6. INFORMATION ON OUR GROUP *(Cont'd)*

Notes:

- (1) Notwithstanding the average lifespan of the machinery and equipment, our Group's depreciation policy is 5 years. On average, the machineries can be utilised for approximately 8 years. Thereafter, we replace the parts and components to continue their lifespans or render the machinery obsolete if they can no longer be utilised.
- (2) Average age of the machinery is computed since the year of purchase and up to the LPD.
- (3) Figures comprise key machinery and equipment that have been fully depreciated.

Subsequent to the FYE 2020 and up to the LPD, we have purchased 2 additional sealing machines, 1 additional conveying machine and 1 additional check-weigher machine, which are currently in operations.

6.7.4 Interruption to business and operations

(i) Impact on our business operations

Our business and operations faced temporary interruption pursuant to the COVID-19 outbreak globally. The imposition of the MCO effective on 18 March 2020 to 3 May 2020 by the government of Malaysia to contain the spread of virus has resulted in mandatory closure of all government and private premises, except those involved in essential services, unless written permission is obtained from the relevant governmental bodies. As our business is categorised under essential services, we were allowed to continue operating during the period of the MCO. Nevertheless, between 18 March 2020 and 3 May 2020, we were required to adhere to the standard operating procedures set out by MITI whereby we had limited our Group's production workers physically present at our factory at any given time to 50% of our total production workforce, and established work from home system for employees whose roles were not critical to our production activities.

(a) Impact on local sales and delivery

During the initial stage of the MCO, temporary disruptions to the logistics flow had resulted in delays of up to 2 weeks in our delivery schedule to local customers. Nevertheless, we had informed our customers of such delay in delivery schedule and in view of the COVID-19 situation, our customers did not initiate any penalty claims against our Group arising from the delay. Subsequently, as the logistics flow normalised, we no longer experienced any disruptions in the delivery of manufactured products to local customers.

We did not face any shortages in supplies for the manufacturing of products for existing local customers as we have stored excess supplies that were sufficient to meet the demand of our manufacturing activities during the initial stage of the MCO. Subsequently, as the logistics flow normalised, we no longer experienced any disruptions in the procurement and receipt of supplies as our suppliers are also categorised under essential services.

Save for the temporary delay in delivery schedule, our local sales were not impacted as we did not receive any suspension or cancellation of sales order from our local customers. Further, the fulfilment of delayed local orders to our customers were completed within the FYE 2020.

6. INFORMATION ON OUR GROUP (Cont'd)

(b) Impact on export sales

During the MCO, we experienced a 1-month delay in fulfilling orders secured from Bryden Pi Ltd which resulted from a delay in receiving supplies purchased from overseas. Bryden Pi Ltd is our new customer in which we received the purchase orders in November 2019 for the manufacturing of coffee premixes. As we did not have ready supplies available in our inventory to undertake manufacturing activities for Bryden Pi Ltd, we had to purchase the required supplies from overseas. Nevertheless, we had informed Bryden Pi Ltd of such delays in the delivery schedule and in view of the COVID-19 situation, Bryden Pi Ltd did not initiate any penalty claims against our Group arising from the delay. The orders secured from Bryden Pi Ltd were eventually fulfilled on 3 April 2020 and 23 April 2020.

Further, during the initial stage of the MCO, temporary logistic disruptions had resulted in delays of up to 2 weeks in our delivery schedule to foreign customers. Nevertheless, we had informed our customers of such delay in delivery schedule and in view of the COVID-19 situation, our customers did not initiate any penalty claims against our Group arising from the delay. Subsequently, as the logistics flow normalised, we no longer experienced any disruptions in the delivery of manufactured products to foreign customers.

Save for Bryden Pi Ltd, we did not face any shortages in supplies for the manufacturing of products for existing foreign customers as we have stored excess supplies that were sufficient to meet the demand for our manufacturing activities during the initial stage of the MCO. Subsequently, as the logistics flow normalised, we no longer experienced any disruptions in the procurement and receipt of supplies as our suppliers are also categorised under essential services.

Resulting from the COVID-19 outbreak, we had received a suspension of 2 purchase orders from 1 foreign customer, namely Loi Hein (Singapore) Pte Ltd, our major customer in the FYE 2019 and FYE 2020. The suspension of these 2 purchase orders amounted to USD0.45 million (approximately RM1.85 million) and we are unable to recognise such revenue until we complete the fulfilment of the order. As at the LPD, we have yet to receive instructions from Loi Hein (Singapore) Pte Ltd to resume manufacturing of the suspended order. Nevertheless, our Group was able to recognise revenue for the 3 purchase orders which amounted to RM1.86 million from Loi Hein (Singapore) Pte Ltd which were not suspended in the FYE 2020.

Save for Loi Hein (Singapore) Pte Ltd, the fulfilment of delayed export orders to other export customers, including Bryden Pi Ltd, were completed within the FYE 2020.

We did not receive any cancellation of sales orders from our foreign customers resulting from the COVID-19 outbreak.

Between 18 March 2020 to 3 May 2020, our production workers physically present at our factory at any given time was limited to 50% of our total production workforce. Our production was able to continue to operate 2 shifts (i.e. morning shift and night shift), and all our production workers were allowed to work, but we limited the number of production workers who were physically present at our factory at 50% of our total production workforce in each shift. The production workforce during the morning shift and night shift summed up to 100% of our total production workforce. Such resource

6. INFORMATION ON OUR GROUP (Cont'd)

allocation was similar to pre-MCO where we split our production workforce and utilised approximately 60% of our total production workforce during the morning shift and 40% of our total production workforce during the night shift. As such, we did not face any major disruption to our production as our Group was able to operate at pre-MCO level, and our production was allowed to operate at full capacity. Meanwhile employees from accounting, human resources and administration department as well as product development, sales and marketing department were reduced to an office workforce capacity of 50% during this period. The remaining 50% of the employees from these departments whose roles were not critical to our production activities such as some of our employees from accounting, human resources and administration department as well as product development, sales and marketing department were requested to work from home. As such, our Group's operations were not materially affected despite the reduction in our workforce capacity during this period.

The suspension of orders from Loi Hein (Singapore) Pte Ltd had consequently freed up our manufacturing capacity to cater to the fulfilment of other orders. Coupled with a rearrangement of our production planning, we did not face any disruptions in fulfilling our orders during the MCO, save for the delay arising from disruptions in logistics flow as mentioned above. The fulfilment of delayed local and export orders was completed within the FYE 2020, and coupled with the increase in revenue from the FYE 2019 to FYE 2020, our Group's business operations and financial performance have not been materially impacted by the COVID-19 pandemic and the MCO.

Further, our Group's local and overseas suppliers were also not materially adversely impacted by the COVID-19 pandemic and the MCO or similar movement restrictions imposed by respective countries, as our suppliers are also categorised under essential services. As such, except for the temporary logistic disruptions which had resulted in delays in the receipt of supplies from overseas for orders secured from Bryden Pi Ltd, our Group's supply chain was not affected.

During the conditional MCO period which was implemented on 4 May 2020 and recovery MCO period which was implemented on 10 June 2020, our Group was allowed to operate at full workforce capacity and as such, we did not experience any disruptions to our business operations during these periods.

Following the resurgence of COVID-19 cases in Malaysia, a second MCO was imposed in all federal territories and most of the states in Malaysia for different durations from January 2021 to March 2021. Subsequently, conditional MCO and recovery MCO were imposed in different states for different durations from March 2021 to May 2021. In Selangor, where our factory is located, a second MCO was imposed effective 13 January 2021 to 4 March 2021. Subsequently, conditional MCO was imposed on 5 March 2021. Nevertheless, there were no disruptions to our operations and our Group was allowed to operate at full workforce capacity as our business is categorised under essential services by MITI. Further, there were no disruptions in the procurement and receipt of supplies as our suppliers are also categorised under essential services. Due to the above, there were no delays in the fulfilment of orders.

During the MCO, conditional MCO, recovery MCO and the second MCO, we continue to receive enquires for our instant beverage premix manufacturing services and we have managed to secure and fulfilled orders from 12 new customers with total purchase orders that amounted to RM1.40 million. For instant beverage premix in sachets, the order size for these new customers was between RM0.003 million to RM0.40 million each.

6. INFORMATION ON OUR GROUP (Cont'd)

A third MCO was imposed in 6 districts in Selangor which include the district in which our factory is located from 6 May 2021 and it was later extended throughout Malaysia from 12 May 2021. Subsequently, the National Recovery Plan (phase 1) (previously known as nationwide total lockdown (phase 1)) was imposed from 1 June 2021 onwards. As our business is categorised under essential services, we were allowed to continue operating during the third MCO and National Recovery Plan (phase 1). However, our employees who were physically present at our factory at any given time was limited to 60% of the total workforce (including production and office workforce). Our production was able to continue to operate 2 shifts (i.e. morning shift and night shift) and all our production workers were allowed to work, but we limited the number of employees who were physically present at our factory at less than 60% of our total workforce in each shift. We adjusted our resource allocation where we split our production workforce and utilised approximately 57% of our total production workforce during the morning shift and approximately 43% of our total production workforce during the night shift. Such resource allocation was similar to pre-MCO where we split our production workforce and utilised approximately 60% of our total production workforce during the morning shift and 40% of our total production workforce during the night shift. As such, our manufacturing activities were not impacted, as our Group was able to operate at pre-MCO level, and we did not face any major disruption to our production. Our sales activities were able to continue to be carried out through online meetings so we did not face any major disruption for our sales and marketing activities. We also did not face any major disruption in the procurement and receipt of supplies as our suppliers were allowed to operate, albeit with reduced workforce, as they were also categorised under essential services.

An enhanced MCO was imposed in 34 sub-districts in Selangor, which include the sub-district in which our factory is located from 3 July 2021 to 16 July 2021. Our Group was not allowed to operate from 3 July 2021 to 7 July 2021 as coffee and tea manufacturing was not included in the list of essential food and beverage manufacturing. Orders from our local and foreign customers which were intended to be manufactured and/or delivered from 3 July 2021 to 7 July 2021 were temporarily delayed. However, our customers did not initiate any penalty claims against our Group arising from the delay. As of 30 July 2021, these delayed orders have been fulfilled.

On 7 July 2021, MITI included coffee and tea manufacturing in the list of essential food and beverage manufacturing which allows us to resume our operations on 8 July 2021. However, our employees who are physically present at our factory at any given time is limited to 60% of the total workforce (including production and office workforce). Our production can continue to operate 2 shifts (i.e. morning shift and night shift) and all our production workers are allowed to work, but we limit the number of employees who are physically present at our factory at less than 60% of our total workforce in each shift. As such, we have maintained our resource allocation where we split our production workforce and utilise approximately 57% of our total production workforce during the morning shift and approximately 43% of our total production workforce during the night shift. Such resource allocation is similar to pre-MCO where we split our production workforce and utilised approximately 60% of our total production workforce during the morning shift and 40% of our total production workforce during the night shift. As such, we do not foresee any impact to our manufacturing activities, as our Group are able to operate at pre-MCO level, and we do not foresee any major disruption to our production and fulfilment of our customers' orders. Our sales activities continue to be carried out through online meetings so we do not anticipate any major disruption to our sales and marketing activities. We also do not foresee any major disruption in the procurement and receipt of supplies as our suppliers are allowed to operate, albeit with reduced workforce.

6. INFORMATION ON OUR GROUP (Cont'd)**(ii) Impact on our business cash flows, liquidity, financial position and financial performance**

Subsequent to the COVID-19 outbreak, we had received a suspension of order from Loi Hein (Singapore) Pte Ltd which was USD0.45 million (approximately RM1.85 million). This had adversely impacted our financial performance for the FYE 2020 as we are unable to recognise the revenue until we complete the fulfilment of the order.

Save for Loi Hein (Singapore) Pte Ltd, our financial performance for the FYE 2020 was not adversely impacted by the delay in delivering manufactured products to other customers locally and overseas, as the delayed orders were fulfilled within the FYE 2020.

Further, during the MCO period, there was no material impact on the collectability of our trade receivables arising from business interruptions as our customers are mainly food and beverage companies and manufacturers, supermarket/hypermarket operators, pharmaceutical companies and direct selling companies who are deemed as essential services and were allowed to operate during the MCO period.

As at the LPD, we have:

- (a) Cash and bank balances of approximately RM7.60 million; and
- (b) Banking facilities (excluding lease liabilities) up to a limit of RM22.56 million, of which RM12.27 million has been utilised. Details of banking facilities are as follows:

Type of facilities	Amount authorised RM'000	Amount utilised RM'000	Balance available RM'000
Bankers' acceptance	1,960	-	1,960
Term loan	20,597	12,267	8,330
	22,557	12,267	10,290

Our Board is confident that, after taking into account our cash and bank balances as well as the banking facilities currently available to our Group, our working capital will be sufficient for our capital/operating expenditure and to sustain our business.

We did not receive any claw back or reduction in the banking facilities limit granted to us by our lenders. In addition, we do not anticipate any financial difficulties in meeting our debt obligations in the foreseeable future. We do not expect any material impairment to our assets, inventories or receivables.

Based on the above, we do not expect any material impact to our cash flows, liquidity, financial position and financial performance.

(iii) Impact to our business and earning prospects

According to Bank Negara Malaysia ("BNM"), as a result of the COVID-19 outbreak in early 2020, Malaysia experienced negative growth of gross domestic product ("GDP") at 5.98% in 2020, indicating adverse economic conditions for the year which negatively impacted manufacturing activities and demand for consumer products including instant beverage premixes and in turn affect demand for manufacturing services for instant beverage premixes.

When the economic conditions gradually recover from the impact of the COVID-19 in 2021 with expected GDP growth range of 6.50% to 7.50% according to BNM, the

6. INFORMATION ON OUR GROUP *(Cont'd)*

development of the instant beverage premixes industry in Malaysia is expected to continue to be influenced by the following drivers:

- (a) Malaysia being one of the world's major exporters of coffee extracts which include instant and coffee premixes;
- (b) Malaysia being a Halal hub drives demand from the Halal markets;
- (c) The growing need for convenience increases consumer preference for instant beverage premixes;
- (d) Increasing outsourcing to contract manufacturers for the manufacturing services of instant beverage premixes; and
- (e) Government initiatives in promoting the food and manufacturing industry.

Source: IMR Report

Notwithstanding the COVID-19 pandemic, we continue to receive purchase orders from existing customers and secure orders from 12 new customers amounting to RM1.40 million. Premised on the above, we do not expect any material impact to our business and earning prospects.

(iv) Strategy and steps taken to address the impact of COVID-19 pandemic

In response to the COVID-19 pandemic, our Group has established a safety protocol committee to oversee the adherence of infection control measures based on the guidelines and SOP issued by MITI. The infection control measures include, amongst others:

- (a) Wearing of face masks in work places;
- (b) Daily taking and recording of body temperature before entering the work places;
- (c) Sanitising hands before entering work places and all employees are required to sanitise and wash their hands with soap and water frequently throughout the day;
- (d) Sanitising all common areas of work places 3 times a week in the office and production area;
- (e) Practising social distancing at work places;
- (f) Avoidance of unnecessary travels and face-to-face meetings, where possible; and
- (g) Implementation of social distancing and daily sanitising measures in foreign workers' dormitories made available by our Group.

In view of the spike in COVID-19 cases among foreign workers in Malaysia, our Group has also undertaken measures to prevent our foreign workers from coming into contact with foreign workers that are not under the supervision of our Group, whereby they are not allowed to socialise with other foreign workers; and our foreign workers are only allowed to commute between work and their dormitories, except when the foreign workers have to leave their dormitories for daily necessities such as for the purchase of groceries.

6. INFORMATION ON OUR GROUP (Cont'd)

Further, in the event of any reported COVID-19 cases within our employee's residential community, that particular employee will also be required to undergo self-quarantine for a period of 14 days as per the standard guideline prior to being allowed to resume work in our factory.

Notwithstanding the above, our Group has put in place a business contingency plan in the event of any infection cases at our business premise, which is summarised as follows:

(a) Employee relief plan

Each employee has been assigned with a relief person for their tasks. Both personnel in-charge are not allowed to make any external appointments or business trips together to mitigate the risk of infection as well as to ensure that there is a person to back up the tasks in the case of a confirmed infection or suspected infection.

(b) Production back-up plan

Our foreign workers have been divided into 2 teams by shifts to minimise contact with each other and each team stays in separate dormitories. In the event that any of our foreign workers are infected, the particular team of the infected foreign worker(s) will be quarantined and we may utilise foreign workers from another team to overcome any manpower shortages.

As at the LPD, there has not been any suspected or confirmed case of COVID-19 among our employees and foreign workers.

Save for the above, our Group had not experienced any other interruptions in our operations which had a significant effect on our operations during the past 12 months preceding the LPD. To comply with the SOPs imposed during the MCO, conditional MCO and recovery MCO period since March 2020, our Group has incurred testing costs and disinfection costs amounting to RM0.08 million, which is not material to our Group. Our Group has also not been in breach of any laws relating to COVID-19 restrictions and/or SOPs as issued by the relevant authorities. Our Group did not participate in wage subsidy programmes initiated by the Malaysian Government to cushion the economic impact of COVID-19.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.8 COMPETITIVE STRENGTHS

6.8.1 Our industry experience and expertise enable us to propose and provide customised formulations for instant beverage premixes to suit the needs of a broad range of customers

Having been in the industry for 15 years since we commenced our instant beverage premix business in 2006, we have gained extensive experience in the formulation and manufacturing of instant beverage premixes. Through in-depth insights gathered from local and overseas customers, we are able to identify the various blends, taste profiles and preferences, which are specific to the consumers of each region. As such, we are able to utilise these insights and advise a broad range of local and foreign customers on matters pertaining to the formulation of instant beverage premixes based on their target markets. Our ability in providing fully customisable manufacturing services to our customers is supported by our in-house capability in product formulation and this is demonstrated by the wide range of formulations that we have developed for our customers over the years.

As at the LPD, we have a total of 106 product formulations registered with JAKIM and we have full access to the list of food ingredients used in the respective product formulations. To safeguard our interest as the product formulator, we keep the formulations confidential from our customers. This is also to ensure that our customers will continue to engage our services as a similar product profile may not be easily replicated by another manufacturer.

Additionally, we often conduct internal market research to keep abreast with latest market trends, consumer preferences and manufacturing industry technology updates. This is carried out through reading of industry publications, interacting with consumers especially in trade fairs and exhibitions, and following up with our existing customers for product improvement feedbacks. These valuable inputs allow us to continuously improve and/or develop customised formulations for instant beverage premixes to meet the demands and needs from different consumer groups. This, in turn, also enables our Group to provide value-added services to our customers by proposing new formulations to our existing customers for their consideration.

6.8.2 We provide end-to-end solutions to customers from formulation to manufacturing of instant beverage premixes and delivery

Our Group has the capability to provide end-to-end solutions to customers pertaining to the manufacturing of instant beverage premixes, where our services range from the development of product formulations, sourcing of supplies, to manufacturing of products, and finally the delivery of products to our customers' premise. Further details on our end-to-end solutions are set out in Section 6.6. Our end-to-end solutions are customised to individual customer needs and with that, we are able to support our customers throughout the whole operational process of manufacturing instant beverage premixes. Hence, it enables the optimisation of efficiency as customers do not need to source for multiple suppliers, and it gives our customers the convenience of outsourcing their manufacturing process to us. With this, our customers will also be able to focus their resources on branding, sales and marketing for onward sale of the manufactured instant beverage premixes to consumers.

Further, as our manufacturing processes are certified Halal by JAKIM, all products manufactured in our factory will be entitled for Halal certification upon registering product formulations with JAKIM. In addition, to provide our customers with enhanced convenience, we also assist our customers to oversee the application of COA as well as CFS, Health Certificate and CoO that are required for export purposes. Our ability to provide end-to-end solutions including certificates application services has been crucial to our Group as it enables

6. INFORMATION ON OUR GROUP *(Cont'd)*

us to maintain long term business relationships with existing customers and to secure new customers, both locally and overseas.

6.8.3 We have an established track record of long-standing relationships with our notable customers

Over the years, our Group has established long-standing relationships with our customers. As at the LPD, among the notable customers that have been with our Group for more than 10 years are as follows:

Notable customers	Years of business relationship	Revenue contribution					
		FYE 2018		FYE 2019		FYE 2020	
		RM'000	%	RM'000	%	RM'000	%
Amway (M) Sdn Bhd	15	445	1.36	496	1.57	519	1.32
Hai-O Enterprise Berhad	14	18,279	55.95	14,315	45.16	12,222	31.04
Lotuss Stores (Malaysia) Sdn Bhd	14	1,040	3.18	1,465	4.62	2,001	5.08
TDC Avenue Sdn Bhd	13	2,074	6.35	4,323	13.64	15,172	38.54
Econsave Cash & Carry Sdn Bhd	12	766	2.35	821	2.59	817	2.07
Revenue generated from notable customers		22,605	69.19	21,420	67.58	30,731	78.05
Total revenue		32,670	100.00	31,696	100.00	39,373	100.00

Our ability to maintain long term relationships with our customers is attributed to our capability in manufacturing instant beverage premixes that meet our customers' requirements and standards, which are in accordance to internationally recognised quality and food safety standards such as HACCP and FSSC 22000.

Our long-term relationships with the aforementioned notable customers have allowed us to develop our reputation in the instant beverage premix industry. Given that these notable customers have established and well-known brand names, we have been able to leverage on our customer's branding to promote our instant beverage premix manufacturing services. Our Group believes that this will aid in enhancing our credibility to market our services to potential customers which may in turn contribute positively to our Group's financial performance and continue to propel us forward as our business expands.

6.8.4 We are accredited with various certifications as a testament of our manufacturing compliance to internationally recognised food quality and safety standards

Over the years of our business operations, we have received several certifications which attest to the manufacturing standards and product compliance of our instant beverage premixes. Among the certifications that we have received are HACCP, FSSC 22000, MeSTI and GMP. Our manufacturing facility is also registered with the US FDA, allowing us to export our instant beverage premixes to the USA. The HACCP, FSSC 22000 and GMP are internationally recognised certifications and thus, provide confidence to our customers on the reliability and compliance of our manufacturing services. Further, our manufacturing facility

6. INFORMATION ON OUR GROUP *(Cont'd)*

and processes have been inspected and certified Halal by JAKIM. This enables us to manufacture Halal certified products for third party brand owners to cater to the Halal market, both in Malaysia as well as overseas.

Due to the nature of our business where our Group places strong emphasis on the quality and safety of food products manufactured in our factory, such certificates and accreditations provide confidence to our customers that our manufacturing services are compliant with internationally recognised standards. In turn, this enhances our market reputation in the provision of instant beverage premix manufacturing services. Given that we are able to meet quality related prerequisites, we believe that we have a strong foundation and are well-positioned to further grow manufacturing services business in the local and export markets.

6.8.5 We have an experienced and hands-on management team

Our management team have accumulated years of experience in their respective field and key expertise, industry experience and in-depth knowledge of our business operations. Through their leadership, we have established our industry reputation as evidenced by our capability to manufacture products that are of quality and safe for our customers. The industry reputation that we have established over the years has also been instrumental to our Group in securing new customers and maintaining business relationships with existing customers.

Our Executive Deputy Chairman, Dato' Ean Yong Tin Sin; Executive Director/Chief Executive Officer, Ean Yong Hien Voon; and Executive Director, Ean Yong Hen Loen, with their vast working experience in instant beverage premix industry of over 28 years, 19 years and 9 years, respectively, and in-depth industry knowledge is instrumental in determining the overall strategic direction and business development of our Group. They are supported by the following key senior management:

Name	Designation	Years of relevant working experience
Ngooi Sok Ling	Chief Financial Officer	28
Ean Yong Hien Chal	Production Manager	16
Tok Ai Mei	Quality Assurance and Quality Control Manager	16

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transfer of skills and knowledge to employees at all levels in our organisational structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

6.9 SEASONAL OR CYCLICAL EFFECTS

We do not experience any material seasonality or cyclicity in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

6. INFORMATION ON OUR GROUP (Cont'd)**6.10 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

Our purchases primarily comprise food ingredients and packaging materials, as follows:

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

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) Comprise of chia seeds, fish collagen, goat milk powder, prune extract, psyllium husk powder, red beet root juice powder, soya bean powder, sweetener, whey powder and whey protein concentrate.
- (2) Comprise of packing boxes and cartons.
- (3) Comprise of cylinder charges, oxygen absorber, plastic bag/cup/spoon, printing cost, printing ink and stickers.

Save as disclosed in Section 6.7.4, our Group has not encountered any major disruptions in the purchase of food ingredients and packaging materials in the past 3 FYEs 2018 to 2020.

Food ingredients are generally readily available and can be easily sourced locally and overseas as there are many alternative suppliers available in the market. Nevertheless, the product profile may differ from one supplier to another supplier. In the event that we are unable to procure from our existing suppliers for certain food ingredients, we are able to replace with other suppliers but we may not be able to achieve the similar taste profile in our instant beverage premixes. Some of our customers may also provide us food ingredients to be used in the manufacturing of instant beverage premixes.

The prices of coffee powder, milk powder, creamer and sugar are subject to fluctuations according to the global commodity prices. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost of food ingredient to our customers. In the event that we are unable to pass on any increase in these costs, we will provide our customers with 3 months advanced notice on the changes in prices and upon agreement, new purchase orders with the adjusted pricing will be issued for future orders. The ingredient of our body care product, namely aloe vera gels is currently sourced from an overseas supplier.

Packaging materials are generally readily available and can be easily sourced locally and overseas as there are many alternative suppliers available in the market. Prices of packaging materials such as sachet foils are also subject to fluctuations. To manage the fluctuations of the prices of sachet foils, we requested forecast order information from our customers and purchase the sachet foils in advance when the prices of sachet foils are low. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost of packaging materials to our customers. The inventory policy adopted by our Group is on first-in-first out basis and it applies to all raw materials.

For imported coffee powder, we maintain sufficient inventory to cater to at least 1 month of production requirements. Upon receiving purchase orders, we stock up inventory to cater to at least 1 month of production requirements for colostrum powder and milk powder, and at least 2 weeks of production requirements for other raw materials.

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.11 MARKETING AND DISTRIBUTION CHANNELS

Our Group's sales and marketing team, led by Ean Yong Hen Loen, our Executive Director, is primarily responsible for planning and executing sales and marketing activities, serving existing customers, attending enquiries from potential customers, and preparing new product proposals to existing customers and potential customers. Our Group's sales and marketing activities are as follows:

(i) Trade fairs and exhibitions

Through trade fairs and exhibitions, we are able to introduce our products and services to new markets, build customer relations and establish contact with potential customers, while promoting our market presence. Trade fairs and exhibitions are our key source for developing initial contact with potential customers. Trade fairs and exhibitions that we have participated over the past years are as follows:

Year	Trade fair/exhibition	Organiser	Location
February 2017	Gulfood 2017 Dubai	Dubai World Trade Center LLC	Dubai, United Arab Emirates
September 2018	China-ASEAN Exposition Fair	China-ASEAN Expo Secretariat	Guangxi, China
November 2019	China International Import Expo 2019	Ministry of Commerce of the People's Republic of China and National Exhibition and Convention Center (Shanghai) Co Ltd	Shanghai, China
December 2019	2019 Shanghai Private Label Fair	Private Label Specialty Committee of Shanghai Licensing Association	Shanghai, China

In view of the COVID-19 pandemic, we have cancelled our participation in trade fairs and exhibitions that was originally planned in 2020 namely, "World of Private Label International Trade Show" in Amsterdam, Netherlands and "Private Label & OEM Trade Show JAPAN 2020" in Tokyo, Japan. Subject to the development of the COVID-19 pandemic, our Group has put on hold plans to participate in trade fairs and exhibitions in 2021 and we plan to resume such participation in 2022. Further details on the trade fairs and exhibitions identified for participation in 2022 are set out in Section 6.19.4.

(ii) Direct approach and referral

We secure new customers through direct contact with potential customers. Our sales and marketing team constantly observes the development in the instant beverage premix industry to keep our Group up-to-date with the constant change in consumers' preference and demand, as well as collecting market information to identify any potential customers. By keeping abreast with industry updates, we are able to leverage on our expertise in proposing new formulations to secure potential customers to acquire our services as well as to market our house brand.

6. INFORMATION ON OUR GROUP (Cont'd)

We also secure new customers through referrals from independent agents. These independent agents are engaged by third party brand owners to source for manufacturers for their products. The independent agents will then introduce their customers to us and be entitled to referral fees. The referral fees paid to independent agents for the past FYEs is as follows:

	Audited		
	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000
Referral fees paid	304	113	310
No. of independent agents	5	5	4

These independent agents are not related party to our Group. We are not dependent on the independent agents as we have our in-house sales and marketing team to carry out sales and marketing activities as well as after sales service to build and maintain relationship with new and existing customers.

Further, we regularly obtain feedback from our customers to better understand latest market trends and customers' preferences.

(iii) Advertising activities for house brands

As at the LPD, our group leverages on e-commerce platforms such as Lazada and Shopee to advertise and market our house brands, namely *EveryDay* and *BrogaHill*, as well as to enhance our brand presences.

We also conduct online advertising and marketing activities of our house brands through Facebook postings, Facebook Ads, Google Display Ads, and MobilePush campaigns. Moving forward, we will continue to explore and engage in different advertising and marketing activities that are suited to the latest consumer trend to expand our brand presence.

(iv) Corporate and brand website

We have established a corporate website at <http://www.orgabio.com/> which provides immediate searchable information on our Group as well as the details on our products and services. We utilise search engine optimisation services to increase the visibility of our corporate website to attract potential customers. In addition, we have also established website for our house brand, *EveryDay* at <http://everydaycoffee.com.my/>.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.12 INTELLECTUAL PROPERTIES

Save for the trademarks disclosed below, we have not registered any brand names, patents, industrial design or other intellectual property rights:

No.	Trademark no. / Registered owner	Design/Mark	Validity	Place of registration
(i) ⁽¹⁾	07006967 / Orgabio Manufacturing		19 April 2007 to 19 April 2027	Malaysia
(ii) ⁽¹⁾	09019418 / Orgabio Manufacturing		4 November 2009 to 4 November 2029	Malaysia
(iii) ⁽¹⁾	07020876 / Orgabio Manufacturing		25 October 2007 to 25 October 2027	Malaysia
(iv)	42446107 / Everyday F&B		19 November 2019 to 27 September 2030	China
(v)	TM2019040319 / Everyday F&B		4 November 2019 to 4 November 2029	Malaysia
(vi)	50414 / Everyday F&B		14 January 2019 to 14 January 2029	Brunei ⁽²⁾
(vii)	T20205051 / Orgabio Manufacturing		Application was made on 4 November 2020 and is pending approval	Malaysia
(viii)	TM2021006995 / Everyday F&B		Application was made on 12 March 2021 and is pending approval	Malaysia

Notes:

⁽¹⁾ As at the LPD, we are no longer selling these products.

⁽²⁾ We registered the *EveryDay* trademark in Brunei with the intention to expand our market presence in Brunei. As at the LPD, we did not record any sale to Brunei.

Our Group protects the confidentiality of our product formulations by strictly limiting the disclosure of the formulations to our Executive Directors. Our employees (excluding Executive Directors) who are involved in product development or manufacturing have limited access to the formulation. Hence, these employees are subject to non-disclosure agreements for purpose of protecting confidentiality of our Group's product formulations.

6. INFORMATION ON OUR GROUP (Cont'd)

6.13 LICENCES AND PERMITS

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD:

Licencee Issuing authority Registration no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
(i) Orgabio Manufacturing MITI / A021780- /A038034	13 August 2020 / N/A	Manufacturing Licence ⁽¹⁾	(i) MITI and MIDA have to be informed on any change in its existing shareholders or their respective shareholdings. (ii) 80% of the workforce has to be local by 31 December 2022.	Noted Refer to note (2) below
(ii) Orgabio Manufacturing / MOH / Certificate no. 78/B/000118-012014	11 March 2020 / 1 August 2021	MeSTI Certificate	Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action.	Noted
(iii) Orgabio Manufacturing / MOH / Certificate no. 78-O6-00883	25 May 2018 / 1 August 2021	Good Manufacturing Practice (GMP) Certificate	Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action.	Complied
(iv) Orgabio Manufacturing / MOH / Certificate no. 53-O10-02056	25 May 2018 / 1 August 2021	Hazard Analysis and Critical Control Point (HACCP) Certificate	Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action.	Complied
(v) Orgabio Manufacturing/ Jabatan Agama Islam Selangor / JAKIM.700-2/3/8 020-12/2006	16 June 2021 / 15 June 2024	Halal Certificate	Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Director General of Department of Islamic Development of Malaysia (JAKIM) for further action.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee Issuing authority Registration no.	Date of issue / Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
(vi) Orgabio Manufacturing/ Jabatan Agama Islam Selangor / JAKIM/(S)/(22.00)/492/2/1020-12/2006	1 October 2020/ 30 September 2022	Halal Certificate (on Products)	Any changes to the name or address of the factory or premise, certification scope or anything related thereto shall be informed in writing to the Director General of Department of Islamic Development of Malaysia (JAKIM) for further action.	Complied
(vii) Orgabio Manufacturing/ Intertek Certification Limited/ 14161909001	24 March 2021 / 27 February 2023	Food Safety System Certification (FSSC) 22000	Not applicable	Not applicable
(viii) Orgabio Manufacturing/ Registrar Corp of US/ 16023994450	13 October 2020/ 31 December 2021	United States Food and Drug Administration (US FDA)	Not applicable	Not applicable

Notes:

- (1) Orgabio Manufacturing obtained an exemption from procuring the manufacturing licence letter dated 7 June 2012 from MIDA as Orgabio Manufacturing's shareholders' fund was less than RM2.50 million and it had less than 75 full time employees at that point in time.

Upon having met the foregoing requirements, Orgabio Manufacturing made an application for the MITI License on 24 January 2019. On 14 March 2019, Orgabio Manufacturing procured its MITI License for the production of "Premix Coffee, Premix Tea, Premix Hot Chocolate and Colostrum Milk". On 13 August 2020, the products under the MITI license was updated to "Non-alcoholic beverages".

- (2) This condition has yet to take effect and is to be complied by 31 December 2022. If we fail to satisfy this condition by 31 December 2022 and is unable to obtain any extension of time to comply with this requirement, our manufacturing licence maybe revoked.

If our manufacturing licence was revoked, we are not allowed to carry out manufacturing activities. Therefore, we will not be able to generate any revenue and our financial performance will be negatively affected.

As at the LPD, 53.09% of Orgabio Manufacturing's employees are foreign workers. In order to fulfil this condition, we will increase the hiring of local workers and reduce the hiring additional foreign workers.

6. INFORMATION ON OUR GROUP (Cont'd)**6.14 PRODUCT DEVELOPMENT**

Our product development activities primarily revolve around efforts in developing new product formulations, and improving or enhancing existing product formulations to cater to consumers' changing preferences for instant beverage premixes. It also includes keeping abreast with latest market trends and experimenting with new food ingredients. Further, our network of food ingredient suppliers has been crucial in supporting our product development activities as it determines our access to the variety of food ingredients available to develop new product formulations.

Our product development initiatives are as follows:

New product developed	Description	Year commenced development	Actual/ target completion year
Past product development achievements			
Low glycemic index (GI) formulated coffee premix	Coffee premix formulated with low GI content to produce lower peak blood glucose level and total glycemic response as compared to standard sugar.	2016	2016 ⁽¹⁾
Low GI formulated dietary meal replacement	Dietary meal replacement formulated with low GI content to produce lower peak blood glucose level and total glycemic response as compared to standard sugar.	2018	2019 ⁽²⁾
Low glycemic response (GR) formulated dietary fruit juice powder drink	Dietary fruit juice powder drink formulated with low GR content to produce lower peak blood glucose level and total glycemic response as compared to standard sugar.	2018	2019 ⁽³⁾
Current product development activities			
Ice coffee and tea premix	Iced-coffee premix and iced-tea premix formulated with contents that are soluble in cold water.	2020	September 2021
Low GI formulated tea premix, chocolate premix and oat cereal premix	Coffee premix formulated with low GI content to produce lower peak blood glucose level and total glycemic response as compared to standard sugar.	2020	March 2022

Notes:

- (1) Certified by the Glycemic Index Research Unit of Temasek Polytechnic Singapore on 16 August 2016.
- (2) Certified by the Glycemic Index Research Unit of Temasek Polytechnic Singapore on 30 May 2019.
- (3) Certified by the Glycemic Index Research Unit of Temasek Polytechnic Singapore on 13 June 2019.

The certification from Glycemic Index Research Unit is not mandatory before any new low GI product developed is commercialised. It is our initiative to certify our low GI products from an accredited test facility (i.e. Glycemic Index Research Unit of Temasek Polytechnic Singapore)

6. INFORMATION ON OUR GROUP *(Cont'd)*

which is recognised by the Glycemic Index Foundation to ascertain our low GI product formulation before commercialising our low GI instant beverage premixes.

All expenses incurred for our product development activities are expensed off as part of our cost of sales as the food ingredient costs are not material.

As part of our Group's continuous enhancement effort in expanding the range of product formulations that we can offer to our customers, we will continue to actively engage in product development activities. Our Group believes that by increasing our range of product formulation offerings, we will be well-positioned to capture market opportunities arising from consumer demand and to expand our market presence.

6.15 QUALITY ASSURANCE/CONTROL MANAGEMENT AND TECHNOLOGY USED

6.15.1 Quality assurance and quality control procedures

Our Group places strong emphasis on the safety of all products manufactured in our factory and our quality assurance and quality control team (comprising 5 employees) is led by Tok Ai Mei, our Quality Assurance and Quality Control Manager. We are committed to ensure that the food safety management system that we have put in place is in accordance with internationally recognised standards and practices. We have adopted stringent internal quality management assurance policy to ensure that our products are consistently safe for consumption.

In order to ensure that the quality and safety of our products are upheld, quality control procedures are incorporated into our formulation, sourcing and manufacturing processes as follows:

Objective	Criteria	Description
Quality control check on newly formulated products	<u>Internal: Quality control test</u>	
	• Visual and sensory test	• To evaluate the acceptability of the sample in terms of appearance, taste, scent and texture (i.e. mouthfeel).
	• pH value test	• To determine the acidity/alkalinity of the sample.
	• Brix value	• To determine sugar content of the compound.
	<u>External: Quality control test⁽¹⁾</u>	
	• Nutrition test	• To determine the nutrition values (e.g. energy, fat, carbohydrate, and protein content) of the sample.

6. INFORMATION ON OUR GROUP (Cont'd)

Objective	Criteria	Description
Quality control check on in-coming supplies	<u>Internal: Quality control inspection on food ingredients</u>	
	<ul style="list-style-type: none"> • Quantity and weight • Packing condition • Physical appearance • Colour and odour 	<ul style="list-style-type: none"> • To ensure the quantity and weight of food ingredients is in accordance with the delivery order. • To ensure that there are no damages on the packing bag of the food ingredients. • To ensure the labelled parameters of the food ingredients are within the required specifications and expiry date. • To ensure the colour and odour of the food ingredients are within standard expectation.
Quality control check on manufacturing processes	<u>Internal: Quality control inspection on packaging materials</u>	
	<ul style="list-style-type: none"> • Quantity • Packaging condition • Physical appearance 	<ul style="list-style-type: none"> • To ensure the quantity of the packaging materials is in accordance with the delivery order. • To ensure that there are no damages on the packaging materials. • To ensure correct printing of the packaging materials.
Quality control check on manufacturing processes	<u>Internal: Quality control inspection</u>	
	• Weighing	• To ensure the selected food ingredients are weighed as per the proportion indicated in the product formulation.
	• Sieving	• To ensure that there are no foreign particles of size exceeding 5mm in the food ingredients after sieving.
	• Visual and sensory test	• To evaluate the acceptability of the mixture in terms of appearance, taste, scent and texture (i.e. mouthfeel) upon blending.
	• pH value test	• To determine the acidity/alkalinity of the mixture upon blending.
	• Brix value	• To determine the sugar content of the mixture upon blending.
	• Metal detection	• To ensure that there are no metal particles present in the mixture after passing through the magnet. If metal particles are found present in the mixture, tracing of food ingredients will be conducted to remove the contaminated batch.
	• Uniformity of premix weight	• A 30-minute interval of sample testing to ensure that the weight of sachets is in accordance with the specification.
	• Visual water test	• A 1-hour interval of sample testing to ensure that there are no defects in the sealing of sachets.
	• Quality of printing on sachets	• To ensure clear and legible printing of batch number, manufacturing date and/or expiry date on the sachets.

6. INFORMATION ON OUR GROUP *(Cont'd)*

<u>Objective</u>	<u>Criteria</u>	<u>Description</u>
	<ul style="list-style-type: none"> • Appearance of packing boxes/bags and cartons • Delivery 	<ul style="list-style-type: none"> • To ensure the weight of packing boxes/bags and cartons is in accordance to specification; organised arrangement of sachets and packing boxes/bags; no defects in the sealing of packing boxes/bags; and clear and legible printing of batch numbers, manufacturing date and/or expiry date on the packing boxes/bags and cartons. • To ensure the quantity of products for delivery is in accordance with the purchase order and that there no damages on the cartons.
Quality control check on manufactured products	External quality control test ⁽¹⁾ <ul style="list-style-type: none"> • Microbiological test • Heavy metal test • Mycological test 	<ul style="list-style-type: none"> • To observe sample under microscope to ensure the absence of contamination from yeast, mould and other bacteria. • To ensure no heavy metal (i.e. antimony, arsenic, cadmium, lead and mercury) are present. • To observe sample under microscope to ensure the absence of contamination from fungi.

Note:

⁽¹⁾ External quality control tests are outsourced to third party laboratories, accredited under the Laboratory Accreditation Scheme of Malaysia.

6.15.2 Technology used

Due to the nature of our business as an instant beverage premix manufacturer, we do not utilise any particular technology in our manufacturing activities.

6.16 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during the past 3 FYEs 2018 to 2020 and up to the date of this Prospectus:

- (i) Sale and Purchase Agreement dated 4 July 2017 entered into between Orgabio Manufacturing and Midas Dragon Sdn Bhd for the acquisition of Semenyih Land for a total consideration of RM8.28 million, which was completed on 19 October 2017.
- (ii) Sale and purchase agreement dated 5 March 2020 entered into between Orgabio Manufacturing and Dima Mazlina @ Siti Aishah Binti Abu Bakar for the acquisition of 1 unit double storey terrace house erected thereon bearing postal address at No. 16, Jalan Kesuma 1/14, Bandar Tasik Kesuma, 43700 Beranang Selangor for a total consideration of RM0.34 million, which was completed on 11 January 2021.

6. INFORMATION ON OUR GROUP (Cont'd)

- (iii) The share sale agreement dated 12 March 2021 entered into between our Company and Ean Yong & Sons, our Promoter for the Acquisition of Subsidiaries. The Acquisition of Subsidiaries was completed on [•].
- (iv) The Cornerstone Investment Agreement dated 22 March 2021 entered into between our Company and Hai-O Enterprise Berhad, the Cornerstone Investor, wherein Hai-O Enterprise Berhad agreed to subscribe for 30,983,500 IPO Shares ("Investor Shares"), representing 12.5% of our total enlarged share capital at the IPO Price (or such other sum based on the issue price of the IPO Shares stated in the Prospectus which shall not be more than 15% variation). This agreement is conditional upon approval from Bursa Securities for the IPO, registration of the Prospectus with the SC and lodgement of Prospectus with the ROC. The IPO Shares subscribed under the Cornerstone Investment Agreement is subject to a 6 months moratorium as set out in Section 2.2.2.

The salient terms of the Cornerstone Investment Agreement are as follows:

- 1.1 The Cornerstone Investor shall pay the Cornerstone Price for the subscription of the Investor Shares, and the Company shall allot and issue the Investor Shares to the Cornerstone Investor.
- 1.2 Cornerstone Price is based on the IPO Price. Any variation on the Cornerstone Price within 15% can be varied without written consent from the Cornerstone Investor whereas any variation beyond the said band would require the Cornerstone Investor's consent.
- 1.3 The Cornerstone Investment Agreement is conditional upon the following being fulfilled within 6 months from the date of the agreement ("Conditional Period"):
 - (a) Bursa Securities having approved the Listing; and
 - (b) The registration of the Prospectus with the SC, the lodgement of the Prospectus with the ROC and the issuance of the Prospectus.
- 1.4 If the conditions precedent have not been fulfilled within the Conditional Period, the Cornerstone Investment Agreement will terminate and be of no effect and the parties shall have no claims against each other. The Conditional Period may be extended as mutually agreed by the parties in writing.
- 1.5 The Cornerstone Investor will not, directly or indirectly, at any time during the period of 6 months from the Listing date:
 - (a) Dispose of, in any way, any Investor Shares or any interest in any company or entity holding any Investor Shares;
 - (b) Allow itself to undergo a change of control at the level of ultimate beneficial owner save and except for the proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of Companies Act 2016 to be undertaken by the Cornerstone Investor as announced on Bursa Securities website on 19 January 2021; and/or
 - (c) Enter into any transactions that directly or indirectly with the same economic effect as any aforesaid transactions.

6. INFORMATION ON OUR GROUP (Cont'd)

- 1.6 Upon the occurrence of any event of default which includes breach of obligations by either party under the agreement; winding up proceedings is instituted against any companies within our Group or the Cornerstone Investor; or it becomes unlawful at any time for either party to perform all or any of its obligations under this agreement or due to the fault or omission of either party, the following shall occur:
- (a) In the event that the defaulting party is our Company, the Cornerstone Investor shall be entitled to the remedy of specific performance against our Company and to all reliefs flowing therefrom; or to terminate this agreement and sue for damages; or
 - (b) In the event that the defaulting party is the Cornerstone Investor, our Company shall be entitled to the remedy of specific performance against the Cornerstone Investor and to all reliefs flowing therefrom; or to terminate this agreement and sue for damages; and
 - (c) This agreement shall remain in force and binding upon the parties until such time all the duties and obligations of the parties under this agreement has been fulfilled or where this agreement is terminated in accordance with its provisions.
- (v) The underwriting agreement dated [•] entered into between our Company and M&A Securities for an underwriting of 18,590,100 Issue Shares as set out in Section 4.11.1 of this Prospectus. Please refer to Section 4.12 of this Prospectus for the salient terms of the Underwriting Agreement.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.17 MATERIAL PROPERTIES OF OUR GROUP

6.17.1 Properties owned by our Group

Details of the properties owned by our Group as at the LPD are as follows:

Details	Purpose	Reference	NBV as at 30 June 2020 (RM)
(1) Beranang Factory	For our existing manufacturing operations	Section 6.17.1(i)	3,017,060
(2) Semenyih Land	Land held for construction of our new factory	Section 6.17.1(ii)	8,545,283
(3) 4 units of terrace houses	Workers' hostels	Sections 6.17.1(iii), (iv), (v) and (vi)	1,034,886 (4 units)
(4) 2 units of factories	Warehouse for our operations	Sections 6.17.1(vii) and (viii)	1,757,400 (2 units)
(5) 1 unit of shoplot	For investment purposes	Section 6.17.1(ix)	1,452,794
			15,807,423

(i) Beranang Factory

Particulars of title / Address	:	Geran 236022, Lot 11288, Mukim of Beranang, District of Ulu Langat, State of Selangor / No. 11, Jalan Kesuma 2/3, Bandar Tasik Kesuma, 43700 Beranang, Selangor
Registered proprietor	:	Orgapharma Herbal
Land area based on title	:	57,619 sq ft
Tenure / category of land use	:	Freehold / Industrial
Description, existing use and age of building	:	The property comprises a single storey detached factory annexed with 2-storey offices with a guard house. The factory has a built-up area of 31,894.27 sq ft. The age of the building is 17 years.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, it is used as our factory and office.

NBV : RM3,017,060 as at 30 June 2020

Certificate of Fitness for Occupation : Certificate of Fitness for Occupation issued by Majlis Perbandaran Kajang dated 26 May 2004

Encumbrances : Charged to United Overseas Bank (Malaysia) Bhd

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

(ii) Semenyih Land

Particulars of title / Address : HS(M) 8079, PT No. 29951, Tempat Bangi, Mukim of Semenyih, District of Hulu Langat, State of Selangor / Lot 29951, HSM 8079, Jalan Bangi, Mukim Semenyih, 43500 Semenyih, Selangor

Registered proprietor : Orgabio Manufacturing

Land area based on title : 87,123 sq ft

Tenure / category of land use : Freehold / Industrial

Description and existing use : A parcel of vacant industrial land. The land is intended for the construction of our new factory.

NBV : RM8,545,283 as at 30 June 2020

Certificate of Completion and Compliance : Not applicable

Encumbrances : Charged to RHB Bank Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) No. 14, Jalan Kesuma 1/14, Bandar Tasik Kesuma, 43700 Beranang, Selangor

Particulars of title	:	Geran 235147 Lot 10632, Mukim of Beranang, District of Hulu Langat, State of Selangor
Registered proprietor	:	Orgapharma Marketing
Land area based on title	:	1,076 sq ft
Tenure / category of land use	:	Freehold / Residential
Description, existing use and age of building	:	Double storey terrace house. The property has a built-up area of 1,320 sq ft. The age of the building is 19 years. As at the LPD, it is used as our workers' hostel.
NBV	:	RM284,888 as at 30 June 2020
Certificate of Fitness for Occupation	:	Certificate of Fitness for Occupation issued by Majlis Perbandaran Kajang dated 12 March 2002 and Certificate of Completion and Compliance dated 20 April 2021
Encumbrances	:	Charged to Public Bank Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

(iv) No. 20, Jalan Kesuma 1/13, Bandar Tasik Kesuma, 43700 Beranang, Selangor

Particulars of title	:	Geran 235322 Lot 10706, Mukim of Beranang, District of Hulu Langat, State of Selangor
Registered proprietor	:	Orgapharma Marketing
Land area based on title	:	1,345 sq ft
Tenure / category of land use	:	Freehold / Residential

6. INFORMATION ON OUR GROUP (Cont'd)

Description, existing use and age of building : Double storey terrace house. The property has a built-up area of 1,847 sq ft. The age of the building is 19 years.
As at the LPD, it is used as our workers' hostel.

NBV : RM284,798 as at 30 June 2020

Certificate of Fitness for Occupation : Certificate of Fitness for Occupation issued by Majlis Perbandaran Kajang dated 12 March 2002 and Certificate of Completion and Compliance dated 20 April 2021

Encumbrances : Charged to Public Bank Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

(v) No. 29, Jalan Kesuma 1/12, Bandar Tasik Kesuma, 43700 Beranang, Selangor ("No. 29")

Particulars of title : Geran 23546, Lot 10730, Mukim of Beranang, District of Hulu Langat, State of Selangor

Registered proprietor : Orgabio Manufacturing

Land area based on title : 1,076 sq ft

Tenure / category of land use : Freehold / Residential

Description, existing use and age of building : Double storey terrace house. The property has a built-up area of 1,911 sq ft. The age of the building is 19 years.
As at the LPD, it is used as our workers' hostel.

NBV : RM329,200 as at 30 June 2020

Certificate of Fitness for Occupation : Certificate of Fitness for Occupation issued by Majlis Perbandaran Kajang dated 12 March 2002 and *Approval of As-Built Plan dated 22 January 2021

Encumbrances : Charged to Maybank Islamic Berhad

6. INFORMATION ON OUR GROUP *(Cont'd)*

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

Note:

* We had made extensions and renovations to this property including the construction of kitchen, bathroom and recreational room. However, these extension and renovations (which are completed as at the LPD) were made before obtaining the necessary approval from Majlis Perbandaran Kajang.

Subsequently, we had applied and the Majlis Perbandaran Kajang has issued Approval of As-Built Plan for extension and renovation for this property. The Approval of As-Built Plan is valid for 1 year period during which the application for extension and renovation shall be submitted by our architect for the purpose of site inspection by the Majlis Perbandaran Kajang and for the subsequent issuance of Certificate of Completion and Compliance. The application for extension and renovation has been submitted by our architect in May 2021 and we are currently awaiting the site inspection by the Majlis Perbandaran Kajang.

In the event the Certificate of Completion and Compliance is not issued prior to the expiry of the Approval of As-Built Plan, we may apply to renew the Approval of As-Built Plan prior to its expiry.

(vi) **No. 16, Jalan Kesuma 1/14, Bandar Tasik Kesuma, 43700 Beranang, Selangor**

Particulars of title	:	Geran 127767 PT8998 Mukim of Beranang, District of Hulu Langat, State of Selangor
Registered proprietor	:	Orgabio Manufacturing
Land area based on title	:	1,076 sq ft
Tenure / category of land use	:	Freehold / Residential
Description, existing use and age of building	:	Double storey terrace house. The property has a built-up area of 1,500 sq ft. The age of the building is 19 years. As at the LPD, it is used as our workers' hostel.
NBV	:	RM136,000 as at 30 June 2020

6. INFORMATION ON OUR GROUP (Cont'd)

Certificate of Fitness for Occupation : Certificate of Fitness for Occupation issued by Majlis Perbandaran Kajang dated 12 March 2002

Encumbrances : Charged to Maybank Islamic Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

(vii) Lot 6, Project Kawasan Perindustrian Ringan Mantin, No. 24, Jalan KPRM 1, Kawasan Perindustrian Ringan Mantin, 71700 Negeri Sembilan

Particulars of title : HSM 6390 PT32955 Tempat Setul, Mukim of Setul, State of Negeri Sembilan

Registered proprietor : Orgabio Manufacturing

Land area based on title : 2,700 sq ft
Tenure / category of land use : Freehold / Industrial

Description, existing use and age of building : Single storey terrace factory with a guard house. The factory has a built-up area of 2,700 sq ft. The age of the building is 4 years.

As at the LPD, it is used as our Group's warehouse.

NBV : RM681,706 as at 30 June 2020

Certificate of Completion and Compliance : Certificate of Completion and Compliance issued by Lembaga Arkitek Malaysia dated 11 December 2017

Encumbrances : Charged to Maybank Islamic Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

6. INFORMATION ON OUR GROUP (Cont'd)

(viii) Lot 7, Project Kawasan Perindustrian Ringan Mantin, No. 25, Jalan KPRM 1, Kawasan Perindustrian Ringan Mantin, 71700 Negeri Sembilan

Particulars of title	:	HSM 6389 PT32954 Tempat Setul, Mukim of Setul, State of Negeri Sembilan
Registered proprietor	:	Orgabio Manufacturing
Land area based on title	:	4,033 sq ft
Tenure / category of land use	:	Freehold / Industrial
Description, existing use and age of building	:	Single storey terrace factory with a guard house. The factory has a built-up area of 4,033 sq ft. The age of the building is 4 years. As at the LPD, it is used as our Group's warehouse.
NBV	:	RM1,075,694 as at 30 June 2020
Certificate of Completion and Compliance	:	Certificate of Completion and Compliance issued by Lembaga Arkitek Malaysia dated 11 December 2017
Encumbrances	:	Charged to Maybank Islamic Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

(ix) 16-2, Jalan Eco Majestic 9/1B, Eco Majestic, 43500 Semenyih, Selangor

Particulars of title	:	HS(D) 173129, PT15738, Mukim of Beranang, District of Hulu Langat, State of Selangor
Registered proprietor	:	Orgapharma Marketing
Land area based on title	:	1,916 sq ft
Tenure / category of land use	:	Freehold / Commercial

6. INFORMATION ON OUR GROUP (Cont'd)

Description, existing use and age of building : 2-storey shoplots. The property has a built-up area of 3,833 sq ft. The age of the building is 4 years.

As at the LPD, it is rented to a third party tenant.

NBV : RM1,452,794 as at 30 June 2020

Certificate of Completion and Compliance : Certificate of Completion and Compliance issued by Lembaga Arkitek Malaysia dated 21 November 2017

Encumbrances : Charged to RHB Bank Berhad

As at the LPD, the above property is not in breached of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

6.17.2 Properties rented by our Group

Details of properties rented by us as at the LPD are set out below:

No.	Description	Owner / Tenant	Existing Use	Built-up area	Period of tenancy / Rental per annum
1.	Single storey terrace house located at No. 55, Jalan Kesuma 1/5 Bandar Tasik Kesuma, Fasa 7 43700 Beranang Selangor	Tan Chee Kong / Orgabio Manufacturing	Workers' hostel	1,044 sq ft	1 April 2020 to 31 March 2022 / RM5,400.00
2.	Single storey terrace house located at No. 33, Jalan Kesuma 1/5 Bandar Tasik Kesuma, Fasa 7 43700 Beranang Selangor	Ean Yong Hien Voon ⁽¹⁾ / Orgabio Manufacturing	Workers' hostel	1,044 sq ft	1 November 2020 to 31 October 2022 / RM5,400.00

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

- (1) Ean Yong Hien Voon is our Executive Director / Chief Executive Officer and a shareholder of our Promoter. The rental of this property is deemed a related party transaction. Our Directors have reviewed this related party transaction and are of the view that this transaction was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related party and were not to the detriment of our minority shareholders.

As at the LPD, the properties rented by our Group are not in breach of any land use or regulatory requirements.

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The following is an overview of the regulatory requirements governing our Group which are material to our business operations:

(i) Industrial Co-Ordination Act 1975 ("ICA")

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence.

As at the LPD, our subsidiary, Orgabio Manufacturing, which carries out our manufacturing activity, holds a valid manufacturing licence issued by the MITI.

(ii) Workers' Minimum Standards of Housing and Amenities Act 1990

Pursuant to the Worker's Minimum Standards of Housing and Amenities (Amendment) Act 2019, which amended the Worker's Minimum Standards of Housing And Amenities Act 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 that came into force on 1 September 2020 ("WMSHA 2019"), employers must comply with the WMSHA 2019, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

The WMSHA 2019 further provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under WMSHA 2019 or any regulations made thereunder. Based on our assessment, our workers' hostels have met the all the requirements stipulated in the WMSHA 2019 and as such comply with the minimum standards required under Section 4 of Panduan Memohon Perakuan Penginapan di Bawah Seksyen 24D Akta Standard Minimum Perumahan, Penginapan dan Kemudahan Pekerja 1990 (Akta 446), which is a guide issued by the authorities for the application of WMSHA 2019.

6. INFORMATION ON OUR GROUP (Cont'd)

Pursuant to the WMSHA 2019, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. WMSHA 2019 provides that an employer who contravenes the WMSHA 2019 commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

We provide accommodation to our employees at terrace houses located within the vicinities of our Beranang Factory. As such, the Certificate for Accommodation is required to be obtained by us.

We had on 23 and 24 December 2020 submitted 6 applications for the Certificate for Accommodation to the Department of Labour Peninsular Malaysia. In April 2021, the Department of Labour Peninsular Malaysia had conducted an audit on all 6 locations. As at the LPD, the Certificate for Accommodation has been approved for all 6 locations.

In addition the above, we are also required to obtain the Certificate for Accommodation for new accommodation locations, if any.

(iii) Food Act 1983 ("FA")

The MOH is mandated under the FA to protect the public against health hazards and fraud in the preparation, sale and use of goods. The way food is prepared, packaged, stored, distributed or sold falls within the ambit of the FA.

Pursuant to the Food Hygiene Regulations 2009 ("FHR"), a subsidiary legislation under the FA, no person shall use any food premises for the purposes of preparing, packaging, storing, distributing or sale of any food except where the premises is registered under FHR.

In addition, MOH had established the Pre-Market Approval Branch ("PMA") that is responsible for developing food safety assurance system and ensuring the implementation of food safety assurance by the food industry. The food safety assurance systems under PMA are Hazard Analysis Critical Control Points (HACCP), Good Manufacturing Practices (GMP) and 'Makanan Selamat Tanggungjawab Industri' (MeSTI) Certification Scheme.

As at the LPD, our subsidiary, Orgabio Manufacturing, which carries out our manufacturing activity, holds valid food premise registration, HACCP, GMP and MeSTI certificates issued by the MOH.

(iv) Trade Description Act 2011 ("TDA")

Pursuant to the TDA, a body corporate who applies a false trade description to any goods shall be on conviction, liable to a fine not exceeding RM250,000, and for a second and subsequent offence, to a fine not exceeding RM500,000.

Under the Trade Description (Definition of Halal) Order 2011 and the Trade Description (Certification and Marking of Halal) Order 2011, which forms part of the TDA, the Department of Islamic Development Malaysia (JAKIM) is authorised to certify any food, goods or services as "Halal". Halal certificate issued by JAKIM shows that a product is qualified to be consumed by Muslims, which means that the food or goods does not contain any harmful or any part of matter that was forbidden by the Shariah law.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, our subsidiary, Orgabio Manufacturing, which carries out our manufacturing activity, holds valid Halal Certificates.

(v) Federal Food, Drug and Cosmetic Act ("FDA")

In the US, the FDA governs food produced domestically, as well as food from foreign countries. The objective of the FDA is to ensure that food sold in the US is safe, wholesome and properly labelled. FDA certificate is a basic requirement for domestic and foreign establishments that manufacture or sell food in the USA.

As at the LPD, our subsidiary, Orgabio Manufacturing, which carries out our manufacturing activity, holds a valid certificate of registration issued by the Registrar Corp of US.

(vi) Food Safety System Certification ("FSSC") 22000

FSSC 22000 is an internationally accepted certification scheme based on a combination of ISO 22000, ISO Technical Standards (for prerequisite programme requirements) and FSSC additional requirements. FSSC 22000 focuses on assuring food safety by defining, evaluating and controlling risks and hazards during processing, manufacturing, packaging, storage, transportation, distribution, handling or offering for sale or supply in any sector of the food chain.

As at the LPD, Orgabio Manufacturing holds valid FSSC 22000 certificate issued by Intertek Certification Limited.

There are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our assets as at LPD.

6.19 BUSINESS STRATEGIES AND PROSPECTS

6.19.1 We intend to increase our manufacturing capacity and enhance the efficiency of our manufacturing through the construction of a new factory

As at the LPD, our current business and manufacturing activities are carried out at our Beranang Factory. As our Beranang Factory was purchased from the secondary market and was previously used by a different manufacturing industry, we were only able to renovate the interior section of the factory for our manufacturing activities. This limits the amount of space available for renovation to accommodate our machinery. Due to these space constraints and the layout of our Beranang Factory we are not able to optimise the configuration of our current manufacturing flow whereby machines for different stages of the manufacturing process are not aligned in the most efficient manner. This in turn restricts our manufacturing workflow as machines are placed close to one another with limited space for our workers to carry out manual work and to move work-in-progress products from one machine to another through each stage of the manufacturing process. This results in inefficient use of time and manpower to manually manoeuvre our products from one machine to another within limited space. In addition, automation of workflow is limited as our machines cannot be configured into one continuous manufacturing line within the limited space in our Beranang Factory. Further, we are not able to acquire and place more machines in our Beranang Factory which result in us only accepting orders within our current manufacturing capacity.

6. INFORMATION ON OUR GROUP (Cont'd)

In view of this, we had in October 2017 completed the purchase of a freehold industrial land measuring approximately 87,123 sq ft in Semenyih, Selangor to construct a new factory on the said land. The cost of the land purchase was RM8.28 million, and it was financed via bank borrowings of RM5.79 million and internally generated funds of RM2.49 million.

By constructing a new factory, we will be able to customise the design for our manufacturing area which, in turn, will allow us to optimise the configuration of our existing machinery and new machinery to be purchased in order to enhance our manufacturing workflow and efficiency. This will allow our manufacturing workflow to be more linear and continuous as compared to our current manufacturing workflow. In the past 3 FYEs 2018 to 2020, our Beranang Factory operated at utilisation rates of 83.18%, 70.04% and 70.44%, respectively. Notwithstanding the decrease in our utilisation rates in the past FYEs, this planned increase in manufacturing capacity is to cater for our future business growth where the increased capacity will enable our Group to take on new customers and more large orders arising from our plans to grow our customer base in the direct selling segment, expanding our export sales and expanding the range of product offerings and market presence of our house brands. Kindly refer to Section 6.19.3, Section 6.19.4 and Section 6.19.5 for further details on these business expansion plans.

Our new factory will have a built-up area of approximately 76,770.26 sq ft. A floor space of approximately 35,899.15 sq ft will be allocated for manufacturing activities, 24,005.57 sq ft for warehousing purposes, 6,510.01 sq ft for loading bays and 10,355.53 sq ft for office space.

(i) Cost of construction

The construction cost of our new factory is estimated at RM11.27 million. The breakdown of the construction cost for our new factory is as follows:

<u>Description</u>	<u>Total estimated cost (RM'000)</u>
Construction works	7,400
Mechanical and engineering works	1,150
Infrastructural works	1,250
Professional fees ⁽¹⁾	250
Authority and utilities	150
Interior fit-out and loose furniture	768
Contingencies	300
	<u>11,268</u>

Note:

(1) Comprising project consultation and legal fees.

(ii) Source of funding

On 20 January 2021, we had obtained bank borrowings amounting to RM8.33 million to part finance the construction of our new factory.

Upon Listing, we plan to utilise RM11.27 million from our IPO proceeds to repay bank borrowings secured for the construction of our new factory of RM8.33 million and to fund the remaining cost of construction of RM2.94 million. In the event that the construction of our new factory is completed before the completion of IPO, the

6. INFORMATION ON OUR GROUP (Cont'd)

RM2.94 million shall be funded via internally generated funds and the RM2.94 million allocated from our IPO proceeds shall be used for our working capital.

(iii) Approvals required

The approvals required to be obtained from the authorities for the construction of our new factory are as follows:

- (a) The planning permit was submitted to Majlis Perbandaran Kajang on 29 January 2021 and is pending approval; and
- (b) The building plan was submitted to Majlis Perbandaran Kajang on 29 January 2021 and is pending approval.

(iv) Indicative timeline

The indicative timeline for the construction of our new factory is as follows:

Timeline	Details
29 January 2021	<ul style="list-style-type: none"> • Submission of planning permit to Majlis Perbandaran Kajang* • Submission of building plan to Majlis Perbandaran Kajang*
September 2021	<ul style="list-style-type: none"> • Receipt of approved planning permit • Receipt of approved building plan
October 2021	<ul style="list-style-type: none"> • Commencement of construction of new factory
March 2023	<ul style="list-style-type: none"> • Completion of construction of new factory • Purchase of new machinery
July 2023	<ul style="list-style-type: none"> • Certificate of Completion and Compliance obtained • Approval from MITI/MIDA for manufacturing licence obtained • Installation of new machinery • Partial relocation of machinery from Beranang Factory to new factory
August 2023	<ul style="list-style-type: none"> • Commencement of operations • Relocation of remaining machinery from Beranang Factory to the new factory

Note:

- * The planning permit and building plan are currently being processed by the Majlis Perbandaran Kajang as at the LPD.

Upon obtaining the Certificate of Completion and Compliance, we will progressively relocate our existing machinery from our Beranang Factory to the new factory, and we will eventually cease the operation of our Beranang Factory. Similarly, we will also relocate the operations of factories used as our Group's warehouses in Kawasan Perindustrian Ringan Mantin to our new factory. The Beranang Factory and the factories used as our Group's warehouses in Kawasan Perindustrian Ringan Mantin will be rented to third parties which we have yet to identify, at prevailing market rates.

6. INFORMATION ON OUR GROUP (Cont'd)

6.19.2 We intend to purchase new machinery to support and enhance the efficiency of our existing manufacturing activities as well as increase our manufacturing capacity

In anticipation of future business growth and expansion, we intend to enhance the efficiency of our existing manufacturing activities and increase our manufacturing capacity to enable our Group to take on opportunities arising from future demand which will in turn contribute to the growth of our financial performance. Hence, we plan to set up the following system and additional machinery in our new factory:

(i) Intermediate Bulk Containers ("IBC") blending system

Our current blending process in our Beranang Factory is semi-automated whereby blended mixture is transferred manually from the mixer to the filling machine. Further, we are also dependent on manual labour for the cleaning of mixer tanks. Thus, in order to reduce our dependency on manual labour in the transferring process and cleaning process, we intend to automate the process of transferring blended mixtures from the mixer to the filling machine as well as automate the cleaning process. Such automation is expected to enhance efficiency of our manufacturing activities to be in-line with the Government of Malaysia's initiative towards Industry 4.0 which encourages the adoption of automation in manufacturing processes.

We plan to set up the IBC blending system, which is a system that is customised to the requirement of our blending processes. The IBC blending system comprises the following features:

- 10 mixer tanks to perform blending of instant beverage premixes. This IBC blending system is able to produce 10 batches of premixes per hour at an approximate 525 kilograms per batch, thus increasing our blending capacity from the existing 2,000 kg per hour;
- Auto cleaning of mixer tanks which enable automation of cleaning process; and
- Auto transfer of ready premixes from the mixer to the filling machine. The transfer of premix is enclosed within a confined environment, thus reducing the possibility of contamination and at the same time enhances productivity as compared to manual transfer of premixes.

We plan to purchase 1 unit of IBC blending system to be placed in our new factory. Upon implementation, our Group also estimates that we will be able to reduce our dependency on human labour by 5 workers.

The estimated cost for the acquisition of the IBC blending system is approximately RM2.23 million which shall be financed via IPO proceeds and shall be delivered and installed in our new factory by July 2023.

(ii) Filling machines

In anticipation for future business growth and expansion and to cater for the growing demand for our instant beverage premix, we plan to increase our manufacturing capacity. We intend to acquire 2 additional 10-lane filling machines, one of which is able to fill sachets of 20 gram serving size while the other is able to fill sachets of 2 gram serving size.

As at the LPD, we have a total of 14 filling machines which enable us to operate at an annual manufacturing capacity of 150.48 million sachets in FYE 2020. With the acquisition of 2 additional filling machines, we will have a total of 16 filling machines.

6. INFORMATION ON OUR GROUP (Cont'd)

Our annual manufacturing capacity is expected to increase by approximately 65.57% from 150.48 million sachets to 249.15 million sachets. Such increase in manufacturing capacity will enable us to accept more orders, and better position our Group to meet the growing needs of our customers in a timely manner.

The estimated cost for the acquisition of the 2 additional filling machines is approximately RM1.57 million in total which shall be financed via IPO proceeds and shall be delivered and installed in our new factory by July 2023.

6.19.3 We plan to grow our customer base in the direct selling segment

In the past 3 FYEs 2018 to 2020, our sales to direct selling companies contributed to 66.21%, 61.44% and 71.42% of our Group's revenue. As at the LPD, we have 10 of local direct selling companies as our customers.

We intend to further expand our customer base in the direct selling segment by securing more local and overseas direct selling companies as our customers. By engaging our instant beverage premix manufacturing services, these direct selling companies can leverage on our experience and insights on various blends, taste profiles and preferences which are specific to their target markets to launch new products under their brands. Direct selling companies are able to provide us with high manufacturing volumes, which will in turn enhance the growth of our financial performance and the sustainability of our Group.

We plan to market our services to more direct selling companies through direct approaches and referrals from our existing customers, suppliers and other business associates. We intend to carry this out through more frequent meetings with potential customers, both online while travel restrictions due to the COVID-19 pandemic remains and also face-to-face meetings once travel restrictions are lifted. We also plan to increase our market visibility on the internet through digital marketing initiatives such as search engine optimisation services and enhancing our social media presence.

6.19.4 We plan to continue expanding our export sales

In the past 3 FYEs 2018 to 2020, our export sales, comprising revenue from both our manufacturing services and house brands, contributed to 19.02%, 27.11% and 17.32% of our Group's revenue, respectively. Our export markets in the FYEs 2018 to 2020 include, amongst others, Singapore, China, Papua New Guinea, United Arab Emirates and Hong Kong. According to the IMR Report, Malaysia was among the world's top 5 exporters of coffee extracts, which includes instant and coffee premixes, in 2016, and subsequently became a top 3 exporter of coffee extracts in 2017, 2018 and 2019. Malaysian coffee extracts were exported globally to 118 countries in 2019. In 2019, based on latest available information, Malaysia was the 3rd largest exporter of coffee extracts globally, accounting for 8.22% (115,670 tonnes) of total global exports of coffee extracts of 1.41 million tonnes.

With Malaysia being one of the major exporters of coffee extracts, it signifies that Malaysian instant coffee premix manufacturers have strong global reputation and recognition, and hence international customers will continue to seek for coffee products from Malaysia. We intend to leverage on such global reputation and recognition to further expand our export markets through various marketing activities such as participation in overseas trade fairs and exhibitions, direct approaches and referrals, and digital marketing.

In the FYE 2018 and FYE 2019, we participated in international trade fairs and exhibitions as part of our expansion of our export markets. In view of the on-going COVID-19 pandemic, our Group had temporarily put on hold all plans to participate in international trade fairs and exhibitions in 2020 and 2021. Subject to the development of the COVID-19 pandemic, our

6. INFORMATION ON OUR GROUP (Cont'd)

Group expects to resume participation in trade fairs and exhibitions in 2022 when overseas traveling is allowed as these trade fairs and exhibitions are expected to be held physically. As at the LPD, we have identified the following trade fairs and exhibitions:

Year	Trade exhibitions and events	Location
2022	Gulfood 2022 Dubai	Dubai, United Arab Emirates
2022	World of Private Label International Trade Show	Amsterdam, Netherlands
2022	2022 Shanghai Private Label Fair	Shanghai, China

The cost to participate in these trade fairs and exhibitions, comprising participation fees and expenses for booth setup, will be funded through our internally generated funds.

We believe that our participation in these trade fair and exhibitions will aid in enhancing our market presence and visibility as it enables us to showcase our products and services. Additionally, such participation also provides us with opportunities to meet potential customers and keeps us updated on market trends and consumer preferences in the region.

6.19.5 We plan to continue expanding the range of product offerings and market presence of our house brands

Our house brand *EveryDay* was launched in 2016 and *BrogaHill* was launched in 2019. As at the LPD, the range of offerings for our house brands include coffee premixes, tea premixes and/or low GI coffee premixes. Going forward, we plan to launch new instant beverage premixes which include ice coffee and tea premixes, low GI formulated tea premixes, chocolate premixes and oat cereal premixes under new house brands which we plan to introduce. The ice coffee and tea premixes, low GI formulated tea premixes, chocolate premixes and oat cereal premixes are currently under product development stages, which are expected to complete by September 2021 and March 2022, respectively. We will be able to commence selling of the new instant beverage premixes after obtaining Halal certification for all new instant beverage premixes and certification for low GI content for our low GI formulated tea premixes. Further details on our product development activities are set out in Section 6.14.

For the past 3 FYEs 2018 to 2020, our house brands contributed between 0.35% to 2.08% of our Group's revenue. In line with our Group's intention to increase low GI product mix in our range of house brand offerings, we will continue to expand our market presence primarily through pharmacies, clinics and hospitals.

As at the LPD, we engage 1 local distributor to distribute our *EveryDay* and *BrogaHill* products to pharmacies, clinics and hospitals. We do not have any overseas distributors as at the LPD. To further expand the market presence of our house brands, we intend to actively source for more local and overseas distributors and leverage on their network to market and sell our *EveryDay* and *BrogaHill* products locally and outside of Malaysia, namely China, Thailand, Indonesia, Philippines, Vietnam and Brunei. Further, we plan to engage an advertising and promotion agency to actively conduct digital advertising and marketing activities for our house brands, on behalf of our Group.

The cost to engage the advertising and promotion agency for our house brands advertising activities will be funded through our internally generated funds.

6. INFORMATION ON OUR GROUP (Cont'd)**6.20 EMPLOYEES**

As at the LPD, we have a total workforce of 85 employees, of which 38 are permanent employees and 47 are contractual workers. The following depicts the number of employees in our Group according to department:

Department	Permanent		Contract/temporary		Total employees
	Local	Foreign	Local	Foreign	
Directors	6	-	-	-	6
Accounting, human resources and administration	9	-	-	-	9
Product development, sales and marketing	1	-	2	-	3
Production	12	-	-	40	52
Quality assurance and quality control	6	-	-	-	6
Procurement and warehousing	4	-	2	3	9
TOTAL	38	-	4	43	85

As at the LPD, Malaysian employees accounted for approximately 49.41% of our total workforce while the remaining 50.59% were foreign workers. As at the LPD, we have 43 foreign workers and all our foreign workers have valid working permits. Our foreign workers are also subject to COVID-19 screening in order to renew their working permits of which all of our foreign employees have complied. None of our employees belong to any labour union. During the past 3 FYEs 2018 to 2020 and up to the LPD, there is no major industrial dispute pertaining to our employees.

We have put in place a management succession plan to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.21 MAJOR CUSTOMERS

Our top 5 major customers for each of the past 3 FYEs 2018 to 2020 are as follows:

FYE 2018

No.	Customer	Country	Business activities	Products sold	Revenue contribution in FYE 2018		Length of relationship as at the LPD Years
					RM'000	%	
1.	Hai-O Enterprise Berhad ⁽¹⁾ ₍₂₎	Malaysia	Wholesaling, direct selling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding and property investment holding	Coffee premixes and tea premixes	18,729	57.33	14
2.	Jinjiang Yeeka Commercial and Trading Co Ltd ⁽³⁾	China	Trading of consumer products	Coffee premixes and tea premixes	5,256	16.09	5
3.	TDC Avenue Sdn Bhd	Malaysia	Direct selling of consumer products	Food supplement premixes	2,074	6.35	13
4.	Excel Way Worldwide Sdn Bhd	Malaysia	Manufacturing and trading of health food products	Coffee premixes	1,048	3.21	3
5.	Lotuss Stores (Malaysia) Sdn Bhd	Malaysia	Hypermarket operator	Coffee premixes and tea premixes	1,040	3.18	14
Sub-total					28,147	86.16	
Total					32,670	100.00	

6. INFORMATION ON OUR GROUP (Cont'd)**FYE 2019**

No.	Customer	Country	Business activities	Products sold	Revenue contribution in FYE 2019		Length of relationship as at the LPD Years
					RM'000	%	
1.	Hai-O Enterprise Berhad	Malaysia	Wholesaling, direct selling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding and property investment holding	Coffee premixes	14,315	45.16	14
2.	TDC Avenue Sdn Bhd	Malaysia	Direct selling of consumer products	Food supplement premixes	4,323	13.64	13
3.	Jinjiang Yeeka Commercial and Trading Co Ltd	China	Trading of consumer products	Coffee premixes and tea premixes	3,389	10.69	5
4.	Loi Hein (Singapore) Pte Ltd ⁽⁴⁾	Singapore	Manufacturing, marketing, selling and distributing of consumer products	Coffee premixes	2,519	7.95	2
5.	Lotuss Stores (Malaysia) Sdn Bhd	Malaysia	Hypermarket operator	Coffee premixes and tea premixes	1,465	4.62	14
Sub-total					26,011	82.06	
Total					31,696	100.00	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2020

No.	Customer	Country	Business activities	Products sold	Revenue contribution in FYE 2020		Length of relationship as at the LPD Years
					RM'000	%	
1.	TDC Avenue Sdn Bhd	Malaysia	Direct selling of consumer products	Food supplement premixes	15,172	38.54	13
2.	Hai-O Enterprise Berhad	Malaysia	Wholesaling, direct selling and retailing of herbal medicines, healthcare products, wellness and beauty products, investment holding and property investment holding	Coffee premixes and tea premixes	12,222	31.04	14
3.	Lotuss Stores (Malaysia) Sdn Bhd	Malaysia	Hypermarket operator	Coffee premixes and tea premixes	2,001	5.08	14
4.	Loi Hein (Singapore) Pte Ltd ⁽⁴⁾	Singapore	Manufacturing, marketing, selling and distributing of consumer products	Coffee premixes	1,857	4.72	2
5.	Jinjiang Yeeka Commercial and Trading Co Ltd	China	Trading of consumer products	Coffee premixes	1,037	2.63	5
Sub-total					32,289	82.01	
Total					39,373	100.00	

Notes:

- (1) During FYE 2018, Hai-O Enterprise Berhad had ordered directly from us and also via its third party supplier, Tici World Marketing Sdn Bhd. As such, revenue contribution during FYE 2018 includes purchases from both Hai-O Enterprise Berhad and Tici World Marketing Sdn Bhd.

6. INFORMATION ON OUR GROUP (Cont'd)

- (2) We had on 22 March 2021 entered into a Cornerstone Investment Agreement with Hai-O Enterprise Berhad, the Cornerstone Investor. Under this agreement, Hai-O Enterprise Berhad shall subscribe for 30,983,500 IPO Shares, representing 12.50% of our total enlarged share capital at the IPO Price. This agreement is conditional upon approval from Bursa Securities for the IPO, registration of the Prospectus with the SC and lodgement of Prospectus with the ROC. Upon Listing, Hai-O Enterprise Berhad shall be our major shareholder and sales to Hai-O Enterprise Berhad shall be deemed as related party transactions under the Listing Requirements.
- (3) During FYE 2018, Jinjiang Yeeka Commercial and Trading Co Ltd had ordered directly from us and also via its related company, Xiamen Nanyang Trading Co Ltd. As such, revenue contribution during FYE 2018 includes purchases from both Jinjiang Yeeka Commercial and Trading Co Ltd and Xiamen Nanyang Trading Co Ltd. As at the LPD, there is an overdue payment of RM0.13 million from Jinjiang Yeeka Commercial and Trading Co Ltd. We have made impairment on this amount and have stopped receiving orders from Jinjiang Yeeka Commercial and Trading Co Ltd.
- (4) Resulting from the COVID-19 pandemic, we had received a suspension of order from 1 foreign customer, namely Loi Hein (Singapore) Pte Ltd, our major customer in the FYE 2019 and FYE 2020. Based on the total purchase order received from Loi Hein (Singapore) Pte Ltd, the suspension of order was USD0.45 million (approximately RM1.85 million) and we are unable to recognise such revenue until we complete the fulfilment of the order. As at the LPD, we have yet to receive instructions from Loi Hein (Singapore) Pte Ltd to resume manufacturing of the suspended order. As at the LPD, there is no outstanding payment from Loi Hein (Singapore) Pte Ltd.

For the past 3 FYEs 2018 to 2020, our top 5 major customers contributed to 86.16%, 82.06% and 82.01% of our Group's revenue, respectively. For FYE 2020, TDC Avenue Sdn Bhd superseded Hai-O Enterprise Berhad as our largest customer. Sales of food supplement premixes to TDC Avenue Sdn Bhd increased by RM10.85 million or 251.12% to RM15.17 million (FYE 2019: RM4.32 million). The food supplement premixes we had produced for them had continued to receive good response from its direct selling customers and TDC Avenue Sdn Bhd had also increased the promotional activities for these products. The increase in demand for food supplement premixes is also driven mostly by heightened awareness of nutritional products as a result of the COVID-19 pandemic.

We are dependent on the following major customers:

- (i) Hai-O Enterprise Berhad which contributed 57.33%, 45.16% and 31.04% of our Group's revenue, respectively in the past 3 FYEs 2018 to 2020. The majority of our sales to Hai-O Enterprise Berhad were from the sale of one coffee premix product which amounted to RM16.40 million, RM14.32 million and RM12.11 million, which contributed 87.56%, 100.00% and 99.08% of our total sales to Hai-O Enterprise Berhad, respectively in the past 3 FYEs 2018 to 2020. They have been our customer since 2007.
- (ii) TDC Avenue Sdn Bhd which contributed 6.35%, 13.64% and 38.54% of our Group's revenue, respectively in the past 3 FYEs 2018 to 2020. Our sales to TDC Avenue Sdn Bhd were from the sale of one food supplement premix product which amounted to RM2.07 million, RM4.32 million and RM15.17 million, respectively in the past 3 FYEs 2018 to 2020.

6. INFORMATION ON OUR GROUP *(Cont'd)*

million, which contributed 100.00% of our total sales to TDC Avenue Sdn Bhd, respectively in the past 3 FYEs 2018 to 2020. They have been our customer since 2008.

We do not have any long term contracts with Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd.

If any of these 2 major customers cease to purchase from us, we will experience a significant loss of revenue, given that we may not be able to replace these customers with new customers or with additional orders from existing customers in a timely manner. Further, we do not have any long term contracts with our customers due to the nature of our business whereby sales to our customers are primarily conducted on purchase order basis. Hence, this will negatively impact overall financial performance.

Nevertheless, we believe that we will continue to secure orders from these major customers due to the following:

- (i) We have been manufacturing coffee premixes for Hai-O Enterprise Berhad for the past 14 years and the food supplement premixes for TDC Avenue Sdn Bhd for the past 13 years and as at the LPD, we are the sole supplier for both these customers for these categories of products;
- (ii) We keep the premix formulations of the instant beverage premixes confidential from our customers. This is to safeguard our interest as the product formulator and to ensure that our customers will continue to engage our services as a similar product profile may not be easily replicated by another manufacturer. As such, these 2 major customers are also dependent on us for the manufacturing of their products;
- (iii) We work hand in hand with these 2 major customers to introduce enhanced premix formulations in order to improve their products. The most recent product enhancement for our major customer was in February 2021, where we had enhanced the formulation for the coffee premix sold to Hai-O Enterprise Berhad by creating a better texture (i.e. mouthfeel). Concurrent with the product enhancement, Hai-O Enterprise Berhad had also redesigned its product packaging. As at the LPD, the coffee premix with enhanced premix formulations and redesigned product packaging has been commercialised and has been receiving good response from Hai-O Enterprise Berhad's customers. From February 2021 to June 2021, the total sales of coffee premix with enhanced premix formulations and redesigned product packaging sold to Hai-O Enterprise Berhad was recorded at RM2.56 million. We have also worked with TDC Avenue Sdn Bhd to develop enhanced premix formulations. However, as at the LPD, TDC Avenue Sdn Bhd has not introduced these enhanced premix formulations to its customers as the existing food supplement premixes that we have been producing for them continue to receive good response from its customers; and
- (iv) We have maintained a strong business relationship with these 2 major customers and we believe that this relationship has allowed us to secure orders from them in the past, and will allow us to continue securing orders from them in the future.

Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd have other products and services marketed under their companies. According to the latest available annual report of Hai-O Enterprise Berhad, revenue generated from its multi-level marketing segment which markets nutritional food and beverage, wellness

6. INFORMATION ON OUR GROUP (Cont'd)

supplements, skincare, beauty and cosmetic, personal care and household products was RM156.70 million in the FYE 2020. Our revenue generated from Hai-O Enterprise Berhad was RM12.22 million in the FYE 2020, or 7.80%, of its multi-level marketing segment. According to the latest available audited financial statements of TDC Avenue Sdn Bhd, TDC Avenue Sdn Bhd recorded revenue of RM19.18 million in the FYE 2019. Our revenue generated from TDC Avenue Sdn Bhd in the FYE 2019 was RM4.32 million, or 22.52%, of its total revenue.

In addition, we had on 22 March 2021 entered into a Cornerstone Investment Agreement with Hai-O Enterprise Berhad. Upon listing, Hai-O Enterprise Berhad shall be our major shareholder. This further demonstrates the long term relationship between our Group and Hai-O Enterprise Berhad. The Cornerstone Investment Agreement would allow our Group to better secure Hai-O Enterprise Berhad's commitment as our major customer despite the absence of specific arrangement between our Group and Hai-O Enterprise Berhad.

We believe that Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd are dependent on our Group for the manufacturing of their existing based on the following:

- (i) We are the sole supplier to Hai-O Enterprise Berhad for coffee premixes and tea premixes and TDC Avenue Sdn Bhd for food supplement premixes. As we keep the premix formulations of the instant beverage premixes confidential, we have safeguarded our interest as the product formulator to ensure that our customers will continue to engage our services as a similar product profile may not be easily replicated by another manufacturer. As at the LPD, Hai-O Enterprise Berhad has not engaged other instant beverage premix manufacturers for the manufacturing of their coffee premixes and tea premixes as well as the coffee premix with enhanced formulation and TDC Avenue Sdn Bhd has not engaged other instant beverage premix manufacturers for the manufacturing of their food supplement premixes; and
- (ii) Hai-O Enterprise Berhad's revenue generated from multi-level marketing segment which markets nutritional food and beverage, wellness supplements, skincare, beauty and cosmetic, personal care and household products was RM156.70 million in the FYE 2020. Our revenue generated from Hai-O Enterprise Berhad was RM12.22 million in the FYE 2020, or 7.80%, of its multi-level marketing segment. According to the latest available audited financial statements of TDC Avenue Sdn Bhd, it recorded revenue of RM19.18 million in the FYE 2019. Our revenue generated from TDC Avenue Sdn Bhd in the FYE 2019 was RM4.32 million, or 22.52%, of its total revenue.

The instant beverage premixes will be sold by Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd to their customers at market prices, which is higher than the price of instant beverage premixes and food supplement premixes purchased from our Group, respectively. As a result, the revenue generated by Hai-O Enterprise Berhad by selling our instant beverage premixes to its customers comprises more than 7.80% of its multi-level marketing segment. Further, we are the sole supplier to Hai-O Enterprise Berhad for its coffee premixes. As such, a substantial amount of sales by Hai-O Enterprise Berhad and TDC Avenue Sdn Bhd are dependent on the instant beverage premixes manufactured by us.

- (iii) Over the years, our Group has gained extensive experience in the formulation and manufacturing of instant beverage premixes, as well as in-depth insights on various blends, taste profiles and preferences specific to different consumers, which have enabled us to formulate instant beverage premixes based on our customers' target markets.

6. INFORMATION ON OUR GROUP (Cont'd)

As such, we note that our major customers (as well as other customers) do not formulate or enhance instant beverage premixes on their own and are dependent on our Group's expertise to formulate instant beverage premixes.

Save for the Cornerstone Investment Agreement, we had not entered into any other arrangements or understandings with Hai-O Enterprise Berhad.

In addition, we had in February 2021 enhanced the formulation for the coffee premix sold to Hai-O Enterprise Berhad by creating a better texture (i.e. mouthfeel). Concurrent with the product enhancement, Hai-O Enterprise Berhad had also redesigned its product packaging. This effort is expected to improve the sale of coffee premixes by Hai-O Enterprise Berhad, which would thereby allow us to receive more new purchase orders from Hai-O Enterprise Berhad. Hence, the expected increase in our manufacturing capacity as set out in Section 6.19.2 will allow us to have readily available capacity to fulfil the any increase in purchase orders from Hai-O Enterprise Berhad.

Moving forward, we expect Hai-O Enterprise Berhad, TDC Avenue Sdn Bhd and other major customers to continue contributing to our Group's revenue as we have maintained strong business relationships with our customers over the years, and we believe that this will provide our Group with assurance for business sustainability as well as a strong platform for business growth and expansion. In the past 3 FYEs, we have not encountered any major issues in dealing with our customers.

In order to reduce our reliance on our major customers, we had over the past 3 FYEs continued to secure new customers. The top 5 new customers secured during the past 3 FYEs are set out below:

FYE 2018		
Name of customers	RM'000	Principal activities
Aal Mir Trading Co LLC	225	Marketing and distribution of consumer products
Dr Nutrition Center LLC	141	Supplement and pharmacy chain store
Geo Speed Company Limited	96	Trading and distribution of consumer products
Silivonchik Evgeniy Vladimirovich	89	Trading and marketing of consumer products
Xishuangbanna Malai Business & Trade Co Ltd	77	Trading of consumer products
Total	628	

FYE 2019		
Name of customers	RM'000	Principal activities
Loi Hein (Singapore) Pte Ltd	2,519	Manufacturing, marketing, selling and distribution of consumer products
Imsa (Malaysia) Sdn Bhd	443	Trading of healthcare and consumer products
Goodmorning Global Sdn Bhd	320	Marketing, manufacturing and distribution of health supplements
Golden Best Generation Marketing	195	Trading of consumer products

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019		
Name of customers	RM'000	Principal activities
New Star Food Industries Sdn Bhd	178	Trading, marketing and distribution of consumer products
Total	3,655	
FYE 2020		
Name of customers	RM'000	Principal activities
Sisnes (HK) Limited	473	Trading and marketing of consumer products
Bryden Pi Ltd	375	Marketing, selling, trading and distribution of food and beverages, household, hospital equipment, personal care and pharmaceuticals products
Guangzhou Zhen Hongshun Trade Co Ltd	341	Trading of consumer products
Tagafood Sdn Bhd	205	Trading and marketing of consumer products
Carpenter Agricultural & Manufacturing Ltd	85	Trading, marketing and distribution of automotive products and consumer products
Total	1,479	

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

6.22 MAJOR SUPPLIERS

Our top 5 major suppliers for the past 3 FYEs 2018 to 2020 are as follows:

FYE 2018

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD Years
					RM'000	%	
1.	Custom Food Ingredients Sdn Bhd	Malaysia	Manufacturing of food ingredients	Creamer	2,461	13.42	8

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD
					RM'000	%	Years
2.	Kerry Ingredients (M) Sdn Bhd	Malaysia	Manufacturing of food ingredients	Creamer	2,426	13.22	7
3.	TS Plastics Sdn Bhd	Malaysia	Manufacturing and printing of plastic packaging	Packaging materials	2,109	11.50	7
4.	Narasus Exports	India	Manufacturing of instant coffee powder and granules	Coffee powder	2,025	11.04	13
5.	Dan Kaffe (Malaysia) Sdn Bhd	Malaysia	Manufacturing of instant coffee powder and frozen coffee extracts	Coffee powder	1,128	6.15	7
Sub-total					10,149	55.33	
Total					18,343	100.00	

FYE 2019

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2019		Length of relationship as at the LPD
					RM'000	%	Years
1.	Kerry Ingredients (M) Sdn Bhd	Malaysia	Manufacturing of food ingredients	Creamer	3,141	14.69	7
2.	TS Plastics Sdn Bhd	Malaysia	Manufacturing and printing of plastic packaging	Packaging materials	2,179	10.20	7

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2019		Length of relationship as at the LPD
					RM'000	%	Years
3.	Custom Food Ingredients Sdn Bhd	Malaysia	Manufacturing of food ingredients	Creamer	1,453	6.80	8
4.	Nexus Wise Sdn Bhd	Malaysia	Manufacturing and trading of nutraceutical products	Colostrum powder, fish collagen, goat milk powder and red beet root juice powder	1,353	6.33	8
5.	Narasus Exports	India	Manufacturing of instant coffee powder and granules	Coffee powder	1,279	5.98	13
Sub-total					9,405	44.00	
Total					21,375	100.00	

FYE 2020

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2020		Length of relationship as at the LPD
					RM'000	%	Years
1.	Promac Enterprises Sdn Bhd	Malaysia	Manufacturing and trading of dairy products, grain products and edible oils and fats	Milk powder, whey powder and whey protein concentrate	3,746	16.36	7

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Supplier	Country of origin	Business Activities	Products sourced	Value of purchases in FYE 2020		Length of relationship as at the LPD Years
					RM'000	%	
2.	Nexus Wise Sdn Bhd	Malaysia	Manufacturing and trading of nutraceutical products	Colostrum powder, sweetener, chia seeds, fish collagen, goat milk powder and red beet root juice powder	3,498	15.28	8
3.	Kerry Ingredients (M) Sdn Bhd	Malaysia	Manufacturing of food ingredients	Creamer	2,212	9.66	7
4.	SLN Exports Pte Ltd ⁽¹⁾	Singapore	Trading of food ingredients	Coffee powder	1,592	6.96	2
5.	TS Plastics Sdn Bhd	Malaysia	Manufacturing and printing of plastic packaging	Packaging materials	1,288	5.63	7
Sub-total					12,336	53.89	
Total					22,891	100.00	

Note:

⁽¹⁾ In FYE 2020, purchases of coffee powder from Narasus Exports were made via SLN Exports Pte Ltd, the appointed distributor of Narasus Exports. For the past 3 FYEs 2018 to 2020, our top 5 major suppliers contributed to 55.33%, 44.00% and 53.89% of our Group's purchases respectively.

Purchases from our suppliers are conducted on a purchase order basis. We do not have any long-term agreements or arrangements with our major suppliers. During the initial stage of the MCO as disclosed in Section 6.7.4, we experienced a delay in receiving certain supplies. Subsequently, as the logistics flow normalised, we no longer experienced any disruptions in the procurement and receipt of supplies as our suppliers are also categorised under essential services. The delay in receipt of supplies did not have any impact to our financial performance.

6. INFORMATION ON OUR GROUP (Cont'd)

Purchases from our major suppliers primarily comprise food ingredients and packaging materials. Food ingredients and packaging materials are sourced from both local and overseas manufacturers and distributors. We are not dependent on our major suppliers in sourcing food ingredients as the same food ingredients are generally readily available and can be easily sourced from our list of alternative suppliers at similar prices. While we may be able to source for food ingredients from alternative suppliers, the product profile may differ from one supplier to another supplier. Nevertheless, we have the expertise to adjust our formulation to produce instant beverage premix with no discernible difference in the taste profile by using food ingredients from alternative suppliers. Therefore, in the event that we are unable to procure food ingredients from our existing major suppliers, we are able to replace our purchases with other suppliers who can supply the food ingredients with the closest taste profile as the original suppliers. Hence, we are not dependent on our major suppliers. However, there is no assurance that we will continue to be able to achieve the same taste profile in our instant beverage premixes all the time. Packaging materials are generally readily available and can be easily sourced from other suppliers at similar prices.

However, our Group is dependent on foreign suppliers for the purchase of coffee powder and maltodextrin due to the limited availability of coffee powder and maltodextrin manufacturers in Malaysia. One of our foreign suppliers for coffee powder, namely Narasus Exports (for FYE 2018 and FYE 2019) and SLN Exports Pte Ltd (FYE 2020, as the appointed distributor for Narasus Exports) is one of our major suppliers but none of the foreign suppliers for maltodextrin is our major supplier in the past 3 FYEs 2018 to 2020. In the past 3 FYEs 2018 to 2020 up to the LPD, our Group did not enter into any supply agreements with our foreign suppliers for the purchase of coffee powder and maltodextrin.

Additionally, each supplier has their own profile of coffee powder and therefore, we may not be able to easily source similar coffee powder from local suppliers. This further exposes us to the risk of foreign exchange fluctuations as we need to source for supplies from foreign suppliers. Further, there can be no assurance that we will be able to source similar coffee powder and maltodextrin at the quantities required and at competitive pricing from other foreign suppliers. In such instances, our manufacturing and delivery may be disrupted or delayed, which will materially adversely affect our business and results of operations.

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