

PROSPECTUS



WELLSPIRE HOLDINGS BERHAD

(Registration No: 202101026155 (1426455-A))
(Incorporated in Malaysia under the Companies Act 2016)

Principal Adviser, Sponsor,
Underwriter and Placement Agent

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF WELLSPIRE HOLDINGS BERHAD (“WELLSPIRE” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

(I) PUBLIC ISSUE OF 124,600,000 NEW ORDINARY SHARES IN WELLSPIRE (“PUBLIC ISSUE SHARES”) IN THE FOLLOWING MANNER:

- 36,000,000 PUBLIC ISSUE SHARES FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 10,000,000 PUBLIC ISSUE SHARES FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- 78,600,000 PUBLIC ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

(II) OFFER FOR SALE OF 124,600,000 EXISTING ORDINARY SHARES IN WELLSPIRE (“OFFER SHARES”) BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

AT AN ISSUE/ OFFER PRICE OF RM0.23 PER PUBLIC ISSUE SHARE/ OFFER SHARE PAYABLE IN FULL UPON APPLICATION.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX (6) MONTHS FROM THE DATE OF THIS PROSPECTUS.

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 190.

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

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

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).

THIS PROSPECTUS IS DATED 27 DECEMBER 2022

WELLSPIRE
Holdings Berhad

WELLSPIRE HOLDINGS BERHAD

PROSPECTUS



BAILI
Bai Li Enterprise Co., Ltd.
220/3



(Registration No: 202101026155 (1426455-A))
(Incorporated in Malaysia under the Companies Act 2016)

Malaysia

ADDRESS

Lot D/E, Level 12, Tower 1, Etiqa Twins 11, Jalan Pinang,
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TEL

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info@wellspireholdings.com

Thailand

ADDRESS

220/3, Moo 4 Tambon Rangsit,
Thanyaburi district Pathum, Thai Province 12110

TEL

+66- 2101 5443

EMAIL

info@wellspireholdings.com

www.wellspireholdings.com

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors (as defined in this Prospectus) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

TA Securities Holdings Berhad ("TA Securities"), being our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

Approval has been granted by Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of our Shares (as defined in this Prospectus) being offered on 11 November 2022. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the offering, our Company or our Shares.

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

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

OTHER STATEMENTS

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

Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the CMSA, is responsible.

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Offerors and the Principal Adviser, Sponsor, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Offerors and the Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

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

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for the offering would result in the contravention of any law of such country or jurisdiction.

Neither we nor our Principal Adviser, Sponsor, Underwriter and Placement Agent nor any other advisers in relation to the offering shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for the offering would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

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

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

If you are in doubt of the validity or integrity of an electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House (as defined in this Prospectus), a paper printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, shall prevail.

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

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer systems or loss of data resulting from the downloading of any such data, information, files or other materials.

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

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institution which may be viewed via web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institution, and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

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

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INDICATIVE TIMETABLE

All terms are defined under “Definitions” commencing from page v of this Prospectus.

The indicative timing of events leading to our Listing is set out below:

Events	Tentative Dates
Opening date of Application	10.00 a.m., 27 December 2022
Closing date of Application	5.00 p.m., 4 January 2023
Balloting of Application	6 January 2023
Allotment/ Transfer of the IPO Shares to successful applicants	13 January 2023
Date of Listing	16 January 2023

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

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DEFINITIONS

Unless the context otherwise requires, the following abbreviations shall apply throughout this Prospectus:

COMPANIES WITHIN OUR GROUP:

Wellspire or Company	:	Wellspire Holdings Berhad (Registration No. 202101026155 (1426455-A))
Bai Li Enterprise	:	Bai Li Enterprise Co., Ltd. (Registration No. 0155550000015)
Bai Li Holdings	:	Bai Li Holdings Co., Ltd. (Registration No. 0135564024582)
Keymall Retail	:	Keymall Retail Co., Ltd. (Registration No. 0135563011363)
Vine Growth Holdings	:	Vine Growth Holdings Private Limited (Registration No. 202108747M)
Wellspire Group or Group	:	Wellspire, Vine Growth Holdings, Bai Li Holdings, Bai Li Enterprise and Keymall Retail, collectively

GENERAL:

ACE Market	:	ACE Market of Bursa Securities
Acquisition of Vine Growth Holdings	:	Acquisition by Wellspire of the entire issued share capital of Vine Growth Holdings of SGD5,969,000 comprising 5,969,000 ordinary shares from Saranjit Wang, Mo Guopiao, He Haibin and Capital Pairing for a total purchase consideration of RM11,501,000, which was satisfied entirely by the issuance of 11,501,000 new Shares, credited as fully paid-up at an issue price of RM1.00 per Share. To refer to Section 6.3.1 of this Prospectus for more details
Act	:	Companies Act, 2016 of Malaysia
ADA	:	Authorised Depository Agent
Application	:	Application for the Public Issue Shares by way of Application Form, the Electronic Share Application or the Internet Share Application
Application Form	:	Printed application form for the application of the Public Issue Shares
ATM	:	Automated teller machine
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application, with respect to payments for our Public Issue Shares
Balloting Shares	:	36,000,000 Public Issue Shares made available for application by the Malaysian Public via balloting
Board	:	Board of Directors of Wellspire
Bursa Depository or Depository	:	Bursa Malaysia Depository Sdn. Bhd. (Registration No. 198701006854 (165570-W))

DEFINITIONS (CONT'D)

Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAGR	:	Compound annual growth rate
Capital Pairing	:	Capital Pairing Pte Ltd (Registration No. 201622733G)
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	Securities account(s) established by Bursa Depository for a depositor for the recording of deposits or withdrawals of securities and for dealings in such securities by the depositor
CEO	:	Chief executive officer
CFO	:	Chief financial officer
ChaCha Thailand	:	ChaCha Food (Thailand) Co., Ltd. (Registration No. 0105560092079)
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	The constitution of Wellspire
COO	:	Chief operating officer
COVID-19	:	Coronavirus disease
CP All	:	CP All Public Company Limited (Registration No. 0107542000011)
CP All Group	:	CP All, Siam Makro and Ek-Chai Distribution, collectively
Director(s)	:	A director within the meaning of Section 2 of the CMSA
EBITDA	:	Earnings before finance costs and finance income, taxation, depreciation and amortisation
Ek-Chai Distribution	:	Ek-Chai Distribution System Company Limited (Registration No. 0105536092641)
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	:	Application for the Public Issue Shares through a Participating Financial Institution's ATM
Eligible Parties	:	Eligible Directors, employees of our Group and persons who have contributed to the success of our Group
EPS	:	Earnings per Share

DEFINITIONS (CONT'D)

Financial Years and Period Under Review	:	FYE 2019, FYE 2020, FYE 2021 and FPE 2022, collectively
FPE	:	Financial period ended 30 June
FYE	:	Financial year ended/ ending 31 December, as the case may be
Government	:	Government of Thailand
GP	:	Gross profit
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent Market Research Report prepared by the IMR
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Application, as listed in Section 16.6 of this Prospectus
Internet Share Application	:	Application for the Public Issue Shares through an online share application service provided by the Internet Participating Financial Institution
IPO	:	Our initial public offering comprising the Public Issue and the Offer for Sale, collectively
IPO Price	:	RM0.23 per IPO Share, being the price payable by investors under the Public Issue and/or the Offer for Sale
IPO Share(s)	:	The Public Issue Shares and the Offer Shares, collectively
Issuing House	:	Tricor Investor & Issuing House Services Sdn. Bhd. (Registration No. 197101000970 (11324-H))
Jet Voyage	:	Jet Voyage Enterprises Limited (Registration No. 1754293)
Listing	:	The admission of Wellspire to the Official List and the listing and quotation of the entire enlarged issued share capital of Wellspire of RM52,159,000 comprising 712,125,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Listing Scheme	:	The Acquisition of Vine Growth Holdings, Share Split, Public Issue, Offer for Sale and Listing, collectively
LPD	:	2 December 2022, being the latest practicable date prior to the issuance of this Prospectus
MAICSA	:	Malaysian Institute of Chartered Secretaries and Administrators
Malaysian Public	:	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia but exclude Directors of our Group, our substantial shareholders and persons connected with either of them

DEFINITIONS (CONT'D)

Market Day	:	Any day on which Bursa Securities is open for trading in securities
MCCG	:	Malaysian Code on Corporate Governance
MFRS	:	Malaysian Financial Reporting Standards
MITI	:	Ministry of International Trade and Industry
NA	:	Net assets
N/A	:	Not applicable
NBV	:	Net book value(s)
Offer for Sale	:	Offer for sale by the Offerors of the Offer Shares to the selected investors via private placement at the IPO Price, subject to the terms and conditions of this Prospectus
Offer Shares	:	124,600,000 Shares, representing approximately 17.50% of the enlarged issued share capital of Wellspire upon our Listing, which are the subject of the Offer for Sale
Offerors	:	Mo Guopiao and He Haibin, being the offerors of the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Participating Financial Institution(s)	:	Participating financial institution(s) for the Electronic Share Application, as listed in Section 16.5 of this Prospectus
PAT	:	Profit after tax
PBT	:	Profit before tax
PE Multiple	:	Price-to-earnings multiple
Person Connected	:	In relation to any person (referred to as " said Person ") means such person who falls under any one of the following categories: <ul style="list-style-type: none"> (i) a family member of the said Person; (ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary; (iii) a partner of the said Person; (iv) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;

DEFINITIONS (CONT'D)

- (v) a person, or whether the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
 - (vi) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to the voting shares in the body corporate; or
 - (vii) a body corporate which is a related corporation of the said Person
- Pink Form Allocation : The allocation of 10,000,000 Public Issue Shares to the Eligible Parties
- Pink Form Shares : 10,000,000 Public Issue Shares made available for application by the Eligible Parties
- Placement Shares : Collectively, 124,600,000 Offer Shares and 78,600,000 Public Issue Shares available for application by way of private placement to selected investors
- PO : Purchase order
- Pre-IPO Internal Reorganisation Exercise : Internal reorganisation exercise undertaken by our Group. To refer to Section 6.2.1 of this Prospectus for more details
- Promoters : Promoter has the meaning given in Section 226 of the CMSA, as follows:
- (a) in relation to a prospectus issued by or in connection with a corporation, a promoter of the corporation;
 - (b) in relation to a prospectus in respect of a unit trust scheme or prescribed investment scheme, a promoter of the scheme; or
 - (c) in relation to a prospectus in any other case, a person, who is a party to the preparation of the prospectus or any relevant portion thereof, but does not include any person by reason only of his acting in a professional capacity.
- The promoters of Wellspire, namely Mo Guopiao, Silver Line Capital, He Haibin and Saranjit Wang, collectively
- Prospectus : This Prospectus dated 27 December 2022 in relation to our IPO

DEFINITIONS (CONT'D)

Public Issue	: Public issue of the Public Issue Shares at the IPO Price comprising:
	(i) 36,000,000 Public Issue Shares for application by the Malaysian Public via balloting;
	(ii) 10,000,000 Public Issue Shares for application by Eligible Parties; and
	(iii) 78,600,000 Public Issue Shares by way of private placement to selected investors,
	subject to the terms and conditions of this Prospectus
Public Issue Shares	: 124,600,000 new Shares, representing approximately 17.50% of the enlarged issued share capital of Wellspire upon our Listing, which are to be issued pursuant to the Public Issue
QiaQia	: QiaQia Food Co., Ltd. (Registration No. 913400007300294381)
QiaQia Group	: QiaQia, ChaCha Thailand and Jet Voyage, collectively
Record of Depositors	: A record of depositors provided by Bursa Depository to our Company under the Rules
Registrar of Companies	: The Registrar designated under Section 20A(1) of the Companies Commission of Malaysia Act 2001
Register	: The Register of Members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors
RPT	: Related party transactions
RRPT	: Recurrent related party transaction
Rules	: Rules of Bursa Depository
SC	: Securities Commission Malaysia
Share Split	: Subdivision of 23,501,000 Shares into 587,525,000 Shares
Siam Makro	: Siam Makro Public Company Limited (Registration No. 0107537000521)
SICDA	: Securities Industry (Central Depositories) Act, 1991
Silver Line Capital	: Silver Line Capital Sdn. Bhd. (Registration No. 202201004198 (1449895-A))
specified shareholder(s)	: means a controlling shareholder, a person connected to a controlling shareholder, and an executive who is a substantial shareholder, of the applicant or listed corporation, or any other person as specified by Bursa Securities.

DEFINITIONS (CONT'D)

Specified Shareholder(s)	:	The specified shareholders of Wellspire, namely Mo Guopiao, Silver Line Capital, He Haibin and Saranjit Wang, collectively
substantial shareholder(s)	:	<p>Substantial shareholder has the meaning given in Section 136 of the Act, as follows:</p> <p>(a) a person who has an interest in one or more voting shares in the company and the number or the aggregate number of such shares is not less than 5% of the total number of all the voting shares included in the company; or</p> <p>(b) being a company the share capital of which is divided into –</p> <p style="padding-left: 40px;">(i) two or more classes of the shares, a person who has an interest in one or more voting shares include in one of those classes; and</p> <p style="padding-left: 40px;">(ii) the number or the aggregate number of such shares is not less than 5% of the aggregate number of the total number of all the voting shares included in that class of shares.</p> <p>The substantial shareholders of Wellspire, namely Mo Guopiao, Silver Line Capital, He Haibin, Capital Pairing and Besanger Serge Pierre, collectively</p>
sq. ft.	:	Square feet
sq. m.	:	Square metre(s)
SST	:	Sales and Services Tax
TA Securities or Principal Adviser or Sponsor or Underwriter or Placement Agent	:	TA Securities Holdings Berhad (Registration No. 197301001467 (14948-M))
Thailand GAAP	:	Thai Financial Reporting Standards for Non-Publicly Accountable Entities including accounting practice guidelines announced by the Federation of Accounting Professions of Thailand
Underwriting Agreement	:	The underwriting agreement entered into between our Company and our Underwriter on 12 December 2022 for the underwriting of the Balloting Shares upon the terms and subject to the conditions contained therein
Vine Growth Holdings Shares	:	Ordinary shares in Vine Growth Holdings
Vital Factor or IMR	:	Vital Factor Consulting Sdn. Bhd. (Registration No. 199301012059 (266797-T)), our Independent Business and Market Research Consultants
Wellspire Shares or Shares	:	Ordinary shares in Wellspire

DEFINITIONS (CONT'D)

CURRENCIES:

- RM and sen : Ringgit Malaysia and sen, the lawful currency of Malaysia
- SGD : Singapore Dollar, the lawful currency of the Republic of Singapore
- THB : Thai Baht, the lawful currency of Thailand

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GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used throughout this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of these terms.

Central region of Thailand : Central region of Thailand covers 26 provinces namely Ang Thong, Bangkok, Chai Nat, Chachoengsao, Chanthaburi, Chon Buri, Kanchanaburi, Lop Buri, Nakhon Nayok, Nakhon Pathom, Nonthaburi, Pathum Thani, Phetchaburi, Phra Nakhon Si Ayutthaya, Prachin Buri, Prachuap Khiri Khan, Ratchaburi, Rayong, Sa Kaeo, Samut Prakan, Samut Sakhon, Samut Songkhram, Saraburi, Sing Buri, Suphan Buri and Trat.

For the Financial Years and Period Under Review and up to the LPD, our Group delivers its products to its customers' sales and distribution points which are located at Ayutthaya, Bangkok, Chachoengsao, Chon Buri, Nakhon Pathom, Nonthaburi, Pathum Thani, Rayong, Ratchaburi, Samut Sakhon and Samut Prakan provinces within the Central Region.

Chiller : Storage space where it is kept at a constant temperature commonly between 8 degrees centigrade and 14 degrees centigrade.

Consumer packaged food : Ready-to-eat or ready-to-cook processed foods that are packed in small packages for individual or household consumption and are branded. Commonly sold through various retail format including store-based and non-store based.

Convenience store : Retail outlets commonly selling grocery items, food and beverages and in some cases cooked food and typically opened for long hours including 24 hours a day. They include standalone stores as well as stores that are attached to petrol stations.

Distribution : In the context of this Prospectus, it involves the process of purchasing consumer packaged food in large quantity (for example 500 cartons in a single purchase order) and subsequently reselling in smaller quantity (for example 50 cartons in a single purchase order) in units of cartons to resellers where the packaged products within each carton are not repacked or transformed.

Distributors : Resellers of products in bulk form to retailers and other bulk purchasers. Some distributors are appointed by brand owners while other do not represent any brand owners but buy in bulk from various sources for resale.

End-consumers : The party that ultimately consumes or uses the products. They include individuals, households, businesses, and organisations. In the context of this Prospectus, it refers mainly to individuals or households.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Northeast region of Thailand : Northeast region of Thailand covers 20 provinces namely Amnat Charoen, Bueng Kan, Buri Ram, Chaiyaphum, Kalasin, Khon Kaen, Loei, Maha Sarakham, Mukdahan, Nakhon Phanom, Nakhon Ratchasima, Nong Bua Lamphu, Nong Khai, Roi Et, Sakon Nakhon, Si Sa Ket, Surin, Ubon Ratchathani, Udon Thani and Yasothon.
- For the Financial Years and Period Under Review and up to the LPD, our Group delivers its products to its customers' sales and distribution points which are located at Buri Ram, Khon Kaen, Maha Sarakham, Nakhon Ratchasima, Nong Bua Lamphu, Ubon Ratchathani and Udon Thani provinces within the Northeast region.
- Northern region of Thailand : Northern region of Thailand covers 17 provinces namely Chiang Mai, Chiang Rai, Lampang, Lamphun, Mae Hong Son, Nakhon Sawan, Kamphaeng Phet, Nan, Phayao, Phetchabun, Phichit, Phitsanulok, Phrae, Sukhothai, Tak, Uthai Thani and Uttaradit.
- For the Financial Years and Period Under Review and up to the LPD, our Group delivers its products to its customers' sales and distribution points which are located at Lamphun and Nakhon Sawan provinces within the Northern region.
- Our brands : In the context of this Prospectus, our brands refer to the brand names we used in selling our products and/or have been licensed to our Group in Thailand, as at the LPD.
- As at the LPD, we are actively selling products under our brands comprising Pee Ree, King Kong and Miyu, in Thailand. For more details on our brands and trademarks, please refer to Section 7.12 of this Prospectus.
- Principal : The brand owner that grants our Group the right to resell its goods based on a distributorship agreement. In the context of this Prospectus and as at the LPD, we only have one principal, namely QiaQia.
- Retailers : Operators that resell goods mainly to end-consumers or end-users. They may use various retail format including store-based such as hypermarkets, cash and carry stores, supermarkets, departmental stores, minimarkets, convenience stores, petrol kiosks, market stalls and sundry shops or non-store based such as e-commerce and direct sales.
- Sales and distribution point : In the context of this Prospectus, they refer to Wellspire Group's delivery destinations which are its customers' sales and distribution points. They include customers' distribution centres, warehouses, retail outlets, wholesalers and distributors.
- SKU (stock keeping unit) : A unique identifier for each distinct product that can be purchased.
- Slotting fee : Fees paid to retailers for displaying consumer packaged products on retail shelf.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Snacks : Refer to small portions of ready-to-eat or ready-to-cook foods targeted to be eaten between main meals or to serve as light meals on its own. In the context of this Prospectus, it refers to consumer packaged snack food.
- Southern region of Thailand : Southern region of Thailand covers 14 provinces namely Chumphon, Krabi, Nakhon Si Thammarat, Narathiwat, Pattani, Phang Nga, Phatthalung, Phuket, Ranong, Satun, Songkhla, Surat Thani, Trang and Yala.
- For the Financial Years and Period Under Review and up to the LPD, our Group delivers its products to its customers' sales and distribution points which are located at Songkhla, Surat Thani and Yala provinces within the Southern region.
- Sunflower seed : In the context of this Prospectus, sunflower seed refers to ready-to-eat roasted sunflower seed.
- Third party brand : Brand names that are not our brands.
- Traditional retail : Refers to standalone and small retail stores that are mostly family-owned businesses. This may include sundry shops, small retail shops, wet and dry market stalls, and street vendors.
- Watermelon seed : In the context of this Prospectus, watermelon seed refers to ready-to-eat roasted watermelon seed.
- Wholesalers : Operators that purchase products in bulk for further resale in bulk primarily in their original purchased form to retailers. In the context of this Prospectus, wholesalers also include small enterprises that supply to sundry shops and other retailers in the outskirts areas of city or town centres.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used are defined under “Definitions” commencing from page v.

All references to “Wellspire” and our “Company” in this Prospectus are to Wellspire Holdings Berhad. Unless otherwise stated, references to “Group” are to our Company and our subsidiaries taken as a whole; and references “we”, “us”, “our” and “ourselves” are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to “Management” are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or 2 decimal places (for percentages) or one sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” appearing before this section. Word denoting singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All references to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, where no source is stated, such information can be assumed to originate from us.

In particular, certain information in this Prospectus is extracted or derived from the IMR Report. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (i) Demand for our products and services;
- (ii) Our business strategies;
- (iii) Our future plans;
- (iv) Our future financial position, earnings, cash flows and liquidity; and
- (v) Our ability to pay future dividends.

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

- (i) The economic, political and investment environment in Malaysia and globally; and
- (ii) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 7.17 – Interruptions to business and operations, Section 9 - Risk factors and Section 12.3 - Management's discussion and analysis of financial condition and results of operations of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD of this Prospectus.

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EXCHANGE RATES

The financial statements of our Company's subsidiaries, namely Vine Growth Holdings, Bai Li Holdings, Bai Li Enterprise and Keymall Retail are prepared in THB. For the purpose of this Prospectus, the combined statements of financial position items were translated into RM using financial year end/ period's closing exchange rates, and the statements of profit or loss and other comprehensive income were translated into RM using the respective financial year end/ period's average exchange rates for each financial year/ period, unless otherwise stated.

Solely for your convenience, this Prospectus contains translation of certain THB amount into RM at specified rates. No representation is made that the THB amounts referred to in this Prospectus could have been or could actually be converted into RM amounts, at the rates indicated or at all. The exchange rates as set out below are applied in this Prospectus, unless specified otherwise:

	2019	FYE 2020	2021	FPE 2022
THB100 to RM				
Average rate ⁽¹⁾	13.3417	13.4274	12.9491	12.6821
Closing rate ⁽²⁾	13.6844	13.4124	12.4682	12.9461

Notes:

- (1) *The average rate is used for the translation of income and expense items in the combined statements of profit or loss and other comprehensive income of Wellspire.*
- (2) *The closing rate is used for the translation of assets and liabilities in the combined statements of financial position of Wellspire.*

The table below sets out the high and low exchange rates for THB100/RM for each month during the six (6) months prior to the LPD. The table below indicates the equivalent amount of RM for THB100.

Month	THB100 to RM	
	High	Low
June 2022	12.7843	12.4076
July 2022	12.3763	12.0729
August 2022	12.6464	12.2977
September 2022	12.3990	12.0662
October 2022	12.5196	12.2105
November 2022	12.8832	12.4964

(Source: Bank Negara Malaysia)

Unless otherwise stated, the following foreign exchange rate as at the LPD are utilised throughout this Prospectus:-

- THB100 = RM12.4045

TABLE OF CONTENTS

	PAGE
1. CORPORATE DIRECTORY	1
2. APPROVALS AND CONDITIONS	6
2.1 Approvals and conditions	6
2.2 Moratorium on our Shares	9
3. PROSPECTUS SUMMARY	12
3.1 Our group structure and business model	12
3.2 Our competitive advantages and key strengths	13
3.3 Our business strategies and plans	13
3.4 Risk factors	14
3.5 Directors and key senior management	15
3.6 Promoters and substantial shareholders	15
3.7 Financial and operational highlights	18
3.8 Dividend policy	19
3.9 Salient information on our IPO	20
3.10 Use of proceeds	21
3.11 Interruptions to business and operations	21
4. DETAILS OF OUR IPO	22
4.1 Opening and closing of Application	22
4.2 Indicative timetable	22
4.3 Particulars of the IPO	22
4.4 Share capital, classes of Shares and ranking	28
4.5 Purpose of the IPO	29
4.6 Basis of arriving at the IPO Price	30
4.7 Use of proceeds	31
4.8 Dilution	37
4.9 Brokerage, underwriting commission and placement fee	38
4.10 Underwriting arrangement	38
5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT	40
5.1 Promoters and substantial shareholders' shareholdings	40
5.2 Board of Directors	50
5.3 Board practices	82
5.4 Key senior management	88
5.5 Declaration by our Promoters, Directors and key senior management	94
5.6 Family relationships and/or associations between our Promoters, substantial shareholders, Directors and key senior management	94
6. INFORMATION ON OUR GROUP	96
6.1 Our Company	96
6.2 Internal Reorganisation Exercise	96
6.3 Listing scheme	102
6.4 Our Group structure	107
6.5 Our share capital	109
6.6 Our subsidiaries	110

TABLE OF CONTENTS (CONT'D)

7.	BUSINESS OVERVIEW	118
7.1	Our history	118
7.2	Overview of our business	121
7.3	Modes of operation	123
7.4	Our competitive advantages and key strengths	125
7.5	Distribution of consumer packaged snack foods	127
7.6	Seasonality	132
7.7	Our operation processes	133
7.8	Operational facilities, capacities and output	136
7.9	Type, sources and availability of materials	139
7.10	Information on material lands and buildings	140
7.11	Major licences and permits	141
7.12	Intellectual property	145
7.13	Principal market and delivery destinations	151
7.14	Marketing strategies	152
7.15	Research and development	153
7.16	Technology used	153
7.17	Interruptions to business and operations	153
7.18	Major customers	158
7.19	Major suppliers	163
7.20	Material dependency on commercial or financial contracts, intellectual property rights, licences, permits and other arrangements	166
7.21	Employees	169
7.22	Governments laws and regulations	170
7.23	Material investments and divestitures	172
7.24	Our business strategies and plans	174
8.	THE IMR REPORT	179
9.	RISK FACTORS	190
9.1	Risks relating to our business operations	190
9.2	Risks relating to our industry	199
9.3	Risks relating to investment in our Shares	201
9.4	Other risks	203
10.	RELATED PARTY TRANSACTIONS	204
10.1	Related party transactions	204
10.2	Other transactions	211
10.3	Monitoring and oversight of related party transactions	215
11.	CONFLICT OF INTEREST	218
11.1	Interest in similar business and in businesses of our customers or suppliers	218
11.2	Declaration by the Advisers	219
12.	FINANCIAL INFORMATION	220
12.1	Historical financial information	220
12.2	Capitalisation and indebtedness	226
12.3	Management's discussion and analysis of financial condition and results of operations	227
12.4	Dividend policy	266

TABLE OF CONTENTS (CONT'D)

13. ACCOUNTANTS' REPORT	268
14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION	356
15. ADDITIONAL INFORMTION	367
15.1 Share capital	367
15.2 Extract of our Constitution	367
15.3 No limitation on the right to own securities	375
15.4 Repatriation of capital and remittance of profit	375
15.5 Material contracts	378
15.6 Material litigation	378
15.7 Public take-overs	378
15.8 Letters of consent	378
15.9 Documents available for inspection	379
15.10 Responsibility statements	379
16. PROCEDURES FOR APPLICATION AND ACCEPTANCE	380
16.1 Opening and closing of application	380
16.2 Methods of applications	380
16.3 Eligibility	381
16.4 Applications by way of Application Forms	382
16.5 Applications by way of Electronic Shares Applications	383
16.6 Applications by way of Internet Share Applications	383
16.7 Authority of our Board and the Issuing House	383
16.8 Over/ under subscription	384
16.9 Unsuccessful/ partially successful applicants	384
16.10 Successful applicants	385
16.11 Enquiries	386
Appendix 1 : Legal Opinion on the Unilateral Termination Right of QiaQia under the Distributor Agreement	387

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Gender)	Designation	Address	Nationality
Yang Hormat Mulia ("YHM") Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah (M)	Independent Non-Executive Chairman	8, Jalan Lembah Duta Taman Duta 50480 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia	Malaysian
Mo Guopiao (M)	CEO/ Executive Director	30, Shelford Road #03-04 Point Loma Singapore 288423	Singaporean
Saranjit Wang (F)	Executive Director	No 31/659 Sinthanee Grand Ville Village (Rangsit Khlong 5) Moo 1, Rangsit Sub-district Thanyaburi District Pathum Thani Province 12110 Thailand	Thai
Kua Chin Teck (M)	Executive Director	B27-5, Twins@Damansara 2, Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia	Malaysian
Tang Yuen Kin (M)	Independent Non-Executive Director	No. 8, Jalan Kemuning Palma 33/39C Kemuning Utama 40400 Shah Alam Selangor Darul Ehsan Malaysia	Malaysian
Fazidah Bt Zakaria (F)	Independent Non-Executive Director	12-3-2, Hartamas Regency Persiaran Dutamas 50100 Kuala Lumpur Wilayah Persekutuan (KL) Malaysia	Malaysian
Yang Shing Sing (F)	Independent Non-Executive Director	427, Kampung Baru Jerlun 33000 Kuala Kangsar Perak Darul Ridzuan Malaysia	Malaysian

Notes:*M refers to male**F refers to female*

1. CORPORATE DIRECTORY (CONT'D)

AUDIT COMMITTEE

Name	Designation	Directorship
Tang Yuen Kin	Chairperson	Independent Non-Executive Director
Fazidah Bt Zakaria	Member	Independent Non-Executive Director
Yang Shing Sing	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Fazidah Bt Zakaria	Chairperson	Independent Non-Executive Director
Tang Yuen Kin	Member	Independent Non-Executive Director
Yang Shing Sing	Member	Independent Non-Executive Director

NOMINATING AND REMUNERATION COMMITTEE

Name	Designation	Directorship
Yang Shing Sing	Chairperson	Independent Non-Executive Director
Fazidah Bt Zakaria	Member	Independent Non-Executive Director
Tang Yuen Kin	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES : **Tan Bee Hwee**
A-30-07, South View Serviced Apartments
No. 2, Jalan Kerinchi Kiri 2
59200 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia
Professional Qualification : Chartered Secretary, MAICSA
MAICSA Membership No. : 7021024
SSM Practising Certificate No. : 202008001497

Lim You Jing
53, Jalan Tasik Damai 5
Taman Tasik Damai, Sungai Besi
57000 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia
Professional Qualification : Chartered Secretary, MAICSA
MAICSA Membership No. : 7075638
SSM Practising Certificate No. : 202108000369

Tel No. : +603-2783 9191

REGISTERED OFFICE : Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Tel No. : +603-2783 9191

HEAD OFFICE : Lot D/E, Level 12, Tower 1, Etiqa Twins
11, Jalan Pinang
50450 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Tel No. : +603-9779 7066

BUSINESS OPERATING OFFICE : 220/3, Moo 4 Tambon Rangsit, Thanyaburi district, Pathum Thani
Province, 12110, Thailand

(Locate us on Google maps: Bai Li Enterprise Company Limited/
Coordinates: 14.04286, 100.75266)

Tel No. : +66-2101 5443

EMAIL ADDRESS AND WEBSITE : Email address : info@wellspireholdings.com
Website : www.wellspireholdings.com

1. CORPORATE DIRECTORY (CONT'D)

**AUDITORS AND
REPORTING
ACCOUNTANTS**

: BDO PLT
Firm No.: 201906000013 (LLP0018825-LCA) & AF 0206
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Partner-in-charge : Koo Swee Lin
Approval No. : 03281/08/2024 J
Professional : Member of the Institute of Chartered
Qualification : Accountants in England & Wales
(ICAEW)

Member of Malaysian Institute of
Accountants (MIA)

Member of Malaysian Institute of
Certified Public Accountants (MICPA)

Tel No. : +603-2616 2888

**SOLICITORS FOR OUR
IPO**

: To our Company as to laws of Malaysia

Chooi & Company + Cheang & Ariff

CCA @ Bangsar
Level 5, Menara BRDB
285, Jalan Maarof
Bukit Bandaraya
59000 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Tel No. : +603-2055 3888

To our Company as to laws of Singapore

Baker & McKenzie.Wong & Leow

8 Marina Boulevard
#05-01 Marina Bay Financial Centre Tower 1
Singapore 018981

Tel No. : +65-6338 1888

To our Company as to laws of Thailand

Baker & McKenzie Ltd

25th Floor, Abdulrahim Place
990, Rama IV Road
Bangkok 10500
Thailand

Tel No. : +66-2666 2824

1. CORPORATE DIRECTORY (CONT'D)

**ISSUING HOUSE &
SHARE
REGISTRAR** : **Tricor Investor & Issuing House Services Sdn Bhd**
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Tel No. : +603-2783 9299

**INDEPENDENT
BUSINESS AND
MARKET
RESEARCH
CONSULTANTS** : **Vital Factor Consulting Sdn Bhd**
V Square @ PJ City Centre (VSQ)
Block 6 Level 6
Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Person-in-charge : Wooi Tan
Qualification : Master of Business Administration
from The New South Wales Institute
of Technology (now known as
University of Technology, Sydney),
Australia, Bachelor of Science from
The University of New South Wales,
Australia and a Fellow of the Australia
Marketing Institute, and Institute of
Managers and Leaders, Australia
(formerly known as the Australian
Institute of Management)

Tel No. : +603-7931 3188

**PRINCIPAL ADVISER,
SPONSOR,
UNDERWRITER
AND PLACEMENT
AGENT** : **TA Securities Holdings Berhad**
29th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Tel No. : +603-2072 1277

LISTING SOUGHT : ACE Market

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 11 November 2022 (“**Approval Letter**”), approved our admission to the Official List and the listing and quotation of our entire enlarged issued share capital comprising 712,125,000 Shares on the ACE Market under Rule 3.02(1) of the Listing Requirements.

Wellspire and/or TA Securities are required to comply with the following:

No.	Details of conditions imposed	Status of Compliance
(1)	Submit the following information with respect to the moratorium on the shareholdings of the Specified Shareholders and substantial shareholders to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares;	To be complied before Listing
(2)	Confirmation that approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
(3)	The Bumiputera equity requirement for public listed companies as approved/exempted by the SC including any conditions imposed thereon;	Complied
(4)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied before Listing
(5)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire enlarged issued share capital of Wellspire on the first day of listing;	To be complied upon Listing
(6)	In relation to the public offering to be undertaken by Wellspire, to announce at least 2 market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche as per the prescribed format ; and (iv) Disclosure of placees who become substantial shareholders of Wellspire arising from the public offering, if any. TA Securities must ensure that the overall distribution of the Company’s securities is properly carried out to mitigate any disorderly trading in the secondary market; and	To be complied before Listing
(7)	Wellspire/ TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval upon the admission of Wellspire to the Official List.	To be complied upon Listing

2. APPROVALS AND CONDITIONS (CONT'D)

Bursa Securities also had, vide the Approval Letter, approved our application for waiver in complying with Rule 3.06 of the Listing Requirement for our Company to comply with the requirement in respect of an applicant who is seeking admission to the Official List must have continuity of substantially the same management at the level of executive directors and senior management for 3 full financial years before submitting its listing application to Bursa Securities or since commencement of its operations (if less than 3 full financial years).

2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via its letter dated 11 November 2022, taken note that Wellspire is a company with predominantly foreign-based operations. Accordingly, Wellspire is exempted from the Bumiputera equity requirement for public listed companies ("**Bumiputera Equity Requirement**")⁽¹⁾. Nevertheless, if Wellspire undertakes subsequent proposals involving:

- (i) a transfer of its listing status to the Main Market of Bursa Securities; or
- (ii) any acquisition which results in a significant change in its business direction or policy,

Wellspire must submit such application to the SC under the Bumiputera Equity Requirement for a reassessment.

Wellspire (via our subsidiaries, Bai Li Enterprise and Keymall Retail) is a company with predominantly foreign-based operations. For the Financial Years and Period Under Review and up to the LPD, our operations are pre-dominantly based in Thailand (i.e., our PAT has been entirely derived from Thailand). Accordingly, our Company is exempted from the Bumiputera Equity Requirement.

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2. APPROVALS AND CONDITIONS (CONT'D)

2.1.3 MITI

MITI had, vide its letter dated 5 December 2022, taken note of our Listing and that we are exempted from having to comply with the Bumiputera Equity Requirement⁽¹⁾ as Wellspire is a company with predominantly foreign-based operations.

Note:

- (1) *Wellspire (via our subsidiaries, Bai Li Enterprise and Keymall Retail) is a company with predominantly foreign-based operations. For the Financial Years and Period Under Review and up to the LPD, our operations are pre-dominantly based in Thailand (i.e., our PAT has been entirely derived from Thailand).*

Pursuant to the Bumiputera equity requirement for public listed companies (Bumiputera Equity Requirement), measures announced by the then Prime Minister of Malaysia, Yang Amat Berhormat Dato' Sri Mohd Najib bin Tun Abdul Razak at Invest Malaysia, 30 June 2009, for corporations seeking a listing on the ACE Market, the following proposal, among others, are exempted from the Bumiputera equity requirement:

- Any listing of a corporation with predominantly foreign-based operations. The determination for a corporation with predominantly foreign-based operations is based on the profit contribution from domestic and foreign operations of the group for the past year, in which the profits after tax derived from the foreign-based operations are higher than the Malaysian-based operations i.e. more than 50%.*

(Source: Bumiputera Equity Requirement For Public Listed Companies - Regulatory FAQs | Securities Commission Malaysia)

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2. APPROVALS AND CONDITIONS (CONT'D)

2.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders (whom are also our Promoters) as follows:

- (i) the moratorium applies to our Specified Shareholders' entire shareholdings for a period of 6 months from the date of our admission to the Official List ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, the Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of our enlarged issued share capital remain under moratorium for a further 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of their Shares held under moratorium ("**Subsequent Moratorium Period**").

The details of our Shares held by our Specified Shareholders (whom are also our Promoters) which will be subject to moratorium are as follows:

Name	Year 1 after Listing				Year 2 after Listing		Year 3 after Listing	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares during the Subsequent Moratorium Period		Moratorium shares during the Subsequent Moratorium Period	
	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾
Mo Guopiao	200,562,500	28.16	156,008,300	21.91	104,005,600	14.60	52,002,900	7.30
Silver Line Capital	121,250,000	17.03	94,314,800	13.24	62,876,600	8.83	31,438,400	4.42
He Haibin	84,412,500	11.85	65,660,600	9.22	43,773,800	6.15	21,887,000	3.07
Saranjit Wang	5,750,000	0.81	4,472,700	0.63	2,981,800	0.42	1,490,900	0.21
Total	411,975,000	57.85	320,456,400	45.00	213,637,800	30.00	106,819,200	15.00

Note:

- (1) Based on the enlarged issued share capital of 712,125,000 Shares upon Listing.

2. APPROVALS AND CONDITIONS (CONT'D)

The moratorium has been fully accepted by the Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the First 6-Month Moratorium, Second 6-Month Moratorium and Subsequent Moratorium Period.

In accordance with Rule 3.19(2) of the Listing Requirements, where the specified shareholder or vendor is an unlisted corporation, all shareholders of the unlisted corporation must give undertakings to Bursa Securities that they will not sell, transfer or assign their shares in the unlisted corporation for the moratorium period.

The sole shareholder of Silver Line Capital namely, Mo Guopiao has also provided a written undertaking that he will not sell, transfer or assign his shareholding in Silver Line Capital during the First 6-Month Moratorium, Second 6-Month Moratorium and Subsequent Moratorium Period.

Pursuant to Rule 3.19A of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of all Shares held by any investor who is not a specified shareholder, for a period of 6 months from the date of admission to the Official List if such investor has acquired our Shares:

- (i) within 12 months from the date of submission of the listing application to Bursa Securities; and
- (ii) at a price lower than the IPO Price in conjunction with our IPO.

On 1 December 2021, Capital Pairing became a substantial shareholder of Bai Li Holdings upon the acquisition of 254,306 ordinary shares in Bai Li Holdings by Capital Pairing from Saranjit Wang for a cash consideration of THB25,430,600, based on Step 3 of the Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2.1 of this Prospectus.

The details of our Shares held by Capital Pairing which will be subject to moratorium are as follows:

	Moratorium shares during the First 6-Month Moratorium	
Name	No. of Shares held	% of enlarged issued share capital⁽¹⁾
Capital Pairing	50,950,000	7.15

Note:

- (1) Based on the enlarged issued share capital of 712,125,000 Shares upon Listing.

2. APPROVALS AND CONDITIONS (CONT'D)

The moratorium has been fully accepted by Capital Pairing, who has provided a written undertaking that it will not sell, transfer or assign its shareholdings under moratorium during the First 6-Month Moratorium.

The sole shareholder of Capital Pairing namely, Besanger Serge Pierre, has also provided a written undertaking that he will not sell, transfer or assign his shareholding in Capital Pairing during the First 6-Month Moratorium.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Specified Shareholders and Capital Pairing to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

Please refer to Section 5.1.2 of this Prospectus for further details of Silver Line Capital and Capital Pairing.

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3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 OUR GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated under the name of Wellspire Holdings Sdn Bhd in Malaysia on 6 August 2021 under the Act as a private limited company. Subsequently on 25 March 2022, our Company was converted to a public limited company to embark on the Listing on the ACE Market.

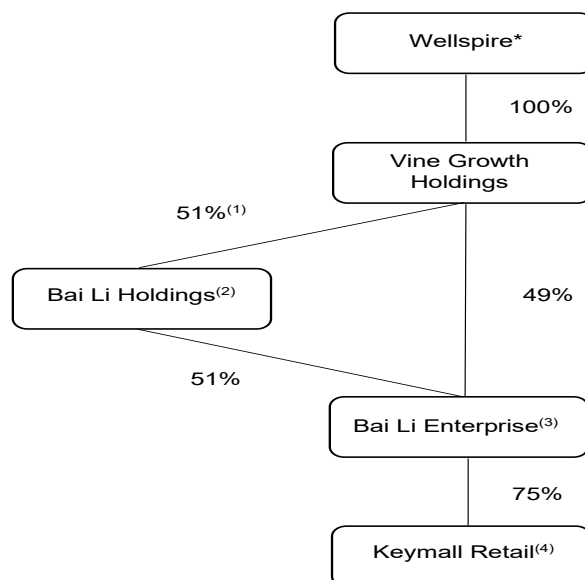
Wellspire's principal activity is investment holding. Our subsidiaries' principal business activities include:

- distribution of consumer packaged foods; and
- online retailer of consumer packaged foods.

For the distribution of consumer packaged foods, our Group purchases consumer packaged food in "ready-to-distribute" form and subsequently reselling them as-is in units of cartons. Our Group's main snack food product is sunflower seeds where our Group is the exclusive distributor of ChaCha brand sunflower seeds and nuts for the Thailand market.

Our principal market is Thailand where we derived all our revenue for the Financial Years and Period Under Review and up to the LPD. As at the LPD, our customers are mainly based in Bangkok with sales and distribution points throughout the Central, Northeast, Northern and Southern regions of Thailand. Please refer to Section 7.13 of this Prospectus for further details on our sales and distribution points.

As at the LPD, our Group structure is as set out below:



Notes:

* Wellspire's effective interest in Bai Li Enterprise is computed as follows:

- direct interest held through Vine Growth Holdings (49.00%); and
- indirect interest held through Vine Growth Holdings and Bai Li Holdings (51.00% x 51.00% = 26.01%).

Wellspire's total effective interest in Bai Li Enterprise is 75.01% (49.00% + 26.01%).

3. PROSPECTUS SUMMARY (CONT'D)

- (1) *Vine Growth Holdings holds 479,270 ordinary shares (49% shareholding) in Bai Li Holdings. However, Vine Growth Holdings is entitled to exercise 51% of the voting rights in Bai Li Holdings based on the 479,270 ordinary shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.*
- (2) *The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares. Saranjit Wang holds 51% shareholding in Bai Li Holdings comprising 456,229 ordinary shares (46.64% shareholding) and 42,700 preference shares (4.36% shareholding). However, Saranjit Wang is entitled to exercise 49% of the voting rights in Bai Li Holdings based on the 456,229 ordinary shares and 42,700 preference shares held. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Wanchai Wanichkulthumrong has no relationship with our Company other than as a shareholder of Bai Li Holdings and our key senior management.*
- (3) *Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.*
- (4) *The remaining 25% shareholding in Keymall Retail is held by Ittiwat Rattakun and Waraporn Utairat who hold 15% and 10% shareholding in Keymall Retail, respectively. None of them has any relationship with our Company other than as shareholders of Keymall Retail.*

Further details of our Group structure including shareholding structure after the Acquisition of Vine Growth Holdings can be found in Section 6.3.1 of this Prospectus. As at the date of this Prospectus, our Company does not have any associated companies. Further details of our subsidiaries are set out in Section 6.6 of this Prospectus.

Further information on our Group's history, business overview and modes of operation are set out in Sections 7.1, 7.2 and 7.3 of this Prospectus, respectively.

3.2 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths, which are further detailed in Section 7.4 of this Prospectus, are set out below:

- (i) our Group is the exclusive distributor for ChaCha brand snack foods for the Thailand market;
- (ii) our Group has established indirect distribution channels to provide wide coverage of end-consumers for their snack food products;
- (iii) some of our Group's customers operate large retail chain outlets that provide market access of their products to a large potential end-consumer base for snack food products; and
- (iv) our Group has experienced directors and key senior management team.

3.3 OUR BUSINESS STRATEGIES AND PLANS

Our Group's business strategies are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objective, we will implement the following business strategies over a period of 18 to 24 months from our Listing:

- (i) acquisition/ construction of a warehouse and operating facility in Thailand;
- (ii) expansion of product range; and
- (iii) enhancement of e-commerce platform.

Please refer to Section 7.24 of this Prospectus for further information on our business strategies and plans.

3. PROSPECTUS SUMMARY (CONT'D)

3.4 RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

The following is a summary of the key risks relating to the business and operations of our Group that we are currently facing or that may develop in the future:

- (i) Our Group is dependent on the distributor agreement for ChaCha sunflower seeds and nuts in Thailand, where the current distribution agreement commenced from 1 January 2022 to 31 December 2022. Our Group's revenue derived from the sales of ChaCha sunflower seeds and nuts accounted for RM56.51 million (96.11%), RM112.24 million (93.76%), RM125.57 million (91.86%) and RM55.80 million (92.21%) for the Financial Years and Period Under Review.

If our Group is unable to fulfil our Group's obligations, there is a risk that our Group would lose the distributorship of ChaCha sunflower seeds and nuts. Any termination or non-renewal of our Group's distributor agreement will adversely affect our Group's business and financial performance;

- (ii) CP All Group of companies accounted for 82.98%, 75.26%, 66.31% and 63.76% of our Group's total revenue for the Financial Years and Period Under Review, respectively. Although our Group had established a long working business relationship with CP All Group of up to nine years as at the LPD, any material reduction or disruption in purchases or termination of business relationship from CP All Group will adversely affect our Group's business and financial performance;
- (iii) Our Group is dependent on a single product, sunflower seeds and QiaQia Group as the single supplier for the sunflower seeds. As stated in Section 7.5.2 of this Prospectus, our Group's revenue derived from the sales of ChaCha sunflower seeds accounted for RM56.11 million (95.42%), RM111.79 million (93.39%), RM125.39 million (91.72%) and RM55.71 million (92.07%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

We are dependent on our principal, QiaQia, for the supply and exclusive distribution agreement we have for ChaCha sunflower seeds and nuts in Thailand. In the event we are unable to continue the sale of the ChaCha brand sunflower seeds or unable to procure supply of the ChaCha brand sunflower seeds from QiaQia Group, it would have a material adverse effect on our Group's financial performance and profitability;

- (iv) Our Group is subject to risks in increases in the costs for the supply of our consumer packaged foods which may adversely affect our financial performance;
- (v) Our Group may be susceptible to product liability claims stemming from among others, manufacturing defects, design defects or defective warnings or instructions, product contamination, inadvertent use of unsafe ingredients, sabotage and product mislabelling, which may have a material adverse effect to our Group's business and financial performance;
- (vi) Our Group's business is subject to the risk of product misstatement and mislabelling associated with our Group's brands of consumer packaged snack food;
- (vii) Our Group is subjected to the risk of negative perception and publicity of our Group's reputation and brands that our Group distribute; and

3. PROSPECTUS SUMMARY (CONT'D)

- (viii) Part of our Group's business activities are dependent on the continued operation of their warehousing facilities. Any disruption to our Group's warehousing facilities such as fire, flood, pest infestation or power failure, will have an adverse impact on our Group's business operations.

Please refer to Section 9 of this Prospectus for further details and full list of our risk factors which should be carefully considered before investing in our Shares.

3.5 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management, whose profiles are set out in Sections 5.1.2, 5.2.2 and 5.4.2 of this Prospectus, are as follows:

Name	Designation	Nationality
Directors		
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	Independent Non-Executive Chairman	Malaysian
Mo Guopiao	CEO/ Executive Director	Singaporean
Saranjit Wang	Executive Director	Thai
Kua Chin Teck	Executive Director	Malaysian
Tang Yuen Kin	Independent Non-Executive Director	Malaysian
Fazidah Bt Zakaria	Independent Non-Executive Director	Malaysian
Yang Shing Sing	Independent Non-Executive Director	Malaysian
Key Senior Management		
Mo Guopiao	CEO/ Executive Director	Singaporean
Saranjit Wang	Executive Director	Thai
Kua Chin Teck	Executive Director	Malaysian
Wang Zheng	COO	Chinese
Tin Jiing Soon	CFO	Malaysian
Wanchai Wanichkulthumrong	Deputy COO	Thai

Details of our Board practices are set out in Section 5.3 of this Prospectus.

3.6 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

3.6.1 Details of our Promoters and Substantial Shareholders

Our Promoters and substantial shareholders, whose profiles are set out in Section 5.1.2 of this Prospectus, are as follows:

Promoters and substantial shareholders	Country of incorporation/ Nationality
Promoters and substantial shareholders	
Mo Guopiao	Singaporean
Silver Line Capital	Malaysia
He Haibin	Chinese
Promoter	
Saranjit Wang	Thai
Substantial shareholder	
Capital Pairing	Singapore
Besanger Serge Pierre	French

3. PROSPECTUS SUMMARY (CONT'D)**3.6.2 Promoters and substantial shareholders' shareholdings**

The promoters' and substantial shareholders' shareholdings in our Company before and after the IPO are as follows:

Name	Country of incorporation / Nationality	Before the IPO ⁽¹⁾				After the IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>									
Mo Guopiao	Singaporean	294,162,500	50.07	121,250,000 ⁽⁵⁾	20.64	200,562,500	28.16	121,250,000 ⁽⁵⁾	17.03
Silver Line Capital ⁽³⁾	Malaysia	121,250,000	20.64	-	-	121,250,000	17.03	-	-
He Haibin	Chinese	115,412,500	19.64	-	-	84,412,500	11.85	-	-
<u>Promoter</u>									
Saranjit Wang	Thai	5,750,000	0.98	-	-	5,750,000	0.81	1,000,000 ⁽⁶⁾	0.14
<u>Substantial shareholder</u>									
Capital Pairing ⁽⁴⁾	Singapore	50,950,000	8.67	-	-	50,950,000	7.15	-	-
Besanger Serge Pierre	French	-	-	50,950,000 ⁽⁷⁾	8.67	-	-	50,950,000 ⁽⁷⁾	7.15

Notes:

- (1) Based on the issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split as set out in Section 6.3 of this Prospectus. Prior to that, our Group undertook a Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2 of this Prospectus.
- (2) Based on the Company's enlarged issued share capital of 712,125,000 Shares after the Public Issue and the Offer for Sale.
- (3) The sole shareholder of Silver Line Capital is Mo Guopiao, our Promoter, substantial shareholder, CEO and Executive Director.
- (4) The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.
- (5) Deemed interested by virtue of his shareholding in Silver Line Capital pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Act, assuming he fully subscribes for the Pink Form Shares allocated to him.
- (7) Deemed interested by virtue of his shareholding in Capital Pairing pursuant to Section 8(4) of the Act.

3. PROSPECTUS SUMMARY (CONT'D)

The details of our Shares held by our Specified Shareholders (whom are also our Promoters) which will be subject to moratorium are as follows:

Name	Year 1 after Listing				Year 2 after Listing		Year 3 after Listing	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares during the Subsequent Moratorium Period		Moratorium shares during the Subsequent Moratorium Period	
	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾
Mo Guopiao	200,562,500	28.16	156,008,300	21.91	104,005,600	14.60	52,002,900	7.30
Silver Line Capital	121,250,000	17.03	94,314,800	13.24	62,876,600	8.83	31,438,400	4.42
He Haibin	84,412,500	11.85	65,660,600	9.22	43,773,800	6.15	21,887,000	3.07
Saranjit Wang	5,750,000	0.81	4,472,700	0.63	2,981,800	0.42	1,490,900	0.21
Total	411,975,000	57.85	320,456,400	45.00	213,637,800	30.00	106,819,200	15.00

Note:

(1) Based on the Company's enlarged issued share capital of 712,125,000 Shares upon Listing.

In accordance with Rule 3.19 (1) of the Listing Requirements, the above moratoriums have been fully accepted by the Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the First 6-Month Moratorium, Second 6-month Moratorium and Subsequent Moratorium Period. The sole shareholder of Silver Line Capital, namely Mo Guopiao has also provided a written undertaking that he will not sell, transfer or assign his shareholding in Silver Line Capital during the First 6-Month Moratorium, Second 6-month Moratorium and Subsequent Moratorium Period.

On 1 December 2021, Capital Pairing became a substantial shareholder of Bai Li Holdings upon the acquisition of 254,306 ordinary shares in Bai Li Holdings by Capital Pairing from Saranjit Wang for a cash consideration of THB25,430,600, based on Step 3 of the Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2.1 of this Prospectus. The details of our Shares held by Capital Pairing which will be subject to moratorium are as follows:

Name	Moratorium shares during the First 6-Month Moratorium	
	No. of Shares held	% of enlarged issued share capital ⁽¹⁾
Capital Pairing	50,950,000	7.15

Note:

(1) Based on the Company's enlarged issued share capital of 712,125,000 Shares upon Listing.

In accordance with Rule 3.19A of the Listing Requirements, the above moratorium has been fully accepted by Capital Pairing, who has provided written undertaking that it will not sell, transfer or assign its shareholdings under moratorium during the First 6-Month Moratorium. The sole shareholder of Capital Pairing namely, Besanger Serge Pierre, has also provided a written undertaking that he will not sell, transfer or assign his shareholding in Capital Pairing during the First 6-Month Moratorium.

Please refer to Section 2.2 of this Prospectus for further details of the moratorium imposed.

3. PROSPECTUS SUMMARY (CONT'D)**3.7 FINANCIAL AND OPERATIONAL HIGHLIGHTS**

The table below sets out a summary of our Group's key financial and operational highlights based on our Group's historical audited combined financial information for the Financial Years and Period Under Review:

	AUDITED			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Revenue	58,799	119,706	136,707	60,509
GP	10,162	36,706	38,172	13,670
PBT	5,722	21,978	19,101	3,886
PAT	4,154	15,759	15,403	2,141
Profit attributable to common controlling shareholders of the combining entities	3,116	11,830	11,120	1,072
GP margin (%)	17.28	30.66	27.92	22.59
PBT margin (%)	9.73	18.36	13.97	6.42
PAT margin (%)	7.06	13.16	11.27	3.54
Number of Shares assumed in issue ('000) ⁽¹⁾	712,125	712,125	712,125	712,125
Basic/ diluted EPS (sen) ⁽²⁾	0.44	1.66	1.56	0.15
<u>Other selected financial information</u>				
Non-current assets	3,865	3,808	2,309	2,624
Current assets	17,205	31,192	30,584	35,450
Total assets	21,070	35,000	32,893	38,074
Non-current liabilities	4,102	4,675	2,010	2,636
Current liabilities	12,738	10,728	16,411	8,856
Total liabilities	16,840	15,403	18,421	11,492
Equity attributable to common controlling shareholders of the combining entities				
Invested equity ⁽³⁾	11,501	11,501	11,501	11,501
Share capital	-	-	2,000	12,000
Reserves	(11,098)	(11,149)	(11,281)	(11,319)
Retained earnings	2,770	14,346	8,311	9,384
NA	3,173	14,698	10,531	21,566
Non-controlling interests	1,057	4,899	3,941	5,016
Total equity	4,230	19,597	14,472	26,582
Combined statements of cash flows:				
Net cash (used in)/ from operating activities	(34)	5,133	14,843	2,936
Net cash (used in)/ from investing activities	(113)	(297)	1,255	(518)
Net cash from/(used in) financing activities	737	(1,573)	(14,448)	4,003
Net increase in cash and cash equivalents	590	3,263	1,650	6,421
Effects of exchange rate changes on cash and cash equivalents	(59)	3	208	582
Cash and cash equivalents at beginning of financial year/ period	227	758	4,024	5,882
Cash and cash equivalents at end of financial year/ period	758	4,024	5,882	12,885

3. PROSPECTUS SUMMARY (CONT'D)

Notes:

- (1) *Assumed number of ordinary shares in issue in Wellspire after our IPO.*
- (2) *Computed based on profit attributable to common controlling shareholders of the combining entities divided by our enlarged number of Shares in issue upon Listing. The diluted EPS is equal to the basic EPS as the Company does not have any outstanding convertible securities at the end of the financial year/ period.*
- (3) *Deemed as invested equity based on number of Shares on combined basis.*

The combined financial statements of our Group consist of the financial statements of Wellspire and its combining entities, which are prepared in accordance with MFRS, IFRS and based on the Guidance Note on Combined Financial Statements issued by the Malaysian Institute of Accountants in relation to the Listing. The audited separate statutory financial statements of Bai Li Enterprise and Keymall Retail for the FYE 2019, FYE 2020 and FYE 2021 have been prepared in accordance with Thailand GAAP.

Please refer to Section 12 of this Prospectus for further information relating to our Group's historical audited combined financial information.

3.8 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Board will consider various factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends. The factors are the level of cash and level of indebtedness, required and expected interest expense, cash flows, profits, return on equity and retained earnings, our expected results of operations and future level of operations, and our projected levels of capital expenditure and other investment plans.

Our Group did not declare any dividend in the FYE 2019 and FPE 2022. The dividends declared and distributed by our Group to our shareholders for the FYE 2020 and FYE 2021 were RM0.32 million and RM22.82 million, respectively. Please refer to Note 6.17 of the Accountants' Report set out in Section 13 of this Prospectus for further details.

Apart from the exchange control regulations as set out in Section 15.4 of this Prospectus, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds in the form of cash dividend, loans or advances to us.

Subject to the above and the factors outlined in Section 12.4 of this Prospectus, our Board has an intention to recommend and distribute dividends of up to 30% of Wellspire's profit attributable to common controlling shareholders of the combining entities of each financial year on a consolidated basis upon completion of our Listing. However, it is not a legally binding obligation/ guaranteed commitment to the shareholders.

Kindly refer to Section 9.3 of this Prospectus for risk relating to investments in our Shares and Section 12.4 of this Prospectus for detailed information on our dividend policy.

3. PROSPECTUS SUMMARY (CONT'D)**3.9 SALIENT INFORMATION ON OUR IPO****3.9.1 Allocation**

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

Allocation	Public Issue Shares	%⁽¹⁾	Offer Shares	%⁽¹⁾
Public Issue				
- Placement Shares	78,600,000	11.04	-	-
- Balloting Shares	36,000,000	5.06	-	-
- Pink Form Shares	10,000,000	1.40	-	-
Offer for Sale				
- Placement Shares	-	-	124,600,000	17.50
Total	124,600,000	17.50	124,600,000	17.50

Note:

- (1) Based on the Company's enlarged issued share capital of 712,125,000 Shares upon Listing.

Please refer to Section 4.3 of this Prospectus for further details of our IPO.

3.9.2 Principal Statistics of our IPO

The principal statistics of our IPO are as follows:

	Number of Shares	RM
Share capital		
- Issued share capital as at the date of this Prospectus	587,525,000	23,501,000
- New Shares to be issued pursuant to the Public Issue	124,600,000	28,658,000
Enlarged share capital upon Listing	712,125,000	52,159,000
IPO Price for each IPO Share		RM0.23
Market capitalisation of our Company based on the IPO Price upon Listing		RM163,788,750
Pro forma NA based on our Pro Forma Consolidated Statements of Financial Position as at 30 June 2022		
- Pro forma NA upon Listing ⁽¹⁾		RM47,723,755
- Pro forma NA per Share upon Listing ⁽²⁾		6.70 sen

Notes:

- (1) After taking into account our Public Issue of 124,600,000 new Shares at the IPO Price and after utilisation of proceeds from our Public Issue.
- (2) Based on our enlarged share capital upon Listing of 712,125,000 Shares and after deducting the remaining listing expenses to be incurred of approximately RM2.50 million.

Please refer to Section 4.4 of this Prospectus for further details of our share capital.

3. PROSPECTUS SUMMARY (CONT'D)**3.10 USE OF PROCEEDS**

We expect to raise gross proceeds of RM28.66 million from the Public Issue and intend to use the proceeds in the following manner:

No.	Details of utilisation	Estimated time frame for utilisation upon Listing	%	RM'000
(1)	Acquire/ construct a warehouse and operational facility in Thailand	Within 18 months	55.83	16,000
(2)	Working capital	Within 6 months	20.79	5,960
(3)	Estimated listing expenses	Within 3 months	23.38	6,700
Gross proceeds			100.00	28,660

There is no minimum subscription in terms of the proceeds to be raised from the IPO by our Company. Further details of the use of proceeds arising from the Public Issue are set out in Section 4.7 of this Prospectus.

The Offer for Sale will raise gross proceeds of RM28.66 million, which will accrue entirely to the Offerors. Further details of the use of proceeds arising from the Public Issue are set out in Section 4.7 of this Prospectus.

3.11 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save as disclosed below, there has not been any material interruption to our business operations during the past 12 months prior to the LPD.

COVID-19 Pandemic

The World Health Organisation declared the coronavirus disease (COVID-19) a pandemic on 11 March 2020. In Thailand, the Thai government implemented several measures to reduce and control the spread of COVID-19 in the country. These measures include restrictions on travel, curfews, temporary business closures and cancellations of gatherings and events. A state of emergency has been declared and effective since 26 March 2020 imposing curfews, restrictions on travelling and gatherings. As a result, our business operations in Thailand were temporarily interrupted by these measures. However, the Thai government has passed several easing measures whereby prohibitions or limitations on conducting certain activities have been relaxed. Recently, curfews also have been lifted since 1 November 2021.

Please refer to Section 7.17 of this Prospectus for further details.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION

The application for the IPO Shares will open at 10.00 a.m. on 27 December 2022 and will remain open until 5.00 p.m. on 4 January 2023. **Late applications will not be accepted.**

4.2 INDICATIVE TIMETABLE

Events	Tentative dates
Opening date of Application	10.00 a.m., 27 December 2022
Closing date of Application	5.00 p.m., 4 January 2023
Balloting of Applications	6 January 2023
Allotment/ Transfer of the IPO Shares to successful applicants	13 January 2023
Date of Listing	16 January 2023

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

4.3 PARTICULARS OF THE IPO

4.3.1 Public Issue

A total of 124,600,000 Public Issue Shares, representing approximately 17.50% of our enlarged issued share capital upon Listing, are offered at our IPO Price and are payable in full upon application, upon such terms and conditions as set out in this Prospectus. The Public Issue Shares will be offered in the following manner:

(i) Malaysian Public via balloting

36,000,000 Public Issue Shares, representing approximately 5.06% of our enlarged issued share capital upon Listing, will be offered to the Malaysian Public by way of balloting, of which at least 50.00% will be set aside for Bumiputera investors.

In this respect, 18,000,000 Public Issue Shares representing 2.53% of our enlarged issued share capital upon Listing, will be set aside for Bumiputera investors.

(ii) Eligible Directors, employees of our Group and persons who have contributed to the success of our Group

10,000,000 Public Issue Shares, representing approximately 1.40% of our enlarged issued share capital upon Listing, will be reserved for the Eligible Parties under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.2 of this Prospectus.

(iii) Selected investors by way of private placement

78,600,000 Public Issue Shares, representing approximately 11.04% of our enlarged issued share capital upon Listing, will be made available by way of private placement to selected investors.

4. DETAILS OF OUR IPO (CONT'D)**4.3.2 Pink Form Allocations**

We have allocated 10,000,000 Public Issue Shares to the Eligible Parties under the Pink Form Allocations as follows:

	Number of persons	Aggregate number of Shares allocated
Our eligible Directors	5	2,930,000
Eligible employees of our Group	9	4,070,000
Persons who have contributed to the success of our Group	1	3,000,000
Total	15	10,000,000

(i) Allocation to our eligible Directors

The criteria of allocation to our eligible Directors are based on among others, their respective roles and responsibilities in our Group.

The number of Pink Form Shares to be allocated to our eligible Directors are as follows:

Name	Designation	No. of Pink Form Shares allocated
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	Independent Non-Executive Chairman	700,000
Kua Chin Teck	Executive Director	700,000
Tang Yuen Kin	Independent Non-Executive Director	350,000
Fazidah Bt Zakaria	Independent Non-Executive Director	480,000
Yang Shing Sing	Independent Non-Executive Director	700,000
Total		2,930,000

(ii) Allocation to our eligible employees

The criteria of allocation to the eligible employees of our Group (as approved by our Board) are based on, among others the following:

- (i) the employee must be a full-time employee and on the payroll of our Group;
- (ii) the number of Pink Form Shares allocated to the eligible employees are based on their position, their length of service, their past contribution to our Group's success and potential contribution to our Group in the future, as well as other factors deemed relevant to our Board; and
- (iii) full time employee of at least 18 years of age.

The number of Pink Form Shares to be allocated to our key senior management are as follows:

4. DETAILS OF OUR IPO (CONT'D)

Name	Designation	Number of Pink Form Shares allocated
Wang Zheng	COO	1,000,000
Tin Jiing Soon	CFO	1,070,000
Wanchai Wanichkulthumrong	Deputy COO	500,000
Total		2,570,000

(iii) Allocation to persons who have contributed to the success of our Group

The number of Pink Form Shares to be allotted to those persons who have contributed to the success of our Group (e.g., our suppliers and customers), shall be based on among others, their contribution as well as support to the growth of our Group, as approved by our Board.

As at the LPD, save as disclosed below, to the extent known to our Company:

- there are no substantial shareholders, Directors or key senior management of our Company who have indicated to our Company that they intend to subscribe for the IPO Shares; and
- there are no persons who have indicated to our Company that they intend to subscribe for more than 5.00% of the IPO Shares.

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4. DETAILS OF OUR IPO (CONT'D)

4.3.3 Offer for Sale

A total of 124,600,000 Offer Shares, representing 17.50% of our enlarged issued share capital upon Listing, are offered by the Offerors to selected investors by way of private placement at our IPO Price, upon such terms and conditions as set out in this Prospectus.

Details of the Offerors are set out below:

Name and address	Nature of relationship with our Group	Before our IPO/ As at the LPD		Offer for Sale		After our IPO	
		No. of Shares	% ⁽¹⁾	No. of Shares	%	No. of Shares	% ⁽²⁾
Mo Guopiao 30 Shelford Road #03-04 Point Loma Singapore 288423	CEO, Executive Director, Promoter and substantial shareholder	294,162,500	50.07	93,600,000	15.93 ⁽¹⁾ / 13.14 ⁽²⁾	200,562,500	28.16
He Haibin 45 Ashwood Grove Singapore 739973	Promoter and substantial shareholder	115,412,500	19.64	31,000,000	5.27 ⁽¹⁾ / 4.35 ⁽²⁾	84,412,500	11.85

Notes:

- (1) Based on our issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split, but before our IPO.
(2) Based on our enlarged issued share capital of 712,125,000 Shares after our IPO.

Further details on the Offerors are disclosed in Section 5.1.2 of this Prospectus.

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4. DETAILS OF OUR IPO (CONT'D)**4.3.4 Summary of our IPO Shares to be allocated**

In summary, our IPO Shares will be allocated and allotted in the following manner:

	No. of IPO Shares	% of enlarged share capital⁽¹⁾
Public Issue		
- Selected investors (via private placement)	78,600,000	11.04
- Malaysian Public	36,000,000	5.06
- Eligible Parties	10,000,000	1.40
Total Public Issue Shares	124,600,000	17.50
Offer for Sale		
- Selected investors (via private placement)	124,600,000	17.50

Note:

(1) Based on our enlarged issued share capital of 712,125,000 Shares after our IPO.

(i) Malaysian Public

All the 36,000,000 Balloting Shares made available for application by the Malaysian Public under Section 4.3.1(i) of this Prospectus have been fully underwritten.

Any Balloting Shares which are not fully subscribed for by the Malaysian Public will be made available for subscription as follows:

- (a) firstly, by our selected investors as described in Sections 4.3.1(iii) and 4.3.3 of this Prospectus; and
- (b) secondly, our Underwriter based on the terms of the Underwriting Agreement.

(ii) Eligible Parties

The 10,000,000 Pink Form Shares under Section 4.3.2 of this Prospectus are not underwritten as the size of the Pink Form Allocation is relatively small compared to the Public Issue and the Offer for Sale, our Group is optimistic that we would be able to achieve full subscription from the Eligible Parties.

Furthermore, any Public Issue Shares reserved under the Pink Form Allocations which are not taken up will be made available for subscription as follows:

- (i) firstly, by other Eligible Parties (excluding eligible Directors); and

Any unsubscribed Pink Form Shares ("**Excess Issue Shares**") will be re-offered to other Eligible Parties (excluding our Directors) who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis in the following priority:

- (aa) firstly, allocation on a pro-rata basis to the eligible employees of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for;
- (bb) secondly, allocation of any surplus Excess Issue Shares after (aa) above on a pro-rata basis to persons who have contributed to the success of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for; and
- (cc) thirdly, to minimise odd lots.

4. DETAILS OF OUR IPO (CONT'D)

Our Board reserves the right to allot Excess Issue Shares applied in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (aa) to (cc) above is achieved. Our Board also reserves the right to accept or reject any Excess Issue Shares application in full or in part, without assigning any reason.

Once completed, the steps involving items (aa) to (cc) above will not be repeated, as any balance of unsubscribed Pink Form Shares will be made available for subscription by our selected investors as per item (ii) below.

- (ii) secondly, by our selected investors as described in Sections 4.3.1(iii) and 4.3.3 of this Prospectus.

(iii) Private Placement to selected investors

The 78,600,000 Public Issue Shares and 124,600,000 Offer Shares reserved under private placement to selected investors, respectively (under Sections 4.3.1(iii) and 4.3.3 of this Prospectus) are also not underwritten, as written irrevocable undertakings to subscribe for these Placement Shares will be obtained from the respective selected investors.

Our Public Issue and Offer for Sale are subject to the terms and conditions of this Prospectus.

The allocation of our IPO Shares shall take into account our Board's intention to distribute the IPO Shares to a reasonable number of applicants to broaden our Company's shareholding base, to meet the public spread requirements of Bursa Securities and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

The number of IPO Shares offered under the Public Issue and Offer for Sale will not be increased via any over-allotment or "greenshoe" option.

Details on the underwriting arrangement are set out in Section 4.10 of this Prospectus.

4.3.5 Minimum subscription level

There is no minimum subscription level in terms of the proceeds to be raised from our IPO. All the IPO Shares are either subscribed by the Malaysian Public or underwritten by our Underwriter based on the terms of the Underwriting Agreement for the Balloting Shares, selected investors pursuant to their irrevocable undertakings for the Placement Shares or Eligible Parties for the Pink Form Shares allocated to them.

However, in order to comply with the public spread requirements under the Listing Requirements or as approved by Bursa Securities, the minimum subscription level will be the number of Shares required to be held by public shareholders.

Pursuant to the Listing Requirements, at least 25.0% of our enlarged issued share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If we do not meet the public shareholding requirement, we may not be allowed to proceed with the Listing. In such an event, all monies paid in respect of all Applications will be returned in full without interest. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4. DETAILS OF OUR IPO (CONT'D)**4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING**

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

	No. of Shares	Share Capital RM
Issued share capital as at the date of this Prospectus	587,525,000	23,501,000
New Shares to be issued pursuant to the Public Issue	124,600,000	28,658,000
Enlarged issued share capital upon Listing	712,125,000	52,159,000
Shares to be offered under Offer for Sale ⁽¹⁾	124,600,000	28,658,000
IPO Price (RM)		0.23
- Expected market capitalisation upon Listing (based on the IPO Price and the enlarged number of issued shares after our IPO)		RM163,788,750

Note:

- (1) *The Offer for Sale would not have an effect on our issued share capital as the Offer Shares are already in existence prior to the IPO.*

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally with each other.

Our Public Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares in issue, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our Public Issue Shares.

Our Offer Shares will rank equally in all respects with our existing Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of transfer of our Offer Shares.

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

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. Subject to the Listing Requirements, any resolution put to vote in the meeting shall be decided by way of poll. On a vote by way of poll, each shareholder present either in person or by proxy, attorney or other duly authorised representative shall have 1 vote for every Share held or represented. On a vote by show of hands, each shareholder present either in person or by proxy, attorney or other duly authorised representative shall have 1 vote. A proxy may, but need not be, a shareholder of our Company.

4. DETAILS OF OUR IPO (CONT'D)

4.5 PURPOSE OF THE IPO

The purposes of the IPO are as follows:

- (i) to gain recognition through our listing status which will enhance our reputation amongst our customers and suppliers and retention of our employees;
- (ii) to further enhance our Group's business profile as a distributor of consumer packaged foods and online retailer of consumer packaged foods, which is based in Thailand, to the investment community in Malaysia;
- (iii) to enable our Group to raise funds for the purposes specified in Section 4.7 of this Prospectus;
- (iv) to provide an opportunity for the Malaysian Public, including our Eligible Parties to participate in our equity and continuing growth; and
- (v) to enable us to tap into the equity capital market for future fund raising to pursue future growth opportunities as and when the need arises, through other forms of capital raising avenue, such as rights issue and private placement.

Our Group's operations originated and was established in Thailand. We also have physical presence in Malaysia and in Singapore via Wellspire and Vine Growth Holdings, respectively. Notwithstanding this, our Group chose Malaysia as our preferred destination to embark on the Listing (instead of Thailand and Singapore) taking into consideration, among others, the following reasons:

- (i) our Group may embark on expansion of our operations to Malaysia and/or target market for our snack food products to Malaysia in the future. We may potentially undertake fund raising from the Malaysian capital market after the IPO to be channeled toward this purpose. A listing in Malaysia facilitates familiarity, making the Malaysian community and public more receptive to our Group, our snack food products and the corporate exercise(s) to be undertaken;
- (ii) our Group's indirect distribution channels provide a wide coverage of end-consumers and some of our Group's customers operate large retail chain outlets which provide market access to a large potential end-consumer base (as stated in Section 3.2 and 7.4 of this Prospectus). Thus, the snack food products sold by our Group, particularly the ChaCha brand snack foods, are widely accepted by our customers in Thailand. This is reflected in the performance of our revenue and profits for the Financial Years and Period Under Review. As such, listing on a foreign exchange for our Group will accord greater recognition and enhance our Group's profile in Thailand, while providing avenue for a potential expansion of our Group's operations and target market in Malaysia. We believe that the IPO will facilitate our longer-term growth strategy in the ASEAN region, particularly, in Malaysia and Thailand;
- (iii) a Listing in Malaysia may also provide our Group with more avenues and business opportunities to collaborate with Malaysian snacks distributors/ manufacturers for their snack food to be distributed in Thailand;
- (iv) a Listing in Malaysia will enable our Company to broaden our fund raising opportunities from the Malaysian capital market, particularly the Islamic capital market, taking into consideration, Malaysia being a prominent global Islamic Capital Market hub; and
- (v) a Listing in Malaysia provides our Group with a platform to capitalise on Malaysia's status as a leading global halal hub, for our Group in obtaining halal certification for our snack food products and future expansion of our snack food products in Malaysia and other countries.

4. DETAILS OF OUR IPO (CONT'D)**4.6 BASIS OF ARRIVING AT THE IPO PRICE**

The IPO Price was determined and agreed upon by our Directors and our Promoters, together with TA Securities, being our Principal Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration among others, the following factors:

- (i) PE Multiple of approximately 14.74 times based on our Group's audited EPS of 1.56 sen for FYE 2021 calculated based on our Group's audited PAT attributable to owners of the Group of RM11.12 million and our enlarged share capital of 712,125,000 Shares upon Listing;

The annualised PAT for the FPE 2022 after excluding the listing expenses incurred (being one-off and non-recurring in nature) in FPE 2022 of RM2.50 million would be RM9.26 million. This would translate into an adjusted profit attributable to common controlling shareholders of the combining entities of RM7.13 million, an adjusted EPS of 1.00 sen and a PE Multiple of approximately 22.98 times;

- (ii) A price-to-book ratio of approximately 3.43 times based on our Group's pro forma NA per Share as at 30 June 2022 of 6.70 sen calculated based on our Group's pro forma NA as at 30 June 2022 of RM47.72 million, after the Public Issue and use of proceeds and our enlarged issued share capital of 712,125,000 Shares upon Listing;
- (iii) Our historical audited combined financial performance (as summarised below) and operating history as described in Sections 3.7 and 12 of the Prospectus:

	Audited			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Revenue	58,799	119,706	136,707	60,509
GP	10,162	36,706	38,172	13,670
Profit attributable to the common controlling shareholders of the combining entities	3,116	11,830	11,120	1,072

- (iv) Our Group's business strategies and plans as well as our competitive advantages and key strength as set out in Sections 7.24 and 7.4 of this Prospectus, respectively; and
- (v) The market performance of Bursa Securities and anticipated demand for our IPO Shares.

However, you should also note that the market price of the Shares upon Listing is subject to the uncertainties of market forces and other factors, which may affect the price of the Shares being traded. You are reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

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4. DETAILS OF OUR IPO (CONT'D)**4.7 USE OF PROCEEDS****4.7.1 Proceeds from the IPO**

The Public Issue is expected to raise gross proceeds of RM28.66 million for our Group, which shall be used in the following manner:

Purpose	Time frame for utilisation from the date of listing	Notes	%	RM'000
Acquire/ construct a warehouse and operational facility in Thailand	Within 18 months	(1)	55.83	16,000
Working capital	Within 6 months	(2)	20.79	5,960
Estimated listing expenses	Within 3 months	(3)	23.38	6,700
Total			100.00	28,660

Notes:**(1) Acquire/ construct a warehouse and operational facility in Thailand**

Our Group intends to allocate RM16.00 million, representing approximately 55.83% of our gross proceeds from the Public Issue for the acquisition/ construction of a warehouse and operational facility in Thailand.

Operational facility refers to area for offices of various departments such as sales and marketing, procurement, warehouse and accounts department to carry out our Group's operations, as well as chiller room.

Currently, we operate from our distribution centre located at the Pathum Thani province, Thailand with total built-up area of approximately 4,897 sq. m. on a total land area of approximately 9,636 sq. m. Our Group's current distribution centre on the said land houses the following:

Functions	Approximate built-up area (sq. m.)
Office	547
Dry warehousing storage 1	3,750 ⁽¹⁾
Dry warehousing storage 2	
Chiller room	600 ⁽²⁾
Total	4,897

Notes:

- (1) Includes useable storage floor area measuring 3,600 sq. m., and loading bay preparation and office area measuring 150 sq. m.
- (2) Includes useable floor area measuring 450 sq. m. and common area measuring 150 sq. m.

In 2007, Bai Li Enterprise started its operation in a rented single storey landed warehouse with a total floor area measuring approximately 100 sq.m., located at Ang Thong province in Thailand.

In 2012, Bai Li Enterprise relocated its place of operation to a rented 4½ storey shop lot with a total floor area measuring approximately 550 sq.m., located at MT City Khlong Luang, Pathum Thani province in Thailand.

4. DETAILS OF OUR IPO (CONT'D)

We currently rent the abovementioned distribution centre from a related party namely, S.W. Enterprise Co., Ltd. since 2018. The director of S.W. Enterprise Co., Ltd. is our Promoter and Executive Director, Saranjit Wang and the shareholders of the company are our Promoters, namely, Mo Guopiao, He Haibin and Saranjit Wang. For the FYE 2019, FYE 2020, FYE 2021, FPE 2022 and from 1 July 2022 up to the LPD, we incurred rental expenses of RM0.39 million, RM0.83 million, RM1.60 million, RM0.85 million and RM0.69 million, respectively. Kindly refer to Section 10.1 of this Prospectus for further details.

Our current distribution centre at Pathum Thani province, Thailand is located in the central region of Thailand. As at the LPD, our current distribution centre serves 43 of our customers' sales and distribution points in Thailand comprising, 32 sales and distribution points in the Central region, 6 sales and distribution points in the Northeast region, 3 sales and distribution points in the Northern region, and 2 sales and distribution points in the Southern region. Kindly refer to Section 7.24 of this Prospectus for further details.

As part of our Group's business strategies, we intend to acquire/ construct a warehouse and operational facility as a long-term investment to increase our Group's asset base instead of renting the distribution centre.

Our Group envisages that this business strategy may be achieved in either of the following manner:

- (i) acquire a new warehouse and operational facility which meets the requirements of our Group. As at the LPD, our Group has not identified/ shortlisted any warehouse and operational facilities to be acquired; or
- (ii) acquire the existing warehouse and operational facility from S.W. Enterprise Co., Ltd, which is sufficient for our Group's current usage. Where additional room for growth is needed, our Group may rent additional warehousing space in a location nearby the existing distribution centre. Based on our Group's internal estimates, the cost for renting additional warehousing space would be approximately THB108 per sq. m. per month (based on our Group's rental for year 2022); or
- (iii) to acquire land and construct a new warehouse and operational facility based on our Group's specifications.

Our Group intends to allocate up to RM16.00 million of the IPO proceeds to be utilised within 18 months from our Listing, to explore the abovementioned options in Thailand. The basis for allocation of up to RM16.00 million of the IPO proceeds for the abovementioned plans, is based on our Group's internal estimates of constructing a new warehouse and operational facility and on our Group's preferred needs. A summary of our Group's criteria has been set out in Section 7.24.1 of this Prospectus.

At this juncture, our Group and S.W. Enterprise Co., Ltd, have not discussed the expected cost of acquiring the existing distribution centre. Nevertheless, as part of our Group's evaluation of the abovementioned acquisition/ construction plans, our Group will consider what would be the likely range of pricing for the existing distribution centre. Should our Group decide to buy the existing distribution centre, an independent valuation will be undertaken. This will form part of our research in determining which option to undertake.

The finalisation of the acquisition/ construction plans will take into consideration how much warehousing space is required for the medium and possibly long term, the availability of existing warehouse space versus constructing new warehouse facilities in a suitable location, and the funding required.

4. DETAILS OF OUR IPO (CONT'D)

We will consider amongst others the following factors:

(a) Location

The location of the warehouse and operational facility to be located in the Central region of Thailand or within the Pathum Thani province, which will be strategically located close to Bangkok ports, mainly Laem Chabang port, for receipts of purchases from overseas suppliers, our Group's major supplier ChaCha Thailand's manufacturing facility and our Group's customers' sales and distribution centre in Bangkok, Thailand. However, the new warehouse and operational facility may not be within the vicinity of our current distribution centre.

Our current distribution centre in Pathum Thani, Thailand is located in a mature industrial area and is approximately 50 kilometres from Bangkok city, Thailand, 150 kilometres from Laem Chabang port, 40 kilometres from ChaCha Thailand's manufacturing facility, in Thailand.

(b) Size

The size of our warehouse and operational facility is to facilitate our day-to-day operations and for future business growth within the next 5 years. Historically, our Group has been expanding its rented storage floor space from 1,500 sq. m. in FYE 2019 to 1,800 sq. m. in FYE 2020 and 3,600 sq. m. in FYE 2021, representing a growth of 140% within the period. For FPE 2022 and as at the LPD, our Group's rented storage floor space remained at 3,600 sq. m.

The above-mentioned expansion in storage floor space on a rental basis was to address the immediate storage needs for business growth. As stated in Section 7.8.2 (i) of this Prospectus, for the FYE 2019, FYE2020 and FYE 2021, the increase in rental space of the distribution centre was due to the need to stock more products arising from the increase in sales of snack foods, which grew from RM58.80 million in FYE 2019 to RM119.71 million in FYE 2020, RM136.71 million in FYE 2021. Our Group's sales of snack food for FPE 2022 were RM60.51 million. Notwithstanding that this growth was during the COVID-19 period, our Group's financial performance were impacted due to COVID-19 conditions in Thailand in FYE 2020, FYE 2021 and FPE 2022, as stated in Sections 7.17.2 and 7.17.4 of this Prospectus. As such, the growth may not accurately reflect our Group's warehousing space needs under normal economic and business conditions.

Our Group currently stores the inventories purchased from the suppliers at our abovementioned distribution centre. As a distributor, we are currently required to deliver our goods from our storage facilities to customers' specified destinations.

The warehouse facilities with an approximate built-up area of up to 4,897 sq. m. will allow us to better organise our inventory movement, improve the efficiency of storing the inventories and delivering the inventories to customers' distribution centres as well as minimise disruption during the delivery process, including pathways and loading bays for in-bound and out-bound of delivery trucks.

In addition, we need to consider the appropriate space required for our operations and office space for our various departments such as sales and marketing, procurement, warehouse and accounts department for our operation.

4. DETAILS OF OUR IPO (CONT'D)

(c) Potential savings from incurring rental expenses

Acquiring our own warehouse and operational facility are expected to yield potential savings from incurring rental expenses in the longer term.

(d) The cost for relocation and timing so as to minimize any disruptions to our on-going operations

The costs to be incurred for relocation to a new premises includes logistics cost for the moving of goods depending on the location and distance as well as installation of shelving units.

Apart from the abovementioned relocation costs, our Group will also consider the ease in hiring of manpower within the vicinity for our operations for the new premises. The types of disruptions may include, inadequate manpower to handle the relocation process as well as for our Group's day-to-day operations and additional rental expenses to be incurred for stop-gap measures, if any, pending relocation to the new warehouse and operational facility.

Nevertheless, our Group views that the potential disruptions would not result in material adverse impact to our Group's operations and financial performance.

Whilst our Group presently has existing employees that would be able to support its operations at the current rented premises, our Group would also need to consider the availability of manpower in the new location to add on to our Group's existing staff force or to replace any staff force that may not be amenable to relocate to the new location.

Upon the completion of acquisition/ construction of the warehouse and operational facility and after obtaining the relevant licenses and permits required for the new warehouse, our Group estimates the time frame for relocation and shifting works from existing rented warehouse to the new warehouse is approximately 3 months.

Our Group plans to acquire instead of renting revenue-generating assets such as warehousing space as it is a key component of its distribution business activity.

This plan will be finalised after the Listing to enable our Group sufficient time to assess the growth moving forward so that the new facility would be able to cater to our Group's requirements. As such, our Group intends to seek Wellspire's shareholders' approval for the acquisition/ construction of the warehouse and operating facility. The detailed timing and key milestones have been set out in Section 7.24 of this Prospectus.

In the event there is an urgent need for more warehousing space before its new warehouse facility to be acquired, our Group will rent warehousing space as a stop-gap measure.

In the event the allocated IPO proceeds are insufficient for the purchase of the warehouse and operational facility, any shortfall will be funded via internally generated funds and/or borrowings. Conversely, any surplus of the IPO proceeds earmarked for acquisition of the warehouse and operational facility will be utilised for our Group's working capital purposes.

Kindly refer to Section 7.24 of this Prospectus for further details of our Group's business strategies.

4. DETAILS OF OUR IPO (CONT'D)**(2) Working capital**

Our requirement for working capital will increase in tandem with our future plans. Therefore, we expect to utilise approximately RM5.96 million of the proceeds raised as additional working capital to finance our day-to-day operations, including inter-alia, purchase of inventories and defrayment of operational expenses, as detailed below:

Purposes	RM'000	%
Purchase of inventories/ snack food	4,500	75.50
General administrative expenses, staff cost, utilities and other operating expenditures such as upgrading of accounting system	1,460	24.50
Total	5,960	100.00

(3) Estimated listing expenses

Our listing expenses are estimated to be as follows:

	RM'000
Professional fees (includes advisory fees for, amongst others, our Principal Adviser and Sponsor, Solicitors, Reporting Accountants and IMR)	5,378
Fee to authorities	81
Underwriting, placement and brokerage fees	831
Printing, advertisement and other incidental charges, including contingencies relating to our Listing	410
Total	6,700

We will bear all fees and expenses incidental to our Listing as indicated above. If the actual listing expenses are higher than estimated, the shortfall will be funded from our Company's internally generated funds. Conversely, if the actual listing expenses are lower than estimated, the surplus will be utilised for working capital purposes.

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

Mechanism for the flow of the IPO proceeds from Wellspire to the operating subsidiaries in Thailand

Our Group envisages that the IPO proceeds will flow to the operating subsidiaries in Thailand as follows:

- via advances from Wellspire to Bai Li Holdings and/or Bai Li Enterprise, with interest charged to the advances;
- the advances will be made in foreign currencies, e.g. THB or USD; and
- the monies will be utilised for the purposes as set out above.

The remittance of the IPO proceeds to operating subsidiaries in Thailand falls under the Foreign Exchange Policy Notices issued by Bank Negara Malaysia on 1 June 2022 and Bank Negara Malaysia's approval is not required.

4. DETAILS OF OUR IPO (CONT'D)

The advances from Wellspire to Bai Li Holdings and/or Bai Li Enterprise will give rise to interest expense at Bai Li Holdings' and/or Bai Li Enterprise's level.

Interest expenses paid from our Thailand subsidiaries to any foreign related corporations, is subject to 15% Thai withholding tax under section 70 of the Thai Revenue Code. There is no reduction under article 11 of the tax treaty between Thailand and Singapore or Malaysia unless Vine Growth Holdings or Wellspire is a financial institution or insurance company. In addition, the tax treaty between Thailand and Singapore or Malaysia provides tax exemption only to the interest paid to the Government as defined under article 11 which should not be applied into this case. Therefore, our Thailand subsidiaries distributing the interest is legally obligated to deduct such withholding amount in accordance with section 70 of the Thai Revenue Code.

The interest paid by Bai Li Holdings' and/or Bai Li Enterprise's level to Wellspire, will give rise to interest income at Wellspire's level.

The interest income derived from the provision of such loans will be considered as foreign sourced income to Wellspire. With effect from 1 January 2022, foreign sourced income received in Malaysia by a tax resident will be subject to tax. This came into effect with the amendment to Paragraph 28 of Schedule 6 of the Income Tax Act 1967 based on the government of Malaysia proposal in the Budget 2022. A concessionary tax rate of 3% applies in respect of foreign sourced income received in Malaysia by a tax resident for the period from 1 January to 30 June 2022, this did not apply to Wellspire as no foreign sourced income was received during the said period. Where the interest income is subject to tax in Thailand (e.g. withholding tax) and Malaysia, any tax suffered in Thailand should be given as a credit against the Malaysian tax payable of Wellspire.

4.7.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM28.66 million which will accrue entirely to our Offerors and we will not receive any of the proceeds.

The gross proceeds to be raised from the Offer for Sale above, is equal to the proceeds to be raised from the Public Issue. The gross proceeds to be raised from the Public Issue is in line with our Group's funding requirements for the near term i.e. within 18 months from the Listing, as set out in Sections 4.7.1 and 7.24 of this Prospectus. As such, the Group believes that the Public Issue undertaken by the Group, as set out in Section 4.3.1 of the Prospectus would be sufficient to fund the purposes as set out in Section 4.7.1.

While our Promoters collectively control approximately 57.85% of our enlarged issued share capital after the Listing, our Promoters expect a higher participation from the Malaysian investors through our Offer for Sale based on our historical audited combined financial performance and operating history, as described in Sections 3.7 and 12 of this Prospectus, as well as our Group's business strategies and plans as well as our competitive advantages and key strengths as set out in Sections 7.24 and 7.4 of this Prospectus.

The Offerors shall bear all of the expenses such as stamp duty, placement fee, registration and share transfer fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.76 million.

4. DETAILS OF OUR IPO (CONT'D)**4.8 DILUTION**

Dilution is computed as the difference between the IPO Price paid by the applicants for our Shares under the IPO and our Group's pro forma NA per Share immediately after the IPO.

Our pro forma combined NA per Share as at 30 June 2022 was approximately 3.67 sen per Share, based on our total number of 587,525,000 Shares, after the Acquisition of Vine Growth Holdings and Share Split but prior to our Listing.

After taking into account our enlarged number of issued Shares from the issuance of 124,600,000 Public Issue Shares under the Public Issue, and after adjusting for the use of proceeds from our IPO, our pro forma combined NA per Share as at 30 June 2022 (based on our enlarged number of 712,125,000 Shares upon Listing) would be 6.70 sen per Share.

This represents an immediate increase in pro forma combined NA per Share of 3.03 sen or 82.56% to our existing shareholders. For illustrative purposes, an immediate dilution in our pro forma combined NA per Share of 16.30 sen or 70.87% from the IPO Price to our new investors.

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

		sen
IPO Price	(A)	23.00
Pro forma combined NA per Share as at 30 June 2022 after the Acquisition of Vine Growth Holdings and Share Split, but before the Public Issue	(B)	3.67
Pro forma combined NA per Share as at 30 June 2022 (after the Public Issue and proposed utilisation of proceeds)	(C)	6.70
Increase in the pro forma combined NA per Share to existing shareholders (after the Public Issue and utilisation of proceeds)	(C – B)	3.03
Dilution in the pro forma combined NA per Share to new investors	(A – C)	16.30
Dilution in the pro forma combined NA per Share to new investors as a percentage of the IPO Price		70.87%

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Shareholders	No. of Shares received⁽¹⁾	Total consideration	Average effective cost per Share
		RM	RM
Mo Guopiao	294,162,500	11,766,500	0.04
Silver Line Capital	121,250,000	4,850,000	0.04
He Haibin	115,412,500	4,616,500	0.04
Saranjit Wang	5,750,000	230,000	0.04
Capital Pairing ⁽²⁾	50,950,000	2,038,000	0.04

Notes:

- (1) Based on the number of Shares held by our existing shareholders after the Acquisition of Vine Growth Holdings and the Share Split, but before the Public Issue.
- (2) On 1 December 2021, Capital Pairing became a substantial shareholder of Bai Li Holdings upon the acquisition of 254,306 ordinary shares in Bai Li Holdings for the total cash consideration of THB 25,430,600. Capital Pairing invested in Bai Li Holdings taking into consideration the growth and investment potential of Bai Li Enterprise. For further information relating to Capital Pairing, please refer to Section 5.1.2 of this Prospectus.

Save as disclosed above and the Pink Form Allocations to our eligible Directors and key senior management, there has been no acquisition or subscription of any of our Shares by our Promoters, Directors, key senior management, substantial shareholders and/or persons connected to them, or any transactions entered into by them which grants them the right to acquire any of our existing Shares, from the date of our incorporation to the date of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.9 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.9.1 Brokerage fee

We will pay the brokerage at the rate of 1.00% on the IPO Price in respect of successful applications for the Balloting Shares bearing the stamp of TA Securities, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or Issuing House. The brokerage is subject to SST.

4.9.2 Underwriting commission

The Underwriter has entered into the Underwriting Agreement on 12 December 2022 with our Company for the underwriting of the 36,000,000 Balloting Shares. We will pay our Underwriter an underwriting commission at the rate of 3.00% of the total value of the Balloting Shares based on the IPO Price. The underwriting commission is subject to SST.

4.9.3 Placement fee

We will pay the Placement Agent, a placement fee at the rate of up to 2.50% of the value of the 78,600,000 Public Issue Shares reserved for private placement (being the number of Public Issue Shares reserved for private placement multiplied by the IPO Price). The placement fee is subject to SST.

The placement fee at the rate of up to 2.50% will be incurred on the sale of up to 124,600,000 Offer Shares and to be fully borne by the Offerors.

4.10 UNDERWRITING ARRANGEMENT

We have entered into the Underwriting Agreement with the Underwriter where the Underwriter has agreed to underwrite 36,000,000 Balloting Shares under the Public Issue in the manner set out in Section 4.3.4(i) of the Prospectus. Details of the underwriting commission are further set out in Section 4.9.2 of this Prospectus.

The summary of the salient terms of the Underwriting Agreement which may allow the Underwriter to withdraw from their obligations under the Underwriting Agreement after commencement of the IPO are as follows. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement:

Pursuant to Clause 12.1 of the Underwriting Agreement, notwithstanding anything contained in the Underwriting Agreement, the Underwriter may by notice in writing to the Company given at any time before the Closing Date or the Extended Closing Date, as the case may be, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:

- (a) the approval of Bursa Securities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriter;*
- (b) there is any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such reasonable number of days as stipulated in the notice given to the Company;*
- (c) there is a material failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;*
- (d) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to*

4. DETAILS OF OUR IPO (CONT'D)

have, a material adverse effect on the business or operations of the Group, the Public Issue or Listing, or the distribution or sale of the Public Issue Shares;

- (e) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group;*
- (f) *the Listing does not take place within three (3) months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter;*
- (g) *the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market of Bursa Securities due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the Public Issue or Listing, or the distribution or sale of the Public Issue Shares;*
- (h) *a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:*
 - (i) *on or after the date of the Underwriting Agreement; and*
 - (ii) *prior to the close of the offering of the Public Issue,*

lower than 85% of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or

- (i) *there shall have occurred, or happened any of the following circumstances: -*
 - (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
 - (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole or the Public Issue or Listing which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

"Closing Date" *means the last date and time for the receipt of applications and payment for the Public Issue Shares in accordance with the Prospectus or such later date as the Company and the Underwriter may mutually agree upon;*

"Extended Closing Date" *means the extended closing date for the receipt of applications and payment for the Public Issue Shares pursuant to the Public Issue which will be notified in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia.*

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters and substantial shareholders' shareholdings

The details of our Promoters and substantial shareholders and their respective shareholdings in our Company before and after the IPO are as follows:

Name	Country of incorporation / Nationality	Before the IPO ⁽¹⁾				After the IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>									
Mo Guopiao	Singaporean	294,162,500	50.07	121,250,000 ⁽⁵⁾	20.64	200,562,500	28.16	121,250,000 ⁽⁵⁾	17.03
Silver Line Capital ⁽³⁾	Malaysia	121,250,000	20.64	-	-	121,250,000	17.03	-	-
He Haibin	Chinese	115,412,500	19.64	-	-	84,412,500	11.85	-	-
<u>Promoter</u>									
Saranjit Wang	Thai	5,750,000	0.98	-	-	5,750,000	0.81	1,000,000 ⁽⁶⁾	0.14
<u>Substantial shareholder</u>									
Capital Pairing ⁽⁴⁾	Singapore	50,950,000	8.67	-	-	50,950,000	7.15	-	-
Besanger Serge Pierre	French	-	-	50,950,000 ⁽⁷⁾	8.67	-	-	50,950,000 ⁽⁷⁾	7.15

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) *Based on the Company's issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split as set out in Section 6.3 of this Prospectus. Prior to that, our Group undertook a Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2 of this Prospectus.*
- (2) *Based on the Company's enlarged issued share capital of 712,125,000 Shares after the Public Issue and the Offer for Sale.*
- (3) *The sole shareholder of Silver Line Capital is Mo Guopiao, our Promoter, substantial shareholder, CEO and Executive Director.*
- (4) *The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.*
- (5) *Deemed interested by virtue of his shareholding in Silver Line Capital pursuant to Section 8(4) of the Act.*
- (6) *Deemed interested by virtue of her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Act, assuming he fully subscribes for the Pink Form Shares allocated to him.*
- (7) *Deemed interested by virtue of his shareholding in Capital Pairing pursuant to Section 8(4) of the Act.*

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Company.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

Mo Guopiao

Singaporean, aged 41

Promoter, substantial shareholder, CEO and Executive Director

Mo Guopiao is our CEO and Executive Director. He currently resides in Singapore. He was appointed as the director of Wellspire upon its incorporation on 6 August 2021. He graduated with a Bachelor of Science (major in Applied Chemistry – Modern Merchandise Testing Technology, Urban Environmental Testing) degree from Shantou University, China in June 2004. He completed the Marketing Management Programme from NUS Business School, Singapore in November 2010. He then obtained his Master of Science in Technopreneurship & Innovation from Nanyang Technological University, Singapore in June 2018. He has more than 12 years of experience in business management and investment field.

In August 2004, he began his career in Shantou Yongtu Technology Co., Ltd., a company principally involved in website and software development as a sale representative responsible for telemarketing and maintaining clients' relationships. He left in October 2006 and joined Shenzhen JuCheng Management Consulting Co., Ltd., a management consulting and advisory firm in China as Sales Manager in December 2006 responsible for leading the sales team to achieve the annual goal.

In December 2008, he left JuCheng Management Consulting Co., Ltd. and joined Golden Mango International Technology Co. Inc., a company principally involved in software development and information technology consultancy in Philippines in February 2009 as Marketing Director responsible for design and implementation of comprehensive marketing strategies plan for the greater China area, overall marketing progress monitoring and preparation of performance reports. In March 2011, he left Golden Mango International Technology Inc. and joined Gosstech Pte. Ltd., a company principally involved in development of software and applications in April 2011. He was the Managing Director responsible for developing and executing the company's strategies, and overseeing the company's operation and financial performance. He was subsequently appointed to the board of directors of Gosstech Pte. Ltd. in May 2012 and resigned from the said board of directors in May 2021. He then left Gosstech Pte. Ltd. as Managing Director in September 2021.

In December 2017, he founded Good Partner Holdings Pte. Ltd., an investment holding company of shares and property where he was appointed as an Executive Director and also senior advisor to evaluate investment projects to be undertaken by Good Partner Holdings Pte., Ltd.. He resigned as an Executive Director and senior advisor of Good Partner Holdings Pte. Ltd. in May 2021. In October 2018, he was appointed as Executive Director of Esim Plus Pte. Ltd., a company principally involved in provision of voice over internal protocol services where he was in charge of the operations of the company. He resigned as an Executive Director of Esim Plus Pte. Ltd. in September 2021.

In April 2020, he was appointed as a special advisor of the Infinite Growth Income Fund, a sub-fund of Nech VCC, a Singapore variable capital company, which in turn is being managed by Nech Capital Pte. Ltd., a fund management company in Singapore where he provides strategic input and recommendations relating to investment strategy and potential targets. As at the LPD, he is still the special advisor of Infinite Growth Income Fund, nevertheless, his time commitment as the special advisor is minimal and he will only provide advices based on the needs of the Infinite Growth Income Fund as and when required.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

He became a substantial shareholder of Bai Li Enterprise since October 2015. Since then, he has been instrumental in the growth and development of our business operations, product offerings and revenue streams. He initiated diversification of our product offerings including creation of our own brand of products, through offering new snack food brands comprising a third party brand, namely, Cundo brand layer cakes, as well as our brands namely Miyu chocolate snacks and biscuits and Mina brand dried fruits (which is in the midst of rebranding) for our Group to grow our customer base and revenue sources. He has taken an active interest in his investment in our Group, through meetings with the management to discuss on our Group's business and set strategic goals for our Group.

By leveraging on his business experience, expertise and business networks which were garnered over the years, he spearheaded our Group's e-commerce and online sales initiatives and monitored trends in the distribution of consumer packaged foods to grow the presence of our Group's brands. He has guided our Company to strategically expand our Group's product offerings and strengthening our Group's revenue sources to further drive profitability and operational efficiency.

In October 2021, he assumed the position as Executive Director and CEO of our Group, and started to be formally involved in the operations of our Group by providing strategic, financial, and operational leadership to our Group. His present duties also include designing, evaluating, and implementing various medium to long term growth strategies, driving and reviewing the business and revenue expansion initiatives of our Group, and providing oversight and management on the overall operational and finance and performance of our Group. In addition, he also provides strategic input on major corporate decision-making matters, including, but not limited to, potential mergers and acquisitions, or joint venture partnerships.

Notwithstanding that he currently resides in Singapore, he is able to discharge his executive role and responsibilities in our Group premised on the following:

- he makes regular physical visits to our Group's Thailand and Malaysia offices to actively oversee the implementation of his strategies and to review/ monitor the progress in a timely manner;
- he holds weekly virtual meetings with the senior management team of our Group comprising of the key senior management and the respective heads of department to discuss on the overall operations and management of the Group; and
- Wellspire Group's operations are entirely based in Thailand and is led by Saranjit Wang, the Managing Director of Bai Li Enterprise and Executive Director of our Group. The team in Thailand supports his strategic, financial and operational leadership.

He also holds directorships in several private companies, details of which are as set out in Section 5.2.3 of this Prospectus.

Silver Line Capital

Promoter and substantial shareholder

(a) Background and principal activities

Silver Line Capital was incorporated on 3 February 2022 in Malaysia under the Act as a private company limited by shares under its present name. The principal activity of Silver Line Capital is investment holding in shares. Silver Line Capital commenced its business operations on 9 March 2022. As at the LPD, Silver Line Capital is not holding any other investment, except for Wellspire Shares.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Silver Line Capital was incorporated by Mo Guopiao to hold his personal investments in Malaysia as part of his personal wealth management strategy.

(b) Share capital

As at the LPD, the share capital of Silver Line Capital is RM10,000 comprising of 10,000 ordinary shares.

(c) Directorship and shareholding

As at the LPD, Mo Guopiao is the sole Director and shareholder of Silver Line Capital.

He Haibin

Chinese, aged 39

Promoter and substantial shareholder

He Haibin, is our Promoter and substantial shareholder. He currently resides in Singapore. He completed his secondary education in Gannan County First Middle School, Heilongjiang province, Qiqihar City, Gannan, China in July 1998.

He started his career in August 2001 as a client services executive by joining Gannan Second Transportation Company in China which was principally involved in transportation and logistics business responsible for client relationship management. He was promoted to Operation Manager in August 2003 and in charge of the operation until December 2008. From January 2009 to May 2009, he was making relocation arrangements from China to Philippines and subsequently he joined Golden Mango International Technology Co. Inc., a company principally involved in software development and information technology consultancy in Philippines as a Business Development Assistant Manager in June 2009. He was responsible for developing various growth strategies focused on revenue growth and building clients' satisfaction. He left Golden Mango International Technology Co. Inc. in March 2012 and joined Wall Street Accounting and Business Solutions, Inc., a company principally involved in accounting and business consultancy service in Philippines as a Business Development Director in April 2012 responsible for servicing and developing clients from China. He left Wall Street Accounting and Business Solutions, Inc. in December 2017. He then relocated to Singapore and was settling down his family from January 2018 to July 2018.

In August 2018, he joined Piggy Technology Pte. Ltd., a company principally involved in development of software and applications in Singapore as a General Manager where he is in charge of managing the overall operations of the company.

Since October 2015, he became a substantial shareholder of Bai Li Enterprise, one of the subsidiaries of Wellspire. He is not involved in the management or operations of Bai Li Enterprise. Nevertheless, he has provided financial support (loans and advances) to our Group together with Good Partner Holdings Pte. Ltd., Mo Guopiao, Saranjit Wang and Piggy Technology Pte. Ltd., as working capital so that our Group may achieve further growth.

In 2020, he also provided specific consultancy services, i.e., exploring potential new market in China and sourcing of new products and developing new customers for the Singapore market, to Bai Li Enterprise. His engagement for the above services was only for a period of 12 months which ceased on 31 December 2020.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Saranjit Wang

Thai, aged 42

Promoter and Executive Director

Saranjit Wang, is our Executive Director as well as our Managing Director of Bai Li Enterprise. She currently resides in Thailand. She was appointed to our Board as Executive Director on 1 March 2022. In March 2020, she obtained her higher vocational certificate (major in Accounting) from the Inter Asia Technological College, Thailand.

Upon completion of her secondary education at Bangkok Non-Formal Education Center 4, Thailand in March 2001, she started her career as an entrepreneur where she was involved in food service by selling food seasoning and food paste to the local restaurants, retail business of fashion garments and local trading of dried fruits and dried fish businesses. She believes that these past business experience has groomed her to be more determined and decisive while managing business operations.

In January 2007, she founded Bai Li Enterprise and as the Managing Director of Bai Li Enterprise, her role and responsibilities in Bai Li Enterprise were managing Bai Li Enterprise and its business growth direction. She has been instrumental in the expansion of the business of Bai Li Enterprise over the past 15 years. She has approximately 20 years of experience in consumer packaged goods industry.

Currently, as the Managing Director of Bai Li Enterprise and Executive Director of our Group, her role remains the same as she continues to oversee our Group's overall management and business growth direction in Thailand. Her duties include overseeing the leadership team in Thailand as well as overseeing the sourcing of new products and distributions in Thailand market, and building relationship with customers. Her additional role and responsibilities also include reporting to the CEO and the Board of Directors of our Company.

She also holds directorships in several private companies, details of which are as set out in Section 5.2.3 of this Prospectus.

Capital Pairing

Substantial shareholder

(a) Background and principal activities

Capital Pairing was incorporated on 19 August 2016 in Singapore under the Singapore Companies Act as a private company limited by shares under its present name. The principal activity of Capital Pairing is provision of management consultancy services.

(b) Share capital

As at the LPD, the share capital of Capital Pairing is SGD100,002 comprising of 100,002 ordinary shares.

(c) Directorship and shareholding

As at the LPD, the Directors and shareholders of Capital Pairing are as follows:

Directors	Nationality
Besanger Serge Pierre	French
Chen Mingsen	Singaporean

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Shareholders	Nationality	No. of shares	%
Besanger Serge Pierre	French	100,002	100.00
		100,002	100.00

Besanger Serge Pierre was introduced to Mo Guopiao (in Mo Guopiao's capacity as special advisor to Infinite Growth Fund) and Mo Guopiao invited Besanger Serge Pierre to invest in our Group via Capital Pairing. There is no family relationship and/or association between Besanger Serge Pierre and Mo Guopiao.

On 1 December 2021, Capital Pairing acquired 254,306 ordinary shares in Bai Li Holdings from Saranjit Wang for a purchase consideration of THB25,430,600. In consideration of the acquisition of 254,306 ordinary shares in Bai Li Holdings by Vine Growth Holdings from Capital Pairing for a purchase consideration of SGD1,058,000, 1,058,000 ordinary shares in Vine Growth Holdings were allotted to Capital Pairing on 9 December 2021.

On 29 November 2022, 2,038,000 Wellspire Shares were allotted to Capital Pairing for the acquisition of 1,058,000 ordinary shares in Vine Growth Holdings by Wellspire from Capital Pairing for a purchase consideration of RM2,038,000 pursuant to the Acquisition of Vine Growth Holdings.

Besanger Serge Pierre

French, aged 59

Substantial shareholder

Besanger Serge Pierre, is our substantial shareholder. He currently resides in Singapore. He earned his Master of Business Administration from ESSEC Business School, Paris, France in June 1984. He also obtained a Doctor of Philosophy in Applied Mathematics from Sorbonne University, Paris, France in November 1998. He completed the Cybersecurity Executive Program organized by Massachusetts Institute of Technology in February 2021. He has authored International Monetary Fund ("IMF") papers and advised government regulators on banking and finance regulations as well as risk scoring for bank.

From April 1984 to August 1984, he was a Risk Management Officer with Bank of Boston, United States focusing on lending to Tech Small and Medium Enterprises in Europe. From September 1984 to February 1992, he served as CEO for the Indo-Pacific Region and Managing Director at Leroy-Somer SEA, a subsidiary of Emerson Electric Inc. which is a technology and engineering company providing innovative solutions for customers in industrial, commercial and residential markets.

In March 1992, he served as Group Managing Director of Guinault S.A., an aviation and aerospace component manufacturing company in France where he was responsible for rationalizing production, spearheading new products and penetrating new markets. He then left in July 1998 to join Singapore Regional Training Institute ("STI") as Acting Director until December 2001. STI is the IMF's regional training center for the Asia and Pacific region.

In between 1996 up till today he took up various appointments as professor/ affiliate professor/ adjunct professor of strategy and/or economic environment of various educational institutions such as ESSEC Business School, France from February 1996 to May 2010, HEC Paris Business School, France from February 1997 to June 2011, CEDS (an accredited postgraduate school in Paris, France) from September 2000 to December 2008, Ecole Européenne d'Intelligence Economique, France from September 2006 to April 2011 and EDHEC Business School, Singapore from December 2009 to June 2011. He was also appointed as an Online Campus Director, Laureate Europe of Laureate International Universities, France from March 2011 to April 2017.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Since October 2012, he has been the Chief Investment Officer of International Business Capital Pte. Ltd., a company principally involved in providing business consultancy and management consultancy services. As the Chief Investment Officer, he directs and implements the growth strategy and investment of the company.

He was a Program Director of the Certificate of Advanced Studies in Corporate Governance at Sciences Po Executive Education in France between January 2013 and October 2018.

Since April 2022, he was appointed as CEO and Principal Officer of Newman Trust Investment Bank Ltd., an investment bank specialising in corporate finance and advance market advisory services where he manages the overall operation of Newman Trust Investment Bank Ltd.

Since 2011 up till today, he has been a board/ committee member of various public and private companies and foundation such as Leroy Somer Foundation (a family foundation that is a shareholder in the Leroy-Somer group) from October 2011 to December 2019, Ataway S.A.S. (a utility system construction company in France principally involved in design, manufacture of green hydrogen refuelling stations) from December 2015 to March 2021, GrandVintage (an internet publishing company in Italy) since September 2018, the European Institute of Innovation and Technology (an independent body of the European Union set up to deliver innovation across Europe) since December 2015, IBC Assets Berhad (an investment holding company principally involved in managing in-house fund) since December 2018, and the Cleantech Business Angels which invests in cleantech startups since March 2013.

Currently, he is also a Senior Consultant with the IMF since April 2021, a Professor of Finance at ESCE International Business School, Paris since September 2011, and a member of the Saclay Innovation Jury which is a jury for offshoots from Polytechnique, Centrale-Supélec, ENS Paris-Saclay, CEA-List, and Air Liquide R&D center to industrialize hydrogen, solar, and other cleantech ventures in France since April 2015.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in shareholdings of our Promoters and substantial shareholders since incorporation

Save as disclosed below, there are no other changes in the shareholdings of our Promoters and substantial shareholders since our incorporation on 6 August 2021 up to after the IPO:

Name	As at incorporation date				After the Acquisition of Vine Growth Holdings and as at the LPD ⁽¹⁾				After IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>												
Mo Guopiao	10,000	100.00	-	-	294,162,500	50.07	121,250,000 ⁽⁵⁾	20.64	200,562,500	28.16	121,250,000 ⁽⁵⁾	17.03
Silver Line Capital ⁽³⁾	-	-	-	-	121,250,000	20.64	-	-	121,250,000	17.03	-	-
He Haibin	-	-	-	-	115,412,500	19.64	-	-	84,412,500	11.85	-	-
<u>Promoter</u>												
Saranjit Wang	-	-	-	-	5,750,000	0.98	-	-	5,750,000	0.81	1,000,000 ⁽⁶⁾	0.14
<u>Substantial shareholder</u>												
Capital Pairing ⁽⁴⁾	-	-	-	-	50,950,000	8.67	-	-	50,950,000	7.15	-	-
Besanger Serge Pierre	-	-	-	-	-	-	50,950,000 ⁽⁷⁾	8.67	-	-	50,950,000 ⁽⁷⁾	7.15

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) *Based on the Company's issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split as set out in Section 6.3 of this Prospectus. Prior to that, our Group undertook a Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2 of this Prospectus.*
- (2) *Based on the Company's enlarged issued share capital of 712,125,000 Shares after the Public Issue and the Offer for Sale.*
- (3) *The sole shareholder of Silver Line Capital is Mo Guopiao, our Promoter, substantial shareholder, CEO and Executive Director.*
- (4) *The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.*
- (5) *Deemed interested by virtue of his shareholding in Silver Line Capital pursuant to Section 8(4) of the Act.*
- (6) *Deemed interested by virtue of her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Act, assuming he fully subscribes for the Pink Form Shares allocated to him.*
- (7) *Deemed interested by virtue of his shareholding in Capital Pairing pursuant to Section 8(4) of the Act.*

As at the LPD, our substantial shareholders and our Promoters have the same voting rights with each other. After the IPO, our substantial shareholders and our Promoters will have the same voting rights with the other shareholders of Wellspire. There is no arrangement between Wellspire and its shareholders with any other third parties which may, at a subsequent date, result in a change of control of our Group. Save as disclosed above, we confirm that there are no persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.4 Amounts/ benefits paid or intended to be paid or given to any Promoters or substantial shareholders

Save for the dividends paid or proposed to be paid, if any, to our Promoters and substantial shareholders as set out in Section 12.4 of this Prospectus and the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and substantial shareholders for services rendered to our Group in all capacities for the FYE 2020 and FYE 2021 as set out in Section 5.2.4 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**5.2 BOARD OF DIRECTORS****5.2.1 Directors' shareholdings**

The Directors' shareholdings in our Company as at the LPD, before and after the IPO are as follows:

Name	Designation	As at the LPD/ Before the IPO ⁽¹⁾				After the IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	Independent Non-Executive Chairman	-	-	-	-	700,000 ⁽³⁾	0.10	-	-
Mo Guopiao	CEO/ Executive Director	294,162,500	50.07	121,250,000 ⁽⁴⁾	20.64	200,562,500	28.16	121,250,000 ⁽⁴⁾	17.03
Saranjit Wang	Executive Director	5,750,000	0.98	-	-	5,750,000	0.81	1,000,000 ⁽⁵⁾	0.14
Kua Chin Teck	Executive Director	-	-	-	-	700,000 ⁽³⁾	0.10	-	-
Tang Yuen Kin	Independent Non-Executive Director	-	-	-	-	350,000 ⁽³⁾	0.05	-	-
Fazidah Bt Zakaria	Independent Non-Executive Director	-	-	-	-	480,000 ⁽³⁾	0.07	-	-
Yang Shing Sing	Independent Non-Executive Director	-	-	-	-	700,000 ⁽³⁾	0.10	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) *Based on the Company's issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split as set out in Section 6.3 of this Prospectus. Prior to that, our Group undertook a Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2 of this Prospectus.*
- (2) *Based on the Company's enlarged issued share capital of 712,125,000 Shares after the Public Issue and the Offer for Sale.*
- (3) *Assuming he or she fully subscribes for the Pink Form Shares allocated to him or her.*
- (4) *Deemed interested by virtue of his shareholding in Silver Line Capital pursuant to Section 8(4) of the Act.*
- (5) *Deemed interested by virtue of her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Act, assuming he fully subscribes for the Pink Form Shares allocated to him.*

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.2 Profiles of Directors

Other than the profiles of Mo Guopiao and Saranjit Wang which have been set out in Section 5.1.2 above, the profiles of our Directors are set out below:

YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah
Malaysian, aged 37
Independent Non-Executive Chairman

YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah was appointed as our Independent Non-Executive Chairman on 15 March 2022. He currently resides in Malaysia.

He graduated with a Bachelor of Business (Accounting) degree from Swinburne University of Technology, Melbourne, Australia in December 2009.

Since 2010 up till today, he has been a director of various public and private companies. In December 2011, he was appointed as an Executive Chairman of Unitab Medic Sdn. Bhd. (now known as FOMEMA Global Sdn. Bhd.), a company principally engaged in the supervision, monitoring and quality control of laboratories in the medical examination of foreign workers in Malaysia. He was also an Independent Non-Executive Director of Eduspec Holdings Berhad, a public company listed on the ACE Market from 2014 to 2017.

Throughout the years, he has a background in strategic planning, specialising in health-related, e-commerce and information technology businesses. He has been the Executive Chairman of FOMEMA Sdn. Bhd., which operates a foreign workers' medical examination screening system in Peninsular Malaysia since July 2016 where he oversees the operations of the company. He is also an Executive Director of Bookdoc Holdings Berhad, which operates a mobile application connecting patients with medical professionals since March 2019.

He has also throughout his career accumulated experience in dealing with multinational companies while providing guidance and support in the companies where he is a member of the board of directors.

Presently, he is an Independent Non-Executive Director of Central Global Berhad, a public company listed on the Main Market of Bursa Securities principally involved in manufacturing and construction and Independent Non-Executive Chairman of Ditrolic Energy Holdings Sdn. Bhd., a renewable energy holding company. He also holds directorship in several private companies, details of which are as set out in Section 5.2.3 of this Prospectus.

Kua Chin Teck
Malaysian, aged 40
Executive Director

Kua Chin Teck is our Executive Director. He currently resides in Malaysia. He was appointed to our Board on 1 March 2022.

He graduated with a Bachelor of Business (Accountancy) degree from RMIT University, Australia in September 2004. Kua Chin Teck is a member of the Certified Practising Accountants, Australia since January 2005. He has more than 18 years of experience in the areas of audit, financial reporting, corporate finance and corporate development.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Kua Chin Teck started his career in October 2004 as an audit associate at Ernst & Young, a financial and audit services firm in Malaysia and was responsible for audit planning and fieldwork. In December 2006, he left Ernst & Young, Malaysia and joined Deloitte & Touche, a financial and audit services firm in Singapore as an audit assistant in the same month. He has worked on numerous initial public offering and financial audit engagements.

He then left in February 2008 to join Otto Marine Limited, a company principally involved in an offshore marine group engaged in shipbuilding, ship repair and conversion and ship chartering as a Finance Manager in March 2008 and was responsible for all finance related matters including amongst others, reviewing group consolidation accounts, financial report for management, preparing projected cash flow and forecast for the group. During his employment with Otto Marine Limited, he was involved in the initial public offering exercise undertaken by the company and has implemented the group reporting structure and procedure for the company post listing.

In September 2012, he left Otto Marine Limited and joined Swiber Corporate Services Pte. Ltd. (now known as Swiber Corporate Pte. Ltd.), a subsidiary of Swiber Holdings Limited which is principally involved in integrated offshore construction and support service provider for shallow water oil and gas field development as a Regional Finance Manager in October 2012 and was responsible for regional corporate finance activities among the group. In September 2015, he was then promoted to the position of Associate Director, Corporate Finance. He was involved in various corporate exercises such as rights issue, issuance of medium-term notes and disposal exercises.

After he left Swiber Holdings Limited in August 2016, he continued his career with Vallianz Corporate Services Pte. Ltd., a subsidiary of Vallianz Holdings Limited which is principally involved in offshore marine business in October 2016 as a Director of Treasury & Corporate Development Department. He led the finance department and restructured the financial position of the group. He then left Vallianz Holdings Limited in March 2019.

In May 2019, he was appointed as the Group Corporate Services Director of Widad Business Group Sdn. Bhd., a company principally involved in construction, facility management, property development, education, hospitality and defence industry. He was responsible for reorganisation of the group including strategic acquisition. He left Widad Business Group Sdn. Bhd. in September 2021.

He joined our Group in October 2021 as Head of Corporate and was responsible for corporate strategy and corporate development of our Group. In March 2022, he was appointed as our Executive Director responsible for corporate strategy and corporate development of our Group.

He also holds directorship in several private companies, details of which are as set out in Section 5.2.3 of this Prospectus.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Tang Yuen Kin

Malaysian, aged 51

Independent Non-Executive Director

Tang Yuen Kin was appointed as our Independent Non-Executive Director on 15 March 2022. He currently resides in Malaysia. He is the Chairperson of our Audit Committee. He is also the member of our Risk Management Committee, and Nominating and Remuneration Committee.

He graduated with a Bachelor of Accounting (First Class Honours) degree from the University of Malaya, Malaysia in August 1995. He obtained his Master of Business Administration (Banking & Finance) ("MBA") from Nanyang Technological University, Singapore ("NTU") in August 2000. He also obtained his Master of Law Executive (Business Law) from International Islamic University Malaysia in August 2006. He has been a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants since July 2000 and May 2015 respectively. He has more than 23 years of experience in the areas of audit, accounting and finance, corporate finance and corporate planning.

He began his career in May 1995 as an Audit Assistant with Price Waterhouse (now known as PricewaterhouseCoopers PLT) ("PW") where he was involved in audit works mainly for public listed and multi-national companies. He was promoted to the position of Audit Senior in January 1997. He then left PW in October 1997 and joined the SC in November 1997 as an Executive Officer in the Securities Issues Department. During his tenure with the SC, he was involved in evaluating and assessing corporate proposals, such as initial public offerings, restructurings, rights issues and other fund-raising proposals undertaken by public companies. He was also involved in compliance monitoring.

He took a sabbatical leave from the SC in October 1998 to pursue his MBA at NTU and re-joined the SC in March 2000. He then left the SC in November 2004 as a Senior Executive Officer and joined KPMG Corporate Services Sdn Bhd as a Principal Consultant in the same month where he was involved in providing clients with corporate finance advisory services in areas such as valuations, financial modelling, mergers and acquisitions, initial public offerings and other corporate exercises. In September 2005, he was transferred to KPMG Corporate Advisory Sdn Bhd and was subsequently promoted to the position of Director, Corporate Finance.

In January 2008, he left KPMG Corporate Advisory Sdn Bhd and co-founded MainStreet Advisers Sdn Bhd ("MainStreet Advisers"). As an Executive Director of MainStreet Advisers, he provided corporate finance advisory services to clients mainly in the areas of initial public offerings and restructuring. Subsequently, he joined AmlInvestment Bank Berhad ("AmlInvestment Bank") in January 2010 as an Associate Director in its Corporate Finance Department. During his tenure with AmlInvestment Bank, he was involved in providing advisory services to clients mainly for initial public offerings, in areas such as structuring, project management, co-ordination, execution and implementation of listing proposals. He then left AmlInvestment Bank in September 2011.

In January 2012, he joined ZJ Advisory Sdn Bhd as a Director, where he continued to provide corporate finance advisory services to clients. Thereafter, he joined Alliance Investment Bank Berhad ("Alliance Investment Bank") in May 2012 as Vice President in its Capital Market – Origination Department. During his tenure with Alliance Investment Bank, he was re-designated to the position of Vice President, Head in the Capital Market – Equity Execution Department in April 2013 and then promoted to the position of Senior Vice President, Head in the same department in October 2013. In these roles, he administered and managed the running of the Capital Market – Equity Execution Department, comprising the overall management and execution of corporate finance mandates for, among others, initial public offerings, independent advice and listing sponsorships.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

He was also in charge of the department's risk management, liaising with clients and regulators on the execution of secured mandates, staff management and development and overall office administration.

In August 2014, he left his tenure in corporate finance/ investment banking advisory services and joined Sasbadi Holdings Berhad ("SHB"), an education solutions provider as a Group CFO in November 2014. As the Group CFO of SHB, he was responsible for overseeing financial, accounting and tax management and reporting functions, risk management and internal control system, corporate planning, legal matters and investor relations activities of SHB and its group of companies. He left SHB in April 2018 and joined Artius Dental Sdn Bhd ("Artius Dental"), a company providing dental care and other related services in May 2018 as a Group CFO for a short period of time. He then left to join Dancomech Holdings Berhad, a company principally involved in the trading and distribution of process control equipment, measurement instruments and industrial pumps as its Group CFO in November 2018. In his present position with Dancomech Holdings Berhad, his job responsibilities are similar to those undertaken by him in SHB.

Presently, he is also an Independent Non-Executive Director of SHB, a public company listed on the Main Market of Bursa Securities and an Independent Non-Executive Chairman of Powerwell Holdings Berhad, a public company listed on the ACE Market. He also holds directorships in several private companies, details of which are set out in Section 5.2.3 of this Prospectus.

Fazidah Bt Zakaria

Malaysian, aged 54

Independent Non-Executive Director

Fazidah Bt Zakaria was appointed as our Independent Non-Executive Director on 15 March 2022. She currently resides in Malaysia. She is the Chairperson of our Risk Management Committee. She is also the member of our Audit Committee, and Nominating and Remuneration Committee.

She graduated with a Bachelor of Arts in Accounting and Financial Management degree from the University of Essex, United Kingdom in July 1991. She completed the ASEAN Senior Management Development Program organised by Harvard Business School Alumni Club of Malaysia in August 2017. She has more than 27 years of experience in capital market, corporate finance, Islamic banking, corporate strategy, project management, strategic planning and communications.

After graduation, she started her career in Ministry of Finance, Malaysia as an Assistant Director of Unit Pengurusan Kewangan in August 1991 where she was responsible for monitoring the successful implementation of government financial systems. In March 1993, she left the Ministry of Finance, Malaysia and joined the SC as an Executive in the Issues & Investment Division in April 1993 and was subsequently promoted to Senior Executive where she was involved in reviewing and recommending corporate proposals, such as initial public offerings, mergers and acquisitions, fund-raising exercise and issue of debt securities undertaken by public listed companies. In December 2001, she was transferred to Corporate Affairs, Chairman's Office where she was involved in managing stakeholders and industry development.

In September 2007, she left the SC and joined Kuwait Finance House (Malaysia) Berhad, a foreign Islamic bank as a Manager of Communications & Public Relations Department in the same month. She was subsequently promoted to Senior Manager/ Acting Head of the Department where she handled issues management in major deals and developed communication plans to manage negative perceptions impacting bank's credibility and foreign investments in Malaysia. She also devised a strategy and rolled out Corporate Social Responsibility programmes to support the critical needs of the community in consultation with the bank's Charity Fund Committee.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In December 2011, she left Kuwait Finance House (Malaysia) Berhad and joined Aliran Ihsan Resources Berhad, a private water company in March 2012. As the Head of Corporate Affairs Department, she spearheaded various corporate exercise including the delisting and capital reduction of the company and managed the regulatory compliance matters. She was then transferred to MMC Corporation Berhad (the holding company of Aliran Ihsan Resources Berhad), which is an infrastructure and utility company listed on Main Market of Bursa Securities as a Senior Manager, Group Strategy & Corporate Affairs in March 2013. During her tenure with MMC Corporation Berhad, she led the establishment of full-scale corporate affairs department for its group of companies including alignment of planning, activities and budget for all strategic issues management, corporate communications, branding and corporate social responsibility at group level.

She decided to leave MMC Corporation Berhad in April 2015 and took up the role of the Head, Corporate Strategy & Risk of Proton Parts Centre Sdn Bhd, a member of Proton Holdings Berhad group of companies in May 2015. She instituted monthly performance reviews to identify and resolve auto parts delivery issues. She was also responsible for identifying the top risks of the company and specifying mitigation plans for respective business sections. She then left to join CCM Chemicals Sdn Bhd ("CCM Chemicals"), a chemical manufacturing company as Head of Corporate & Strategy Department in January 2016.

During her tenure with CCM Chemicals, she was entrusted with the tasks covering strategic direction and key project implementation of the company. She had formulated corporate performance monitoring for the company and revamped the risk management plan to align with key performance indicators and overall top business risks. She was also involved in identifying, evaluating and executing growth opportunities through mergers and acquisitions, joint venture and partnerships for the organisation. She took up the Employee Separation Scheme offered by CCM Chemicals in August 2021.

In October 2021, she joined Kuala Lumpur Kepong Berhad, a company principally involved in oil palm plantation as the Senior Manager of Corporate Communications responsible for internal and external communication and government relations. She then left the company in August 2022 and is presently taking a career break.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Yang Shing Sing

Malaysian, aged 34

Independent Non-Executive Director

Yang Shing Sing was appointed as our Independent Non-Executive Director on 15 March 2022. She currently resides in Malaysia. She is the Chairperson of our Nominating and Remuneration Committee. She is also the member of our Audit Committee and Risk Management Committee.

She obtained her Diploma in Business Administration from Southern College, Malaysia in May 2010. She was certified as an internal auditor for the ISO 9001:2008 in May 2014, a lead auditor for the ISO 9001:2015 in April 2016 and an internal auditor for the ISO 14001:2015 in November 2017. She was also certified as a Train-The-Trainer certified trainer by Pembangunan Sumber Manusia Berhad and Brownland HRResources Sdn Bhd in October 2017. She has approximately 10 years of experience in the field of business consultation and management services on the ISO standards. She was awarded the recipient of the Top Emerging Leader of the Year 2019 by Des Prix Infinitus Media for her dedication in entrepreneurial and strong leadership skills.

In October 2011, she started her career in Loyal Reliance Pte. Ltd., a company principally involved in provision of business consultancy and training services as a Corporate Relationship Officer responsible in maintaining a good relationship and communications with the banks. In September 2012, she left Loyal Reliance Pte. Ltd. and joined Loyal Reliance Sdn. Bhd., a company principally involved in provision of business management consultancy services for information technology as a Personal Assistant to Managing Director in November 2012. She was promoted to General Manager in January 2013 responsible for overseeing the daily business activities, strategizing to improve the overall business functions, developing and implementing the operational policies and strategic plan, and providing ISO consultancy works to clients. She left Loyal Reliance Sdn. Bhd. in December 2016.

In January 2017, she was appointed as a Business Development Director of WBU International Sdn. Bhd., a company principally involved in provision of business solution and advisory services and she was responsible for overseeing the strategic development, marketing initiatives and implementing better business practices for the company.

In August 2018, she took up the role as the COO of IBC Assets Sdn. Bhd. (now known as IBC Assets Berhad), an investment holding company principally involved in managing in-house fund and she was responsible for refining and structuring the management reporting structure and overseeing and managing the internal audit procedures for ISO standards. She was then appointed as a COO of International Business Capital Sdn Bhd (the holding company of IBC Assets Sdn Bhd), a company principally involved in providing business advisory in January 2019. She is responsible for designing and implementing business operations and protocols for productivity and efficiency, establishing standard operating policies that promote the company's culture and vision, and overseeing general operations of the company and the overall performance of employees. Currently, she oversees the operations of both IBC Assets Berhad and International Business Capital Sdn. Bhd. as mentioned above.

Since March 2021, she has been the Executive Director of Newman Trust Investment Bank Ltd., an investment bank specializing in corporate finance and advance market advisory services and she oversees the origination and execution of end-to-end private equity, mergers and acquisitions and structured finance transactions.

She also holds directorships in several private companies, details of which are set out in Section 5.2.3 of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Principal directorships and principal business activities outside of our Group

Save as disclosed below, none of our Directors have any principal business activities performed outside of our Group as at the LPD and the principal directorships in any other corporations outside of our Group for the past 5 years prior to the LPD:

(i) YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
Central Global Berhad ⁽¹⁾	Investment holding of non-listed shares of its subsidiaries principally involved in manufacturing and sales of self-adhesive label stocks and tapes, trading of adhesive tapes, and contractor of building and infrastructure and trading of building materials	Independent Non-Executive Director	24 June 2021	-	-	-
3S Malaysia Sdn. Bhd.	Personal development and motivational course	Non-Executive Chairman and Shareholder	1 January 2022	-	-	38.00 ⁽²⁾
3S Psychology Sdn. Bhd.	Provision of human health services and human resource consultancy services	Executive Chairman and Shareholder	1 January 2022	-	-	38.00 ⁽²⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Arkose Sdn. Bhd.	To engage in the business activity as the agent and provide consultation services, to carry on business in consultation for information technology (IT) and act as IT service provider and investment holdings of potential business	Shareholder	-	-	51.00	-
Barisan Sistem Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in foreign workers medical screening	Executive Chairman and Shareholder	1 June 2020	-	-	100.00 ⁽²⁾
BGP Group Sdn. Bhd.	Construction of roads, railways and buildings	Non-Executive Director and Shareholder	23 October 2019	-	34.00	-
Bookdoc Holdings Berhad	Investment holding of shares of its subsidiaries principally involved in provision of digital health technology solution	Non-Executive Director and Shareholder	29 March 2019	-	2.25	-
Bumien Properties Sdn. Bhd.	General contractor	Non-Executive Director and Shareholder	2 March 2021	-	40.00	-
Cantilever Bumi – BGP Group (JV) Sdn. Bhd.	Construction of roads, railways and buildings	Non-Executive Director and Shareholder	1 November 2019	-	-	25.00 ⁽³⁾
Cosmos Land Realty Sdn. Bhd.	Real estate activities with own or leased property	Executive Director and Shareholder	29 March 2017	-	99.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Ditrolc Energy Holdings Sdn. Bhd.	Holding company of non-listed shares of its subsidiaries principally involved in renewable energy	Independent Non-Executive Chairman	3 November 2021	-	-	-
EduTab International Sdn. Bhd.	Business in education college or academy, event management and general trading	Non-Executive Director and Shareholder	5 January 2016	-	25.00	-
FOMEMA Global Sdn. Bhd.	Principally engaged in the supervision, monitoring and quality control of laboratories in the medical examination of foreign workers in Malaysia and investment holding of shares of its subsidiaries principally involved in foreign workers medical screening	Executive Chairman and Shareholder	6 December 2011	-	-	100.00 ⁽⁴⁾
FOMEMA Haemodialysis Sdn. Bhd.	To establish and provide medical facilities, healthcare facilities, dialysis centre and facilities for the advancement of healthcare and education whether general, commercial, professional or technical	Executive Director and Shareholder	24 June 2019	-	-	100.00 ⁽⁴⁾
FOMEMA Holdings Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in foreign workers medical screening	Executive Director and Shareholder	6 January 2011	-	-	50.00 ⁽⁴⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
FOMEMA IOT Sdn. Bhd.	Provision of application technology services	Executive Director and Shareholder	1 June 2021	-	-	100.00 ⁽⁴⁾
FOMEMA Pharmaceuticals Sdn. Bhd.	To operate community pharmacy including retailing of pharmaceutical, healthcare and personal care products	Executive Director and Shareholder	14 August 2019	-	-	100.00 ⁽⁴⁾
FOMEMA Sdn. Bhd.	Monitoring the medical examinations of foreign workers in Malaysia	Executive Chairman and Shareholder	1 July 2016	-	-	75.00 ⁽⁴⁾
Goldenstep Sdn. Bhd.	Manufacturer and dealers in tiles and other building materials	Non-Executive Director and Shareholder	6 May 2022	-	100.00	-
Goodcare Equipment Sdn. Bhd.	Wholesale of office machinery and business equipment, except computers and computer peripheral equipment	Executive Director and Shareholder	29 November 2021	-	-	100.00 ⁽²⁾
ICLQ Sdn. Bhd.	Provision of information technology services	Non-Executive Director and Shareholder	1 October 2021	-	15.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Ilham Impiana Sdn. Bhd.	(i) Business of plantations, agriculture, farming, graziers, livestock breeders, and fruit farmers, and to buy, sell, manufactures of cereal product and the sale by wholesale a company capable of being conveniently carried on in connection with any of the above or calculated directly or indirectly to render profitable or enhance the value of the company's property or right for the time being; and (ii) business of consulting in business management, contracting and any similar business	Non-Executive Director and Shareholder	30 November 2020	-	34.00	-
I TAB Medic Sdn. Bhd.	Administrative health care services	Non-Executive Director and Shareholder	19 June 2020	-	33.33	-
Maasdots Sdn. Bhd.	Activities of providing infrastructure for hosting, data processing services and related activities, dismantling of automobiles, computers, televisions and other equipment for material recover, other information technology service activities	Non-Executive Director and Shareholder	24 September 2021	-	-	10.00 ⁽⁵⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Medifirst Sdn. Bhd.	Stores specialized in retail sale of pharmaceuticals, medical and orthopaedic goods, and other human health services	Executive Director and Shareholder	1 January 2022	-	-	50.00 ⁽²⁾
Midas Mayang Sdn. Bhd.	Operating hotels and resorts	Non-Executive Director and Shareholder	1 June 2016	-	-	20.00 ⁽⁴⁾
Minhaj Global Sdn. Bhd.	Property development and construction	Executive Director and Shareholder	12 November 2021	-	100.00	-
Pronage Sdn. Bhd.	To provide service on education on golfing lessons	Executive Chairman and Shareholder	1 September 2020	-	70.00	-
Segi Megah Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in real estate agents and brokers for buying, selling and renting of real estate	Executive Director and Shareholder	22 May 2014	-	50.00	-
Setia Warisan Development Sdn. Bhd.	Advertising, wireless telecommunications services	Non-Executive Director and Shareholder	12 February 2020	-	20.00	-
Spectretc Sdn. Bhd.	Computer consultancy, other information technology service activities and administrative health care services	Executive Director and Shareholder	19 September 2022	-	-	55.00 ⁽²⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Sritas Tech Sdn. Bhd. (formerly known as TAB Agrotech Sdn. Bhd.) ⁽⁸⁾	(i) Computer programming activities including writing, modifying, testing, supporting software, designing, and programming web pages, and all kinds of activities; (ii) Operating, designing and developing websites; and (iii) Providing infrastructure for hosting, data processing services, and all kinds of related activities	Executive Director and Shareholder	20 May 2022	-	80.00	-
TAB Capital Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in medical and health business	Executive Director and Shareholder	3 September 2010	-	90.00	10.00 ⁽⁵⁾
TAB Inter-Asia Services Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in brokers for buying, selling and renting of real estate	Non-Executive Director and Shareholder	4 September 2018	-	-	31.25 ⁽⁴⁾
TAB Security Sdn. Bhd.	Provision of security related services, plantation, oil and gas business industry	Executive Chairman and Shareholder	8 March 2012	-	100.00	-
Tacorp Holdings Sdn. Bhd.	Real property holdings and letting of property and investment holding of shares of its subsidiaries principally involved in foreign workers medical screening	Executive Director and Shareholder	7 May 2018	-	25.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Tropical Heights Realty Sdn. Bhd.	Real estate activities with own or leased property	Executive Director and Shareholder	15 March 2018	-	99.00	-
Workerzdirect Sdn. Bhd.	Provision of human resources for client businesses	Executive Chairman and Shareholder	19 October 2020	-	51.00	-
Yayasan Tengku Abdullah Ibni Sultan Abu Bakar	To render help and/or carry out complimentary assistance to sarcoma cancer patients, single mother and orphans	Executive Chairman	24 September 2021	-	-	-
<i>Past directorship:</i>						
Eduspec Holdings Berhad ⁽⁶⁾	Investment holding of non-listed shares and the development and provision of IT learning products and educational services	Independent Non-Executive Director	16 June 2014	18 December 2017	-	-
3B Capital Sdn. Bhd. ⁽⁷⁾	General medical services	Non-Executive Director	5 September 2013	-	-	-
Bestinet Healthcare Sdn. Bhd.	To provide technical information, know-how, process engineering manufacturing for any of the business of the company	Non-Executive Director	10 December 2020	11 June 2021	-	-
Bina Hartabumi Sdn. Bhd.	Inspection, verification and stamping of weights and measures of instruments for weighing and measuring	Non-Executive Director	21 September 2017	15 May 2019	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Expatriates Medical Management Systems Sdn. Bhd. ⁽⁷⁾	Activities of providing infrastructure for hosting, data processing services and related activities	Non-Executive Director	24 September 2020	18 May 2021	-	-
Fine Synergy Gold Sdn. Bhd.	General trading	Non-Executive Director	23 October 2020	17 December 2020	-	-
GS Properties Sdn. Bhd.	Investment holding of property and shares of its subsidiaries principally involved in brokers for buying, selling and renting of real estate	Non-Executive Director	10 April 2017	3 September 2018	-	-
Heavy World Wide Sdn. Bhd.	Advertising, printing, export and import of other general-purpose machinery	Executive Director	5 February 2018	22 September 2021	-	-
Medifex Sdn. Bhd.	Providing IT and manpower consultation, general trading and services	Non-Executive Director	14 December 2020	11 June 2021	-	-
Menara Alam Sdn. Bhd.	Activities of interior decorators	Non-Executive Director	13 June 2016	31 May 2022	-	-
PMRG Resources Sdn. Bhd.	Mining, quarrying, construction and other service activities	Non-Executive Director	22 October 2019	12 January 2021	-	-
Posh Viking Sdn. Bhd.	General trading	Non-Executive Director	26 September 2012	6 February 2017	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Sistem Kenanga Sdn. Bhd.	Inspection, verification, re-verification and stamping of weights and measure of instruments for weighing and measuring of all kinds	Non-Executive Director	20 May 2014	29 March 2018	-	
Sritas Tech Sdn. Bhd. (formerly known as TAB Agrotech Sdn. Bhd.) ⁽⁸⁾	(i) Computer programming activities including writing, modifying, testing, supporting software, designing, and programming web pages, and all kinds of activities; (ii) Operating, designing and developing websites; and (iii) Providing infrastructure for hosting, data processing services, and all kinds of related activities	Executive Director	7 May 2012	16 November 2020	-	-
Temara Infra Care Sdn. Bhd.	Property development and construction, infrastructure development and maintenance and provision of property and project management services	Executive Director	26 November 2020	9 September 2021	-	-
Unitab Plantation Sdn. Bhd.	Investment holding of properties related to plantation	Executive Director	22 June 2018	1 July 2022	-	-

Notes:

- (1) A company listed on the Main Market of Bursa Securities.
- (2) Deemed interested by virtue of his shareholdings in TAB Capital Sdn. Bhd. pursuant to Section 8(4) of the Act.
- (3) Deemed interested by virtue of his shareholdings in BGP Group Sdn. Bhd. Pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (4) *Deemed interested by virtue of his shareholdings in Tacorp Holdings Sdn. Bhd. pursuant to Section 8(4) of the Act.*
- (5) *Deemed interested by virtue of his spouse's shareholdings in the company pursuant to Section 59(11)(c) of the Act.*
- (6) *A company listed on the ACE Market.*
- (7) *This company is dissolved on 5 August 2022.*
- (8) *He was a director of Sritas Tech Sdn Bhd. (formerly known as TAB Agrotech Sdn. Bhd.) from 7 May 2012 to 16 November 2020. He was then re-appointed as a director on 20 May 2022.*

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Mo Guopiao

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
Camberley International Pre-School Pte. Ltd.	Childcare, nurseries and kindergartens	Shareholder ⁽³⁾	-	-	-	55.00 ⁽²⁾
Esim Plus Pte. Ltd.	Provision of voice over internet protocol services	Shareholder ⁽⁴⁾	-	-	100.00	-
Gosstech Pte. Ltd.	Development of software and applications	Shareholder ⁽⁵⁾	-	-	45.00	-
Good Partner Holdings Pte. Ltd.	Investment holding of share in various industries including logistic, technology, media entertainment and education	Shareholder ⁽⁶⁾	-	-	40.00	-
PHP Progress Co., Ltd.	Wholesale of beverage and tobacco	Shareholder	-	-	24.50	-
Shenzhen Jetlink Technology Co., Ltd.	Information technology software development and consultation service	Shareholder	-	-	2.17	-
Silver Line Capital	Investment holding in shares ⁽¹⁾	Executive Director and Shareholder	3 February 2022	-	100.00	-
S.W. Enterprise Co., Ltd.	Asset management	Shareholder	-	-	24.50	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Past directorship:</i>						
Camberley International Pre-School Pte. Ltd.	Childcare, nurseries and kindergartens	Executive Director and Shareholder	17 September 2020	1 December 2021	-	55.00 ⁽²⁾
Esim Plus Pte. Ltd.	Provision of voice over internet protocol services	Executive Director and Shareholder	26 October 2018	20 September 2021	100.00	-
Fidelium International Pte. Ltd.	Management consultancy services	Non-Executive Director	5 July 2019	20 September 2021	-	-
Gosstech Pte. Ltd.	Development of software and applications	Managing Director and Shareholder	22 May 2012	6 May 2021	45.00	-
Good Partner Holdings Pte. Ltd.	Investment holding of share in various industries including logistic, technology, media entertainment and education	Executive Director and Shareholder	29 December 2017	6 May 2021	40.00	-
New Strait Pte. Ltd.	Wholesale trade of a variety of goods	Non-Executive Director and Shareholder ⁽⁷⁾	21 October 2019	10 May 2021	-	-
Piggy Technology Pte. Ltd.	Development of software and applications	Non-Executive Director	9 January 2018	24 May 2021	-	-
Redtea Mobile Pte. Ltd.	Provision of voice over internet protocol services	Non-Executive Director	17 October 2019	20 September 2021	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) *Silver Line Capital was incorporated by Mo Guopiao to hold his personal investments in Malaysia as part of his personal wealth management strategy. As at the LPD, Silver Line Capital is not holding any other investment, except for Wellspire Shares. His involvement as Executive Director of Silver Line Capital does not detract his time and commitment from managing our Group. Further, Silver Line Capital does not carry on a similar trade as our Group, and is not a customer or supplier of our Group. As such, the Board is of the view that this does not give rise to a conflict-of-interest situation.*
- (2) *Deemed interested by virtue of his shareholdings in Good Partner Holdings Pte. Ltd. pursuant to Section 7(4A) of the Singapore Companies Act 1967.*
- (3) *Mo Guopiao was the executive director of Camberley International Pre-School Pte. Ltd. from 17 September 2020 to 1 December 2021.*
- (4) *Mo Guopiao was the executive director of Esim Plus Pte. Ltd. from 26 October 2018 to 20 September 2021.*
- (5) *Mo Guopiao was the managing director of Gosstech Pte. Ltd. from 22 May 2012 to 6 May 2021.*
- (6) *Mo Guopiao was the executive director of Good Partner Holdings Pte. Ltd. from 29 December 2017 to 6 May 2021.*
- (7) *Mo Guopiao has disposed his 50% direct interest in New Strait Pte. Ltd. on 23 December 2021.*

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**(iii) Saranjit Wang**

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
DFH Intertrade Co., Ltd.	Wholesale of industrial chemical	Non-Executive Director and Shareholder	11 August 2016	-	56.00	-
Golden Forest Co., Ltd.	Retail sale of other household articles	Non-Executive Director and Shareholder	27 February 2015	-	50.00	-
PHP Progress Co., Ltd.	Wholesale of beverage and tobacco	Non-Executive Director and Shareholder	17 February 2015	-	50.00	-
S.W. Enterprise Co., Ltd.	Asset management	Non-Executive Director and Shareholder	8 December 2014	-	51.00	-
WCD Group Co., Ltd.	Retail sale of household products	Non-Executive Director and Shareholder	23 November 2017	-	20.00	-
<i>Past directorship:</i>						
Mega Alliance Co., Ltd. ⁽¹⁾	Non-specialized wholesale trade	Executive Director	1 October 2019	24 March 2021	-	-
SF Express (Thailand) Co., Ltd. ⁽³⁾	Provision of domestic courier services	Non-Executive Director and Shareholder	9 September 2015	11 July 2022	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Valueplus Worldwide Co., Ltd. ⁽²⁾	Wholesale on a fee or contract basis of agricultural raw materials and live animals	Executive Director	14 October 2020	5 May 2021	-	-

Notes:

- (1) A major customer of our Group for the FYE 2020. Please refer to Section 7.18 of this Prospectus for further details of Mega Alliance Co., Ltd.
- (2) A major customer of our Group for the FYE 2021. Please refer to Section 7.18 of this Prospectus for further details of Valueplus Worldwide Co., Ltd.
- (3) Saranjit Wang has disposed her 52% direct interest in SF Express (Thailand) Co., Ltd. on 28 June 2022 and she has resigned as a director of SF Express (Thailand) Co., Ltd. on 11 July 2022.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Kua Chin Teck

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director / Partner	Date Resigned as Director / Partner	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
Asia Corporate Advisory Pte. Ltd.	Accounting and auditing services (including taxation advisory services)	Non-Executive Director and Shareholder	19 June 2012	-	50.00	-
Eternity Forwarding	Freight forwarding, packing and crating services (family business)	Partner	23 September 2013	-	50.00	-
Fingate Technologies Pte. Ltd.	Provision of information technology consultancy services	Non-Executive Director and Shareholder	7 December 2020	-	100.00	-
Jit Yu Transport Sdn. Bhd.	Providing transportation services	Non-Executive Director and Shareholder	11 June 2003	-	22.00	-
Opulence Capital Pte. Ltd. ⁽¹⁾	Dormant (Previous principal activities: Management consultancy services)	Executive Director and Shareholder	26 March 2015	-	100.00	-
Premium Gold Pte. Ltd.	Dormant* (Previous principal activities: Wholesale of health supplements)	Non-Executive Director and Shareholder	15 April 2019	-	25.00	-
Tiptop Durian Delivery Pte. Ltd.	Retail sale of fruits and vegetables	Non-Executive Director and Shareholder	26 September 2018	-	15.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director / Partner	Date Resigned as Director / Partner	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
Wajar Forwarding	Freight forwarding, packing and crating services (family business)	Partner	15 March 2016	-	50.00	-
Yes Asia Group Pte. Ltd.	Publishing of journals, periodicals and magazines	Non-Executive Director and Shareholder	24 April 2019	-	50.00	-
<i>Past directorship:</i>						
Dipta Global Energy Holding Pte. Ltd. ⁽²⁾	Investment holding of property and shares	Non-Executive Director	26 June 2019	-	-	-
Robotaya Pte. Ltd. ⁽²⁾	Operation of restaurant	Non-Executive Director	18 February 2020	-	-	-
Tip Top Durian Pte. Ltd. ⁽³⁾	Dormant (Previous principal activities: wholesale of fruits and vegetables)	Non-Executive Director	30 November 2020	-	-	-

Kua Chin Teck does not have past directorships in any other corporations outside of our Group in the past 5 years preceding the LPD.

Notes:

* There is no immediate plan for this company currently.

(1) Opulence Capital Pte. Ltd. is a dormant company and currently, there is no immediate plan for this company. His involvement as the Executive Director in Opulence Capital Pte. Ltd., does not detract his time and commitment from managing our Group. Further, Opulence Capital Pte. Ltd. does not carry on a similar trade as our Group, and is not a customer or supplier of our Group. As such, our Board is of the view that this does not give rise to a conflict-of-interest situation.

(2) This company has been struck off from the register on 4 July 2022.

(3) This company has been struck off from the register on 9 May 2022.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**(v) Tang Yuen Kin**

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
Powerwell Holdings Berhad ⁽¹⁾	Investment holding of non-listed shares of its subsidiaries principally involved in the design, manufacturing and trading of electricity distribution products	Independent Non-Executive Chairman and Shareholder	7 January 2019	-	0.02	-
Sasbadi Holdings Berhad ⁽²⁾	An education solutions provider	Independent Non-Executive Director ⁽³⁾	3 May 2021	-	-	-
Cake Crisis Central Sdn. Bhd.	Wholesale and retail bakers, confectioners, biscuit manufacturers and deal in all kinds and description of cooked food	Shareholder	-	-	15.00	-
Madeleine Patisserie Sdn. Bhd.	Café food and beverage business	Shareholder	-	-	17.86	-
MTL Engineering Sdn. Bhd. ⁽⁴⁾	Production of metal stamping parts and components	Non-Executive Director	3 August 2020	-	-	-
Newexus Engineering Sdn. Bhd. ⁽⁵⁾	Design and manufacturing of tools and dies.	Non-Executive Director	10 August 2020	-	-	-
<i>Past directorship:</i>						
Sasbadi Holdings Berhad ⁽²⁾	An education solutions provider	Independent Non-Executive Director ⁽³⁾	30 July 2020	4 February 2021	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) *A company listed on the ACE Market.*
- (2) *A company listed on the Main Market of Bursa Securities.*
- (3) *He was the group CFO of Sasbadi Holdings Berhad from 10 November 2014 to 30 April 2018 and was first appointed as an Independent Non-Executive Director of Sasbadi Holdings Berhad on 30 July 2020. Subsequently, he retired at the conclusion of the annual general meeting held on 4 February 2021 as he was unable to meet the enhanced definition of 'independent director' pursuant to Paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities which was effective on 1 October 2020. Thereafter, he was re-appointed as an Independent Non-Executive Director of Sasbadi Holdings Berhad on 3 May 2021 after satisfying the definition of 'independent director'.*
- (4) *A 70%-owned subsidiary of Dancomech Holdings Berhad, a company listed on the Main Market of Bursa Securities.*
- (5) *A 70%-owned subsidiary of MTL Engineering Sdn. Bhd., which in turn is an indirect subsidiary of Dancomech Holdings Berhad.*

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**(vi) Yang Shing Sing**

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Current involvement:</i>						
Glory Sanctuary Capital Sdn. Bhd.	Providing consultancy and training services and investment in shares with its subsidiary involved in investment banking	Executive Director and Shareholder	22 January 2020	-	48.73	-
Newman Trust Investment Bank Ltd.	Investment bank specializing in corporate finance and advance market advisory services	Executive Director and Shareholder	3 March 2021	-	-	100.00 ⁽¹⁾
WBU International Sdn. Bhd.	Business solution and advisory service	Executive Director and Shareholder	19 January 2017	-	50.00	-
<i>Past directorship:</i>						
Mars Time Sdn. Bhd.	Information technology consulting and engineering related activities	Non-Executive Director	12 December 2019	20 February 2020	-	-

Note:

(1) Deemed interested by virtue of her shareholding in Glory Sanctuary Capital Sdn. Bhd. pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The involvement of our Directors as disclosed above excludes shares in public listed companies held by our Directors as minority shareholders (less than 5.00% of the total number of issued shares of a public listed company) in which they do not hold any directorship, and is only for trading and personal investment purposes.

Save as disclosed in Section 5.2.3 of this Prospectus, our Executive Directors are not involved in other businesses/ corporations/ entities. The involvements of our Executive Directors in other businesses/ corporations/ entities will not affect their contributions to our Group as these companies/ entities are either dormant or investment holding of shares or property and/or they are not involved in the day-to-day operations of such businesses/ corporations/ entities. In addition, they do not hold executive position in the aforesaid companies/ entities and such businesses' or corporations' or entities' operations do not require their involvement on a day-to-day basis as these businesses or corporations are managed by or operated by the other shareholders or have their own independent management teams.

The involvement of our Independent Non-Executive Directors in other companies, will not affect their contributions to our Company as the Independent Non-Executive Directors' involvement in our Company are to the extent of attending meetings and discharging their responsibilities as independent directors. As at the LPD, none of our Directors are representatives of our corporate shareholders, namely Silver Line Capital and Capital Pairing. Nevertheless, our CEO/ Executive Director, Mo Guopiao is also the sole director and sole shareholder of Silver Line Capital.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**5.2.4 Directors' remuneration and material benefits in-kind**

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered to our Group for FYE 2021 and FYE 2022 are as follows:

FYE 2021 (Actual):

Name	Directors' fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits-in-kind and Allowances RM'000	Total RM'000
Executive Directors					
Mo Guopiao ⁽³⁾	_(2)	_(2)	-	-	-
Saranjit Wang ⁽⁴⁾	_(2)	_(2)	-	-	-
Kua Chin Teck ⁽¹⁾	-	165	-	64	229
Non-Executive Directors					
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	-	-	-	-	-
Tang Yuen Kin	-	-	-	-	-
Fazidah Bt Zakaria	-	-	-	-	-
Yang Shing Sing	-	-	-	-	-

Note:

- (1) He joined our Group on 1 October 2021.
- (2) No director fees and salaries were paid to Mo Guopiao and Saranjit Wang in FYE2021 as they were of the view that the dividends they received in their capacity as shareholders of Bai Li Enterprise for the Financial Years Under Review as disclosed in Section 5.1.4 in this Prospectus, were sufficient to remunerate themselves.
- (3) Mo Guopiao was not formally involved in the management and operations of our Group prior to him assuming the position as CEO/ Executive Director.
- (4) Saranjit Wang was involved in the management and operations of our Group prior to her appointment as Executive Director.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**FYE 2022 (Proposed):**

Name	Directors' fees⁽¹⁾ RM'000	Salaries RM'000	Bonuses RM'000	Benefits-in-kind and Allowances⁽¹⁾ RM'000	Total RM'000
Executive Directors					
Mo Guopiao ⁽³⁾	-	720	-(2)	120	840
Saranjit Wang ⁽⁴⁾	-	229	-(2)	-	229
Kua Chin Teck	-	660	-(2)	255	915
Non-Executive Directors					
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	54	-	-	8	62
Tang Yuen Kin	42	-	-	14	56
Fazidah Bt Zakaria	42	-	-	14	56
Yang Shing Sing	42	-	-	14	56

Notes:

- (1) *Approved and to be paid in FYE 2022.*
- (2) *Bonuses for FYE 2022 are not included. Such bonuses, if any, will be determined later depending on the performance of the individuals and our Group, subject to the recommendation of the Remuneration Committee and approved by our Board. The bonuses are only applicable to Executive Directors.*
- (3) *Mo Guopiao was not formally involved in the management and operations of our Group prior to him assuming the position as CEO/ Executive Director.*
- (4) *Saranjit Wang was involved in the management and operations of our Group prior to her appointment as Executive Director. Saranjit Wang's remuneration is based on the salary meant for the Managing Director of Bai Li Enterprise in Thailand, as approved by the Board. Nevertheless, as a shareholder of Bai Li Enterprise, she is entitled to dividends based on her effective interest in Bai Li Enterprise of 24.99%.*

The remuneration of our Directors, which includes salaries, bonuses, fees as well as other benefits and allowances, must be considered and recommended by our Remuneration Committee and subsequently be approved by the Board. Our Directors' fees and/or benefits must be further approved or endorsed by our shareholders in a general meeting.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.5 Service contracts

As at the LPD, there are no existing or proposed service contracts between our Group and our Directors which provide for benefits upon termination of employment.

5.3 BOARD PRACTICES

According to our Constitution and the Act, at the first annual general meeting of our Group, all the Directors shall retire from office. At the annual general meeting in every subsequent year an election of Directors shall take place and one-third of the Directors for the time being, or, if their number is not 3, or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the general meeting at which he retires. An election of Directors shall take place every year and a retiring Director shall be eligible for re-election.

Any person appointed as Director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

(i) Directors' term of office

The details of the date of appointment and the date of expiration of the current term of office for each of the Directors, as well as the period for which our Directors have served in that office are set out below:

Director	Designation	Date of appointment	No. of year(s) in office (Approximate)	Date of expiration of the current term in office ⁽¹⁾
YHM Tengku Dato' Indera Abu Bakar Ahmad Bin Almarhum Tengku Tan Sri Abdullah	Independent Non-Executive Chairman	15 March 2022	<1	At the next annual general meeting
Mo Guopiao	CEO/ Executive Director	6 August 2021	1	At the next annual general meeting
Saranjit Wang	Executive Director	1 March 2022	<1	At the next annual general meeting
Kua Chin Teck	Executive Director	1 March 2022	<1	At the next annual general meeting
Tang Yuen Kin	Independent Non-Executive Director	15 March 2022	<1	At the next annual general meeting

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Director	Designation	Date of appointment	No. of year(s) in office (Approximate)	Date of expiration of the current term in office ⁽¹⁾
Fazidah Bt Zakaria	Independent Non-Executive Director	15 March 2022	<1	At the next annual general meeting
Yang Shing Sing	Independent Non-Executive Director	15 March 2022	<1	At the next annual general meeting

Note:

(1) To be held in 2023.

(ii) Audit Committee

The members of our Audit Committee are as follows:

Name	Designation	Directorship
Tang Yuen Kin	Chairperson	Independent Non-Executive Director
Fazidah Bt Zakaria	Member	Independent Non-Executive Director
Yang Shing Sing	Member	Independent Non-Executive Director

The main functions of our Audit Committee among others, include:

1. to review the audit plan and audit report with the external auditors;
2. to review the assistance given by our Company's auditors and to meet with the external auditors without executive Board members' presence at least twice a year;
3. to review the annual report, quarterly results and year-end financial statements of our Company and our Group, prior to the approval by our Board, focusing particularly on:
 - (a) changes in or implementation of major accounting policies changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) significant adjustment arising from the audit;
 - (d) major judgemental areas;
 - (e) the going concern assumption; and
 - (f) compliance with accounting standards, regulatory and other legal requirements;
4. to review any related party transaction, recurrent related party transaction and conflict of interest situation that may arise within our Company and our Group including any transaction, procedure or course of conduct that raises questions of management integrity;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5. to review the adequacy of the scope, functions, competency and resources of the internal audit functions including appointment and removal, scope of work, performance evaluation and budget relating thereto, and to ensure that it has the necessary authority to carry out its work;
6. to review any internal audit plan, processes, the results of the internal audit assessments, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
7. to review any evaluation made on the systems of internal controls with the internal and external auditors;
8. to review and approve non-audit services before services are rendered by the external auditors and its affiliates;
9. to recommend to our Board the appointment or re-appointment of the external auditors at the general meeting, after taking into consideration the independence and suitability of the external auditors and matters relating to the resignation or removal of the external auditors;
10. to consider any resignation or removal of the external auditors, and to furnish such written explanation or representation from the external auditors to Bursa Securities;
11. to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
12. the Chairperson of the Audit Committee should engage on a continuous basis with senior management, the internal audit and the external auditors in order to be kept informed of matters affecting our Group;
13. to prepare and review the Audit Committee report in accordance with Rule 15.15 of the Listing Requirements;
14. to report promptly to Bursa Securities on any matter reported by it to our Board, which has not been satisfactorily resolved resulting in the breach of the Listing Requirements; and
15. to undertake such other functions as may be agreed by our Audit Committee and our Board.

Our Audit Committee may obtain advice from independent parties and other professionals in discharging their duties.

(iii) Risk Management Committee

The members of our Risk Management Committee are as follows:

Name	Designation	Directorship
Fazidah Bt Zakaria	Chairperson	Independent Non-Executive Director
Tang Yuen Kin	Member	Independent Non-Executive Director
Yang Shing Sing	Member	Independent Non-Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The main functions of our Risk Management Committee among others, include:

1. to determine that there is a robust process in place for identifying, managing and monitoring critical risks, to oversee execution of that process, and ensure it is continuously improved as the business environment changes;
2. to determine that there are policies and procedures established and in place for whistleblowing and to prevent bribery and corruption, and to ensure that each of the policy will be continuously reviewed;
3. to provide timely input to management on critical risk issues;
4. to engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise;
5. to oversee the conduct, and review the results, of company-wide risk assessments, including the identification and reporting of critical risks;
6. to oversee the management of certain risks, with regard to the complexity and significance of these risk exposures;
7. to provide advice to our Board on risk strategies and coordinate the activities of the various standing Board committees for risk oversight; and
8. to promote a healthy risk culture and watch for dysfunctional behaviour that could undermine the effectiveness of the risk management process (e.g. excessive risk-taking due to misaligned key performance indicators and remuneration schemes).

(iv) Nominating and Remuneration Committee

The members of our Nominating and Remuneration Committee are as follows:

Name	Designation	Directorship
Yang Shing Sing	Chairperson	Independent Non-Executive Director
Fazidah Bt Zakaria	Member	Independent Non-Executive Director
Tang Yuen Kin	Member	Independent Non-Executive Director

The main functions of our Nominating and Remuneration Committee among others, include:

1. to propose new nominees for our Board, taking into consideration the candidates' skills, knowledge, expertise and experience; professionalism; integrity; and in the case of candidates for the position of Independent Non-Executive Directors, our Nominating and Remuneration Committee should also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from Independent Non-Executive Directors;
2. to make appropriate recommendations to our Board on matters of renewal or extension of Directors' term and re-appointment of retiring Directors;
3. to recommend to our Board, Directors to fill the seats on Board committees;
4. to assess our Directors on an ongoing basis;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5. to review and assess performance of Non-Executive Directors annually based on skills, experience and core competencies which Non-Executive Directors should bring to our Board and submit its recommendations to our Board;
6. to review the structure, size, diversity (including gender diversity) and composition of our Board at least once in a year, and make recommendations to our Board on any adjustments that are deemed necessary;
7. to carry out the process implemented by our Board on an annual basis for assessing the effectiveness of our Board as a whole, our Board committees and for assessing the contribution, time commitment and protocols for new directorships of each individual Director including the Independent Non-Executive Directors and the CEO;
8. to assist our Board in annual review of the independence of the Independent Non-Executive Directors;
9. to review succession planning of our Board, Board committees and key management personnel including the CEO;
10. to review the term of office and performance of our Audit Committee and each of its members annually to determine whether our Audit Committee members have carried out their duties in accordance with its terms of reference;
11. to identify and recommend the appropriate continuing education/ training programmes for our Board members, and conduct Board induction programmes for newly appointed Board members;
12. our Board, subject to the assessment of our Nominating and Remuneration Committee, shall justify and seek annual shareholders' approval through a two-tier voting process in accordance with Practice 5.3 of the MCGG in the event it intends to retain an independent Director, a person who has served in that capacity for more than nine (9) years;
13. to prepare and review the Nominating Committee Report in accordance with Rule 15.08A(3) of the Listing Requirements;
14. to review our Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and senior management, and recommend to the Board for approval;
15. to review remuneration packages of Directors, senior management and key consultants, having regard to our Group's operating results, individual performance and comparable market statistics and recommend to the Board for approval;
16. to review compensation policy of Directors and senior management, and ensure the compensations offered are in line with market practice;
17. to ensure fees and benefits payable to Directors, and any compensation for loss of employment of Executive Director are approved by shareholders at general meetings;
18. to oversee any major changes in employee remuneration and benefit structures throughout our Group; and
19. to recommend to our Board any performance related pay schemes for our Company or Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Board acknowledges and takes cognisance of the MCCG, which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and cultures of such companies. Our Board also takes cognisance of the MCCG recommendation for appointment of Board and senior management which are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4 KEY SENIOR MANAGEMENT

5.4.1 Key senior management's shareholdings in our Company

Our key senior management's shareholdings in our Company as at the LPD, before and after the IPO are as follows:

Name	Nationality	Designation	As at the LPD/ Before the IPO ⁽¹⁾				After the IPO ⁽²⁾			
			Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Mo Guopiao	Singaporean	CEO/ Executive Director	294,162,500	50.07	121,250,000 ⁽³⁾	20.64	200,562,500	28.16	121,250,000 ⁽³⁾	17.03
Saranjit Wang	Thai	Executive Director	5,750,000	0.98	-	-	5,750,000	0.81	1,000,000 ⁽⁴⁾	0.14
Kua Chin Teck	Malaysian	Executive Director	-	-	-	-	700,000 ⁽⁵⁾	0.10	-	-
Wang Zheng	Chinese	COO	-	-	5,750,000 ⁽⁴⁾	0.98	1,000,000 ⁽⁵⁾	0.14	5,750,000 ⁽⁴⁾	0.81
Tin Jiing Soon	Malaysian	CFO	-	-	-	-	1,070,000 ⁽⁵⁾	0.15	-	-
Wanchai Wanichkulthumrong	Thai	Deputy COO	-	-	-	-	500,000 ⁽⁵⁾	0.07	-	-

Notes:

- (1) Based on the Company's issued share capital of 587,525,000 Shares after the Acquisition of Vine Growth Holdings and the Share Split as set out in Section 6.3 of this Prospectus. Prior to that, our Group undertook a Pre-IPO Internal Reorganisation Exercise as set out in Section 6.2 of this Prospectus.
- (2) Based on the Company's enlarged issued share capital of 712,125,000 Shares after the Public Issue and the Offer for Sale.
- (3) Deemed interested by virtue of his shareholding in Silver Line Capital pursuant to Section 8(4) of the Act
- (4) Deemed interested by virtue of his/her spouse's shareholding in the Company pursuant to Section 59(11)(c) of the Act.
- (5) Assuming he fully subscribes for the Pink Form Shares allocated to him.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.2 Profiles of key senior management

Other than the profiles of Mo Guopiao, Saranjit Wang and Kua Chin Teck which have been set out in Sections 5.1.2 and 5.2.2 above, respectively, the profiles of our key senior management are set out below:

Wang Zheng

Chinese, aged 40
COO

Wang Zheng is the COO of our Group. He currently resides in Thailand. He obtained his Bachelor of Management (major in Marketing) degree from Liaoning Huashang Economic University, China in July 2009. He then obtained his Master in Business Administration degree from The Cavite State University, Philippines in August 2021. He has approximately 15 years of experience in the areas of logistics management, supply chain management and setting up operational procedures for companies.

He started his career as a personal business advisor to Saranjit Wang, the Managing Director of Bai Li Enterprise since January 2007. He was assisting Bai Li Enterprise to source food and snacks product from China and export of fried fish and fruit products from Thailand into China market. Since July 2012, he was also advising Saranjit Wang, the Managing Director of Bai Li Enterprise on sales and operations planning and providing guidance on product knowledge to the sales team of Bai Li Enterprise. He was assisting in sourcing new products and distribution of the new products in Thailand market.

He was appointed as COO of our Group in July 2020. As the COO of our Group, he oversees the overall operations of our Group. He assists to source new products from both local and/or overseas market for distribution in Thailand market. He is also responsible for annual business planning and supplier relationship management of our Group.

Tin Jiing Soon

Malaysian, aged 42
CFO

Tin Jiing Soon, is the CFO of our Group. He currently resides in Malaysia. He obtained his Bachelor of Business (Accountancy) degree from RMIT University, Australia in July 2003. He has approximately 19 years of experience in the areas of audit, financial reporting, budgeting, cost management and corporate planning.

He started his career in December 2003 at Ernst & Young, a financial and audit services firm in Malaysia as an audit associate in the Assurance and Advisory Business Services Division where he was involved in due diligence and statutory audits of public listed and non-public listed companies in various industries. He then left Ernst & Young, Malaysia in December 2006 as a Senior Associate and joined Ernst & Young, Singapore as a Senior Associate in the Assurance and Advisory Business Services Division in March 2007.

In September 2007, he left Ernst & Young, Singapore and joined CIMC Raffles Offshore (Singapore) Ltd. (now known as CIMC Raffles Offshore (Singapore) Pte. Ltd.), a company principally involved in building and repairing of ships, tankers and other ocean-going vessels as Group Assistant Finance Manager. He was responsible for preparation of annual cash flow forecast and expense budget of the group, consolidated reporting packs of China entities and analysis of the group's monthly management reports. He was then promoted to Group Finance Manager in March 2009. During his tenure with CIMC Raffles Offshore (Singapore) Ltd., he had also been assigned to assist the Group Deputy CFO to oversee the budget and progress of the drilling rig construction project in Russia and manage finance department of the group's subsidiaries in China.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In January 2012, he left CIMC Raffles Offshore (Singapore) Pte. Ltd. and joined Sea Forrest Offshore Pte. Ltd., a marine and offshore project management company as Head of Finance in February 2012. He was responsible for the finance department functions, managing project and operation cash flow and preparation of financial forecast and budget of the company. He then left the company in February 2014 and took a career break.

In July 2014, he joined Infraavest Pte. Ltd., a company principally involved in provision of business management consultancy services as Director of Special Project / Finance and Business Development. He was responsible for the group financial reporting and review. He also handled acquisition exercises and/or establishment of new business entities in several industries. He left Infraavest Pte. Ltd. in September 2021.

He joined our Group as CFO in October 2021. As the CFO of our Group, he is responsible for overseeing the accounts and finance department of Wellspire Group.

Wanchai Wanichkulthumrong

Thai, aged 48
Deputy COO

Wanchai Wanichkulthumrong is the Deputy COO of our Group. He currently resides in Thailand. He obtained his Bachelor of Business Administration from The University of The Thai Chamber of Commerce, Thailand in February 1995. He has approximately 25 years of experience in the areas of procurement, merchandising and inventory management.

He started his career in Ek-Chai Distribution System Co., Ltd., a company operating hypermarket chains in Thailand in October 1995 as an Assistant Buyer responsible for market survey and sourcing, negotiating and purchasing of goods. He left as a Senior Buyer in March 2007.

He joined Big C Supercenter Public Co., Ltd., a company operating supermarkets and discount stores in Thailand as a Senior Category Manager in April 2007. He was responsible for preparation of sales budget and target and monitoring of sale turnover and profit plan. He also handled the negotiation with both international and local vendors for trade agreement and performance review with key vendors yearly.

He left Big C Supercenter Public Co., Ltd. in June 2012 and joined CPF Trading Company Limited, a consumer goods company in Thailand as Assistant Vice President of Merchandise Department in the same month. He was responsible for merchandise strategy, category strategy and preparation of sales budget and trade plan. He then left the company in July 2014.

In August 2014, he joined TCC Logistics and Warehouse Co., Ltd., a food retailer as a Vice President of Food Merchandise Department. His job responsibilities are similar to those undertaken by him in Big C Supercenter Public Co., Ltd.

He then left TCC Logistics and Warehouse Co., Ltd. in June 2015 and took a 6-month career break before joining TOA Paint (Thailand) Public Company Limited, a chemical manufacturing company in January 2016. He was appointed as a business consultant of TOA Paint (Thailand) Public Company Limited responsible for conducting feasibility study, exploring new retail model, sourcing products from China and set-up of new retail stores. He then left the company in September 2017 to take care of a sick family member.

In October 2018, he joined Central Food Retail Co., Ltd., a company operating supermarket chains in Thailand as Assistant Vice President – General Merchandise Buying Lifestyle Products responsible for merchandise strategy, preparation of sales budget and sourcing products from China. He then left in June 2019 to explore business opportunities.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In October 2019, he joined Mega Alliance Co., Ltd., a wholesaler as a Director overseeing the company's operation and strategising the expansion plan of traditional trade market.

In February 2021, he left Mega Alliance Co., Ltd. and joined Valueplus Worldwide Co., Ltd., a wholesaler as Vice President of Traditional Trade Channel Department in March 2021. He was responsible for expansion of the traditional trade market channels and managing customer satisfaction of the company's products. He left Valueplus Worldwide Co., Ltd. in September 2021.

He joined our Group as Deputy COO in October 2021. As the Deputy COO of our Group, he is responsible for the customer relationship management of Wellspire Group. He also oversees the sales department, delivery of action plans of each department and implementation of the performance framework and monthly operational performance meeting.

5.4.3 Key senior management's remuneration and material benefits-in-kind

Other than the Directors' remuneration and material benefits in-kind which have been set out in Section 5.2.4 of this Prospectus, the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered/ to be rendered to our Group in all capacities for the FYE 2021 and FYE 2022 are as follows:

	Remuneration Band	
	FYE 2021 (Paid) RM'000	FYE 2022 (Proposed) ⁽¹⁾ RM'000
Key Senior Management		
Wang Zheng	450 – 500	200 – 250
Tin Jiing Soon ⁽²⁾	50 – 100	300 – 350
Wanchai Wanichkulthumrong ⁽²⁾	0 – 50	50 – 100

Note:

- (1) Bonuses for FYE 2022 are not included. Such bonuses, if any, will be determined later depending on the performance of the individuals and our Group.
- (2) Both Tin Jiing Soon and Wanchai Wanichkulthumrong joined our Group on 1 October 2021.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**5.4.4 Involvement of key senior management in other businesses/ corporations**

Save as disclosed in Section 5.2.3 of this Prospectus and as disclosed below, none of our key senior management has any principal business activities performed outside of our Group as at the LPD nor do they have directorships in any other corporations outside of our Group for the past 5 years prior to the LPD:

(i) Wanchai Wanichkulthumrong

Company	Current Principal Activities	Position Held/ Involvement	Date Appointed as Director	Date Resigned as Director	As at LPD	
					Direct Interest (%)	Indirect Interest (%)
<i>Past directorship:</i>						
Mega Alliance Co., Ltd.	Non-specialized wholesale trade	Executive Director	1 October 2019	24 March 2021	-	-

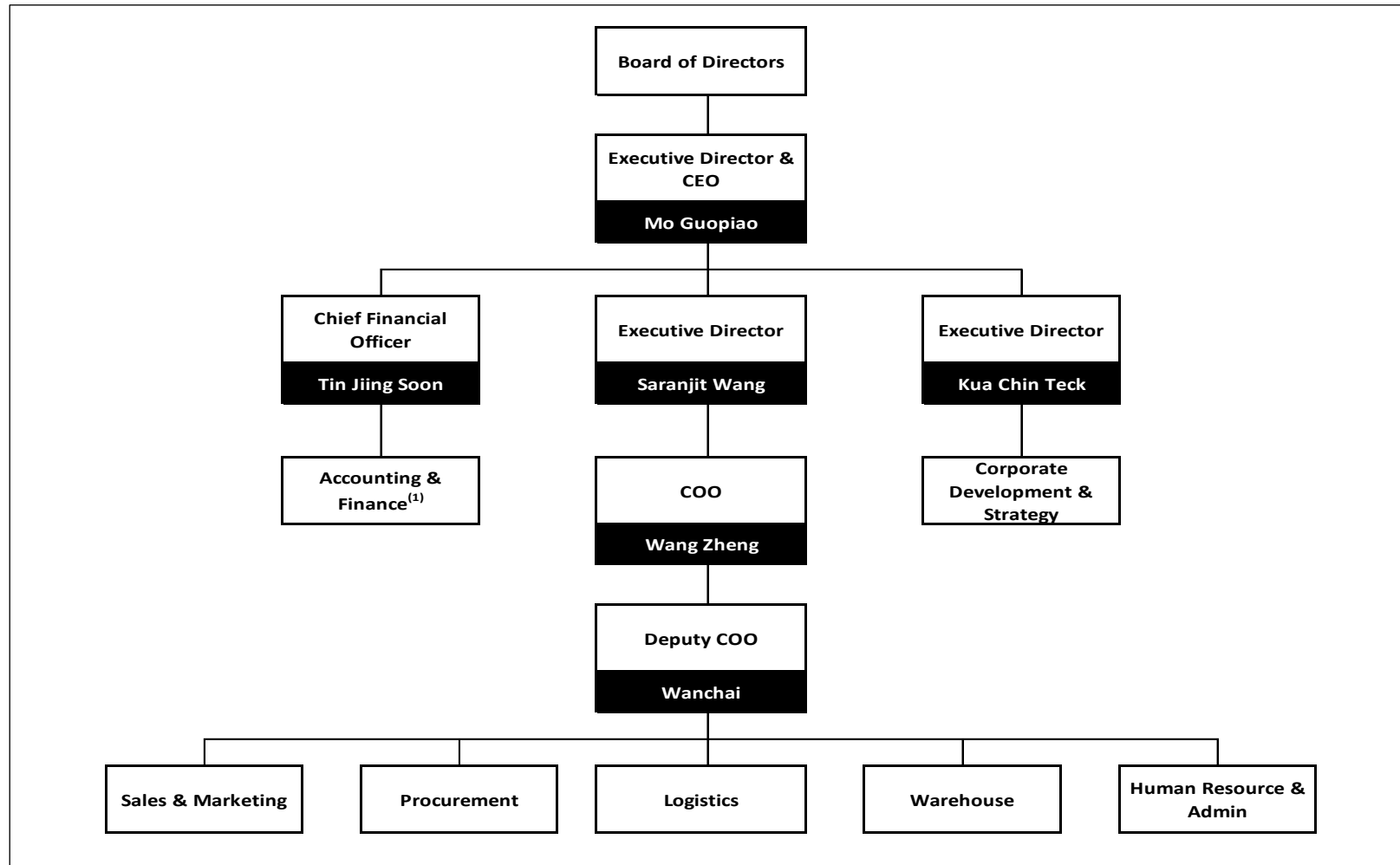
5.4.5 Service contracts

As at the LPD, there are no existing or proposed service contracts between the company within our Group and our key senior management which provide for benefits upon termination of employment.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.6 Management reporting structure



Note:

(1) The approvals required for accounting and finance related matters at Bai Li Enterprise level are approved by Saranjit Wang.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and key senior management is or have been involved in any of the following events (whether in or outside Malaysia) as at the LPD:

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or member of key senior management;
- (ii) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against such person.

5.6 FAMILY RELATIONSHIPS AND/OR ASSOCIATIONS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there is no family relationships and/or associations between any of our Promoters, substantial shareholders, Directors and key senior management as at the LPD:

Name	Position	Relationship
Saranjit Wang	Promoter and Executive Director	Spouse of Wang Zheng
Wang Zheng	COO	Spouse of Saranjit Wang
Yang Shing Sing	Independent Non-Executive Director	Business colleague of Besanger Serge Pierre ⁽¹⁾
Besanger Serge Pierre	Substantial Shareholder	Business colleague of Yang Shing Sing ⁽¹⁾

Note:

- (1) *Yang Shing Sing and Besanger Serge Pierre are business colleagues by virtue of Yang Shing Sing being both COO of IBC Assets Berhad ("IBC Berhad") and International Business Capital Sdn Bhd ("IBC Malaysia"), and Besanger Serge Pierre being the Chief Investment Officer of International Business Capital Pte. Ltd. ("IBC Singapore") and Director of IBC Berhad. 50% shareholding in IBC Malaysia is currently held by a Singapore citizen through his direct and indirect interest in IBC Singapore. Besanger Serge Pierre currently holds 5% shareholding in IBC Malaysia.*

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Yang Shing Sing and Besanger Serge Pierre are also business colleagues by virtue of Yang Shing Sing being an Executive Director and Besanger Serge Pierre being the CEO and Principal Officer of Newman Trust Investment Bank Ltd. Both Yang Shing Sing and Besanger Serge Pierre have different roles and responsibilities in the said bank and they do not report to each other in discharging their respective duties and responsibilities.

Notwithstanding the above, the appointment of Yang Shing Sing as the Independent Non-Executive Director of our Company is not via Besanger Serge Pierre's recommendation.

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6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company was incorporated under the name of Wellspire Holdings Sdn Bhd in Malaysia on 6 August 2021 under the Act as a private limited company. Subsequently on 25 March 2022, our Company was converted to a public limited company to embark on the Listing on the ACE Market.

We are principally an investment holding company. As at the LPD, we only have four subsidiaries, namely Vine Growth Holdings, Bai Li Holdings, Bai Li Enterprise and Keymall Retail. Our subsidiaries are principally involved in the following:

- distribution of consumer packaged foods; and
- online retailer of consumer packaged foods.

There has been no material change in the manner in which our Company conducts its business or activities since our incorporation up to the LPD.

Please refer to Section 7.1 of this Prospectus for detailed information of our Group's history.

6.2 INTERNAL REORGANISATION EXERCISE

In conjunction with our Listing, our Group carried out a Pre-IPO Internal Reorganisation Exercise.

The Promoters wanted to corporatise the shareholding structure of Bai Li Enterprise, in preparation for its future long term growth (such as, potential expansion into Malaysia's snack food market since our holding company, Wellspire is incorporated and listed in Malaysia).

The Pre-IPO Internal Re-organisation steps as set out in Section 6.2.1 below, resulted in the setting up of a separate holding company by country (i.e., Bai Li Holdings in Thailand and Vine Growth Holdings in Singapore) that was intended to streamline the shareholding structure, to enable more defined roles and responsibilities for the management of the business (by country), separation of ownership and stewardship function, thus promote greater accountability and efficiency.

According to the Thailand Civil and Commercial Code, a limited liability company incorporated in Thailand is required to have at least 3 shareholders. The Land Code ("**Land Code**") (which is the main Thai law governing the right of a company that has foreign shareholding to own land in Thailand) and the Thai Foreign Business Act B.E. 2542 ("**FBA**") (which is Thai law governing the operation of business of a company that has foreign shareholding) shall be collectively referred to as "**Thai Relevant Laws**". Under the Thai Relevant Laws, a company registered in Thailand will be deemed a foreigner if more than half of its registered capital is held by foreigners. Based on the shareholding structure of Bai Li Holdings and Bai Li Enterprise as at the LPD, Bai Li Holdings and Bai Li Enterprise are not considered foreigner under the Thai Relevant Laws as Vine Growth Holdings does not hold more than half of the registered capital of Bai Li Holdings and Bai Li Enterprise. Therefore, Bai Li Holdings and Bai Li Enterprise are able to own lands and operate their business activities as Thai entities.

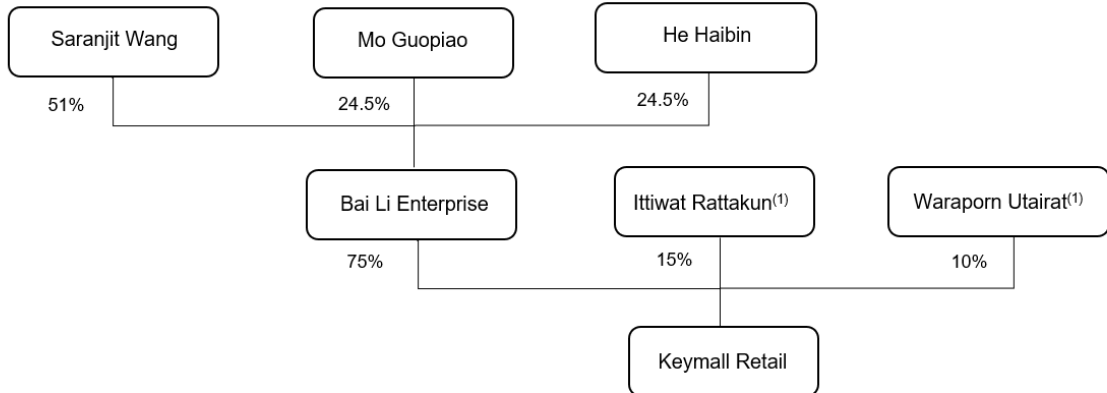
Based on this arrangement, Wellspire's effective interest in Bai Li Enterprise is 75.01%, via its direct interest held through Vine Growth Holdings (49.00%) and indirect interest held through Vine Growth Holdings and Bai Li Holdings (51.00% x 51.00% = 26.01%).

6. INFORMATION ON OUR GROUP (CONT'D)

6.2.1 Pre-IPO Internal Reorganisation Exercise

Our Group structure before and after the Pre-IPO Internal Reorganisation Exercise is as follows:

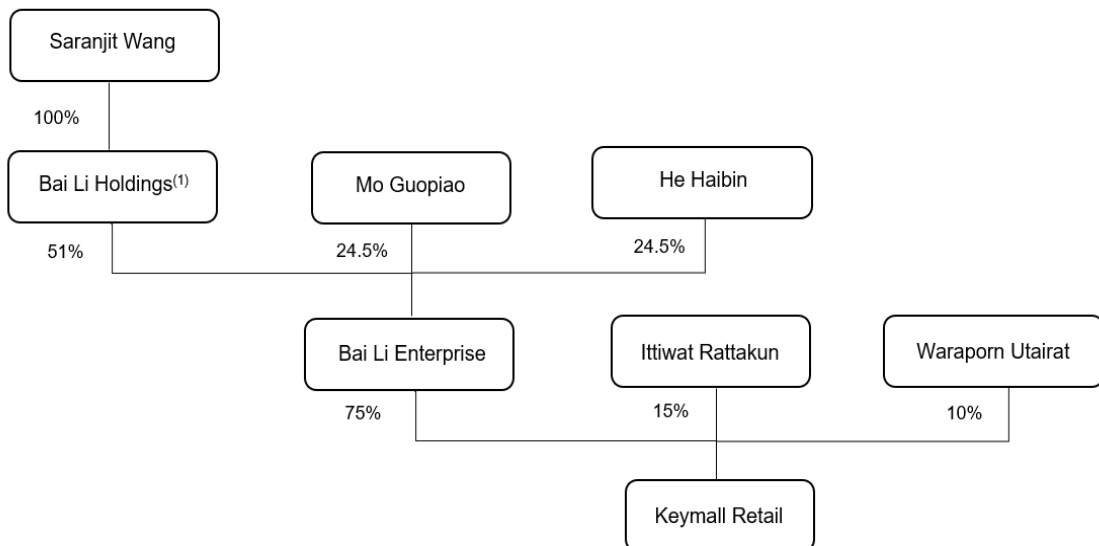
Before the Pre-IPO Internal Reorganisation Exercise



Note:

(1) He / She has no relationship with our Company other than as a shareholder of Keymall Retail.

Step 1: Incorporation of Bai Li Holdings and transfer of Saranjit Wang’s 51% shareholding in Bai Li Enterprise to Bai Li Holdings

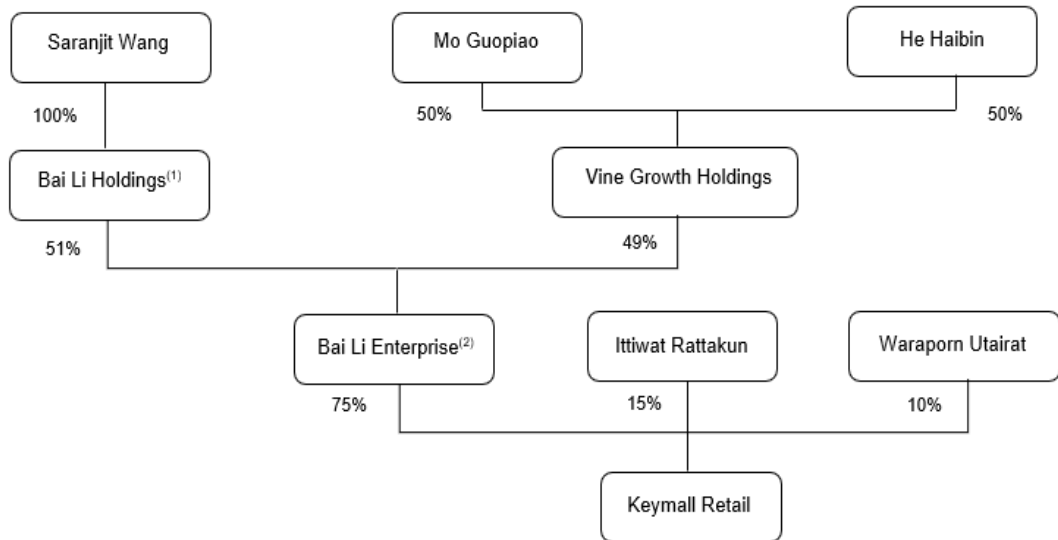


Note:

(1) Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings and Thanchanok Engsrissawang held 1 ordinary share in Bai Li Holdings. Wanchai Wanichkulthumrong has no relationship with our Company other than as a shareholder of Bai Li Holdings and our key senior management. Thanchanok Engsrissawang has no relationship with our Company other than as a shareholder of Bai Li Holdings.

6. INFORMATION ON OUR GROUP (CONT'D)

Step 2: Incorporation of Vine Growth Holdings and transfer of Mo Guopiao's and He Haibin's 49% shareholding in Bai Li Enterprise to Vine Growth Holdings



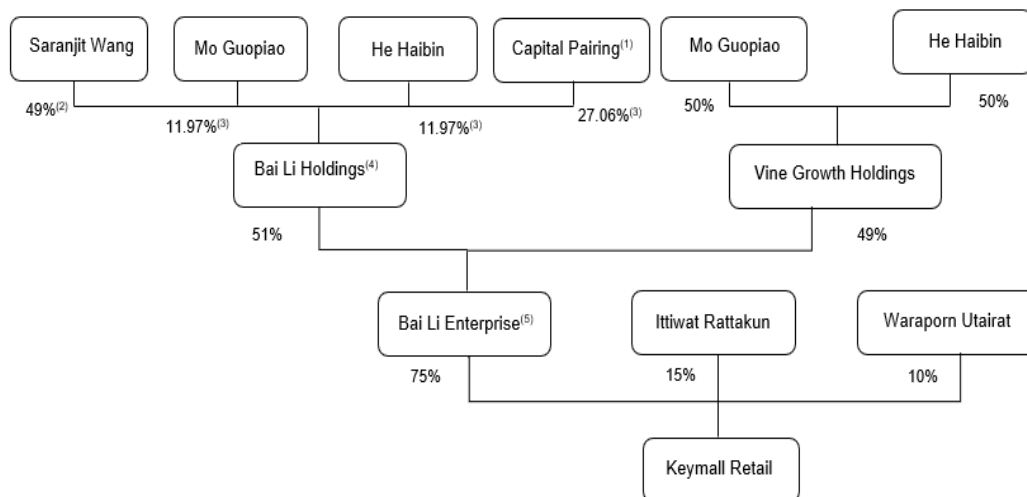
Notes:

- (1) *Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings and Thanchanok Engsrisawang held 1 ordinary share in Bai Li Holdings.*
- (2) *Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.*

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6. INFORMATION ON OUR GROUP (CONT'D)

Step 3: Issuance of 42,700 preference shares in Bai Li Holdings to Saranjit Wang and acquisition of Bai Li Holdings' 479,270 ordinary shares by Mo Guopiao, He Haibin and Capital Pairing from Saranjit Wang



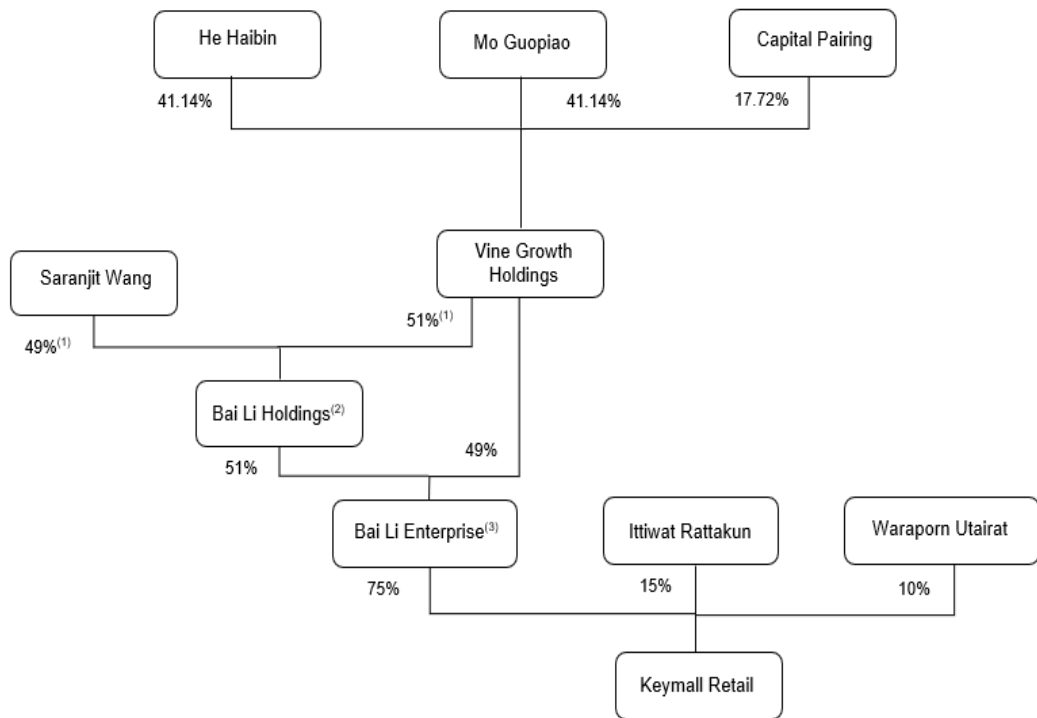
Notes:

- (1) The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.
- (2) Saranjit Wang holds 51% shareholding in Bai Li Holdings comprising 456,229 ordinary shares (46.64% shareholding) and 42,700 preference shares (4.36% shareholding). However, Saranjit Wang is entitled to exercise 49% of the voting rights in Bai Li Holdings based on the 456,229 ordinary shares and 42,700 preference shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.
- (3) The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.
- (4) Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Thanchanok Enggrisawang disposed her 1 ordinary share in Bai Li Holdings on 1 December 2021.
- (5) Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.

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6. INFORMATION ON OUR GROUP (CONT'D)

Step 4: Acquisition of 479,270 ordinary shares in Bai Li Holdings by Vine Growth Holdings from Mo Guopiao, He Haibin and Capital Pairing

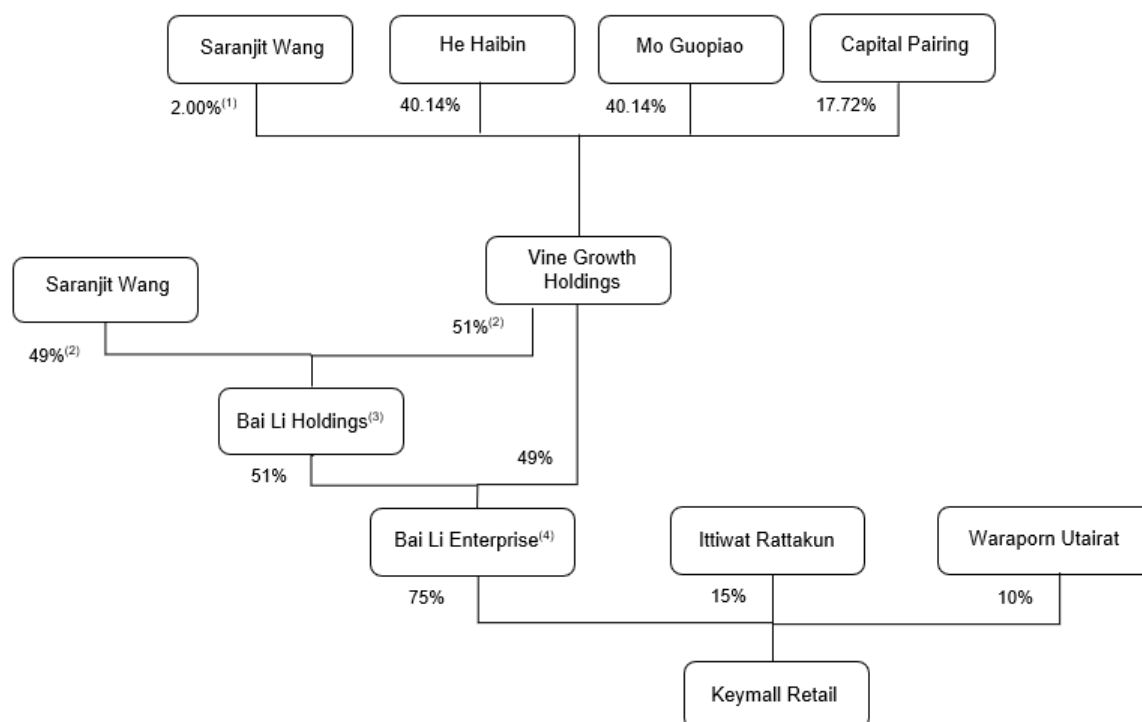


Notes:

- (1) The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.
- (2) Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings.
- (3) Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.

6. INFORMATION ON OUR GROUP (CONT'D)

After the Pre-IPO Internal Reorganisation Exercise



Notes:

- (1) Saranjit Wang acquired 1% shareholding in Vine Growth Holdings from each of Mo Guopiao and He Haibin, respectively, to enable Saranjit Wang to participate in the Listing as a shareholder of Wellspire upon completion of the Acquisition of Vine Growth Holdings for the purpose of the Listing.
- (2) The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.
- (3) The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Further, 10 preference shares shall be entitled to 1 dividend right. There are no other terms to the preference shares.
- (4) Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.

The purchase consideration for each step of the Pre-IPO Internal Reorganisation Exercise stated above was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the audited net assets of Bai Li Enterprise as at 31 December 2020 of THB179,292,089 equivalent to approximately SGD7,906,781 (based on exchange rate of THB100: SGD4.4100)[^]. The Pre-IPO Internal Reorganisation Exercise was completed on 31 December 2021.

Note:

[^] For information purposes only, equivalent to approximately RM24.02 million (based on exchange rate of THB100: RM13.3991) as at 31 December 2020.

6. INFORMATION ON OUR GROUP (CONT'D)

6.3 LISTING SCHEME

The Listing Scheme comprised, among others, the Acquisition of Vine Growth Holdings and Share Split that were undertaken upon the approvals for the Listing as set out in Section 2.1 of this Prospectus.

In conjunction with, and as an integral part of our Listing, the details of our Listing Scheme are as follows:

6.3.1 Acquisition of Vine Growth Holdings

By a conditional share sale agreement dated 11 March 2022, our Company acquired the entire issued share capital of Vine Growth Holdings from the vendors of Vine Growth Holdings, namely Saranjit Wang, Mo Guopiao, He Haibin and Capital Pairing for a total purchase consideration of RM11,501,000 which was satisfied entirely by the issuance of 11,501,000 new Shares, credited as fully paid-up at an issue price of RM1.00 per Share, in the manner as set out below:

Vendors	No. of shares held in Vine Growth Holdings	%	No. of Wellspire Shares issued
Saranjit Wang	119,380	2.00	230,000
Mo Guopiao	2,395,810	40.14	4,616,500
He Haibin	2,395,810	40.14	4,616,500
Capital Pairing	1,058,000	17.72	2,038,000
Total	5,969,000	100.00	11,501,000

The total purchase consideration for the Acquisition of Vine Growth Holdings was arrived based on a "willing-buyer willing-seller" basis after taking into consideration 75.01% effective interest of the combined net asset value of Vine Growth Holdings and its combining entities based on the management accounts as at 31 December 2021, equivalent to approximately RM11,501,000* (based on the exchange rate of THB100 : RM12.5540).

Note:

- * For information purposes only, the audit was subsequently finalised and the audited combined financial statements of Wellspire was approved by the Board on and dated 27 May 2022. The audited combined net asset value of Vine Growth Holdings and its combining entities (based on 75.01% effective interest) as at 31 December 2021 was RM11,785,000 (based on the exchange rate of THB100 : RM12.5540).

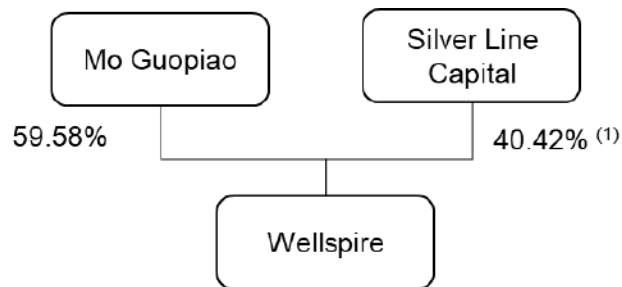
The sale and purchase of the shares in Vine Growth Holdings and the issuance of Wellspire Shares was subject to the conditions precedent, which included among others, the approval of Bursa Securities in relation to the Listing, being fulfilled within a period of 6 months from the date of the conditional share sale agreement or any extended period as the parties may mutually agree in writing.

The new Shares issued pursuant to the Acquisition of Vine Growth Holdings rank *pari passu* in all respects with our existing Shares including voting rights and are entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of new Shares.

6. INFORMATION ON OUR GROUP (CONT'D)

Our Group structure before and after the Acquisition of Vine Growth Holdings is as follows:

Before the Acquisition of Vine Growth Holdings



Note:

(1) On 6 August 2021, Wellspire was incorporated by Mo Guopiao with a share capital of RM10,000 as an investment holding company in Malaysia to facilitate the Listing.

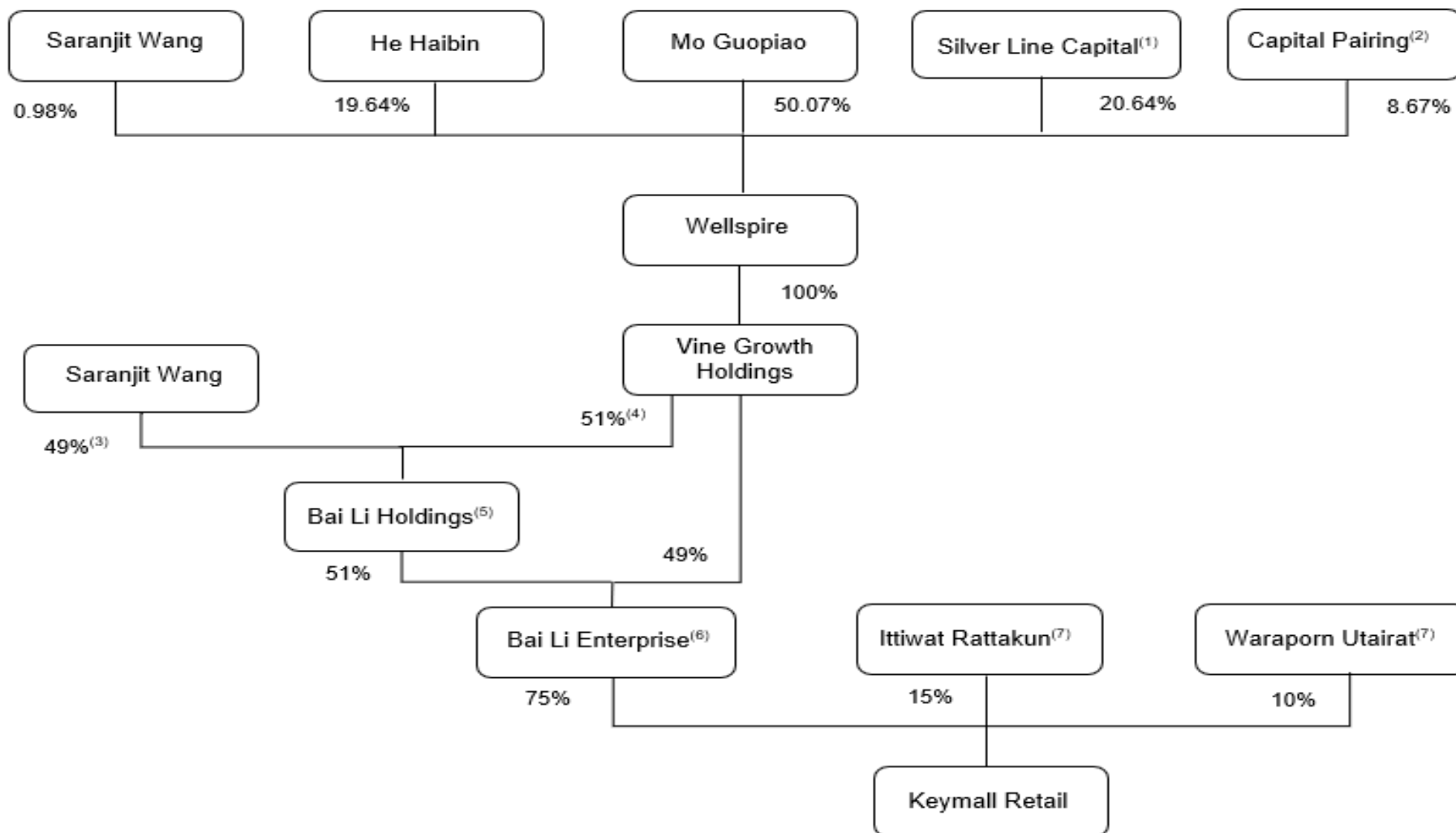
Subsequently, Wellspire increased its share capital to RM2,000,000 on 19 November 2021 which is fully subscribed by Mo Guopiao (RM1,990,000), and further increased it to RM12,000,000 on 9 March 2022 by way of issuance of 10,000,000 Wellspire Shares at RM1.00 each, which is fully subscribed by Mo Guopiao (RM5,150,000) and Silver Line Capital (RM4,850,000), a wholly-owned company by Mo Guopiao, respectively.

Please refer to Section 5.1.2 of this Prospectus for further details of Silver Line Capital.

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6. INFORMATION ON OUR GROUP (CONT'D)

After the Acquisition of Vine Growth Holdings



6. INFORMATION ON OUR GROUP (CONT'D)

Notes:

- (1) *The sole shareholder of Silver Line Capital is Mo Guopiao, our Promoter, substantial shareholder, CEO and Executive Director.*
- (2) *The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.*
- (3) *The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares. Saranjit Wang holds 51% shareholding in Bai Li Holdings comprising 456,229 ordinary shares (46.64% shareholding) and 42,700 preference shares (4.36% shareholding). However, Saranjit Wang is entitled to exercise 49% of the voting rights in Bai Li Holdings based on the 456,229 ordinary shares and 42,700 preference shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.*
- (4) *Vine Growth Holdings holds 479,270 ordinary shares (49% shareholding) in Bai Li Holdings. However, Vine Growth Holdings is entitled to exercise 51% of the voting rights in Bai Li Holdings based on the 479,270 ordinary shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.*
- (5) *Under the Thai Relevant Laws, a company registered in Thailand will be deemed a foreigner if more than half of its registered capital is held by foreigners. Based on the shareholding structure of Bai Li Holdings as at the LPD, Bai Li Holdings is not considered a foreigner under the Thai Relevant Laws as Vine Growth Holdings does not hold more than half of the registered capital of Bai Li Holdings. The Solicitors in respect of our IPO, to our Company as to laws of Thailand has confirmed that the shareholding structure is in compliance with the Thai Relevant Laws. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Wanchai Wanichkulthumrong has no relationship with our Company other than as a shareholder of Bai Li Holdings and our key senior management.*
- (6) *Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.*
- (7) *He / She has no relationship with our Company other than as a shareholder of Keymall Retail.*

The Acquisition of Vine Growth Holdings was completed on 29 November 2022 and thereafter, Bai Li Holdings, Bai Li Enterprise and Keymall Retail became our subsidiaries.

6. INFORMATION ON OUR GROUP (CONT'D)

6.3.2 Share Split

On 30 November 2022, we undertook a subdivision of all the existing Wellspire Shares in issue of 23,501,000 Wellspire Shares into 587,525,000 Wellspire Shares (i.e., subdivision of every one existing Wellspire Share held into 25 subdivided Wellspire Shares).

The purpose of the Share Split is to enhance the liquidity of Wellspire Shares at the time of our Listing.

Upon completion of the Share Split, we have 587,525,000 Wellspire Shares in issue where the shareholding structure of Wellspire before and after the Share Split are as follows:

	Before the Share Split		After the Share Split	
	No. of Wellspire Shares	%	No. of Wellspire Shares	%
Mo Guopiao	11,766,500	50.07	294,162,500	50.07
Silver Line Capital	4,850,000	20.64	121,250,000	20.64
He Haibin	4,616,500	19.64	115,412,500	19.64
Saranjit Wang	230,000	0.98	5,750,000	0.98
Capital Pairing	2,038,000	8.67	50,950,000	8.67
Total	23,501,000	100.00	587,525,000	100.00

6.3.3 Public Issue

Pursuant to the Public Issue, we shall issue 124,600,000 Public Issue Shares at our IPO Price to be allocated in the following manner:

- (i) 36,000,000 Public Issue Shares will be offered to the Malaysian Public by way of balloting, of which at least 50% will be set aside for Bumiputera investors;
- (ii) 10,000,000 Public Issue Shares will be made available for application by the Eligible Parties; and
- (iii) 78,600,000 Public Issue Shares will be made available for private placement to the selected investors.

Upon completion of our Public Issue, our share capital will increase from RM23,501,000 comprising 587,525,000 Shares to RM52,159,000 comprising 712,125,000 Shares.

6.3.4 Offer for Sale

Concurrently with our Listing, the Offerors will undertake an Offer for Sale of 124,600,000 Offer Shares at our IPO Price by way of private placement to the selected investors.

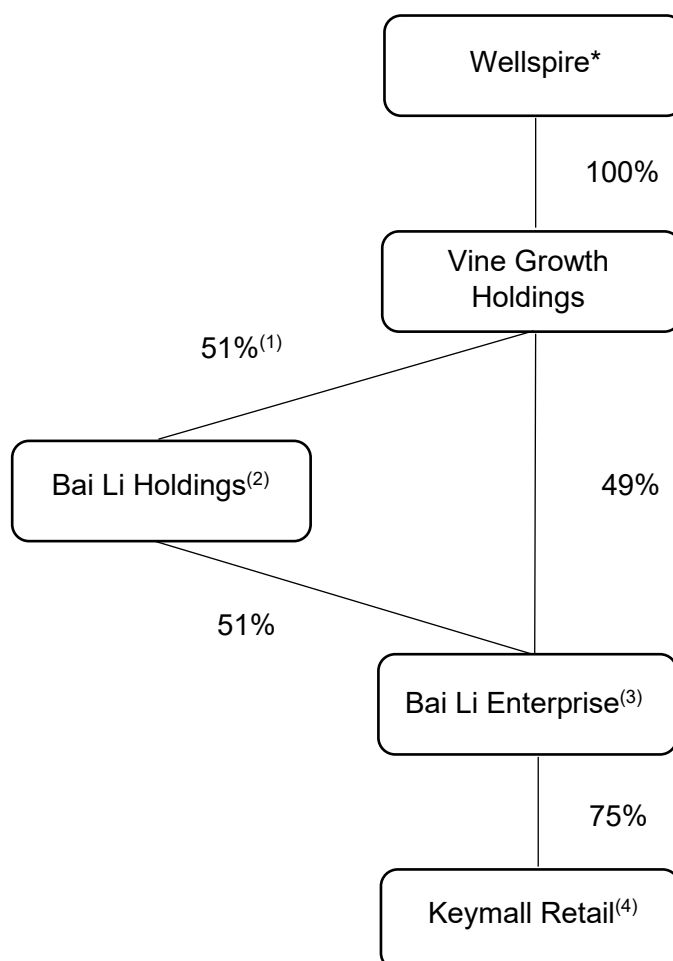
6.3.5 Listing

Upon completion of our IPO, our Company's entire enlarged issued share capital of RM52,159,000 comprising 712,125,000 Shares shall be listed on the ACE Market.

6. INFORMATION ON OUR GROUP (CONT'D)

6.4 OUR GROUP STRUCTURE

Our group structure as at the LPD and after our IPO is as follows:



Notes:

* Wellspire's effective interest in Bai Li Enterprise is computed as follows:

- (i) direct interest held through Vine Growth Holdings (49.00%); and
- (ii) indirect interest held through Vine Growth Holdings and Bai Li Holdings (51.00% x 51.00% = 26.01%).

Wellspire's total effective interest in Bai Li Enterprise is 75.01% (49.00% + 26.01%).

The effective interest of Wellspire in Bai Li Enterprise is to show the effective percentage of control that Wellspire has based on the ownership interest in terms of voting rights in Bai Li Enterprise.

The total voting rights of Wellspire are exercised through each of its subsidiaries, namely, Vine Growth Holdings and Bai Li Holdings. The voting rights of Vine Growth Holdings and Bai Li Holdings in Bai Li Enterprise are set out in Note (3) below.

6. INFORMATION ON OUR GROUP (CONT'D)

The total dividends rights of Wellspire held via the dividend rights of Vine Growth Holdings and Bai Li Holdings in Bai Li Enterprise are set out below in Note (2) to Section 6.6.2(c) and note to Section 6.6.3(c) of this Prospectus, respectively.

As Wellspire has control over Bai Li Enterprise, the PAT of Bai Li Enterprise will be consolidated at Wellspire's level.

Accordingly, the profit attributable to common controlling shareholders of the combined entities of Wellspire is based on 75.01% effective interest and the profit attributable to the non-controlling interests of Wellspire is based on 24.99% effective interest.

- (1) *Vine Growth Holdings holds 479,270 ordinary shares (49% shareholding) in Bai Li Holdings. However, Vine Growth Holdings is entitled to exercise 51% of the voting rights in Bai Li Holdings based on the 479,270 ordinary shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.*
- (2) *The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares. Saranjit Wang holds 51% shareholding in Bai Li Holdings comprising 456,229 ordinary shares (46.64% shareholding) and 42,700 preference shares (4.36% shareholding). However, Saranjit Wang is entitled to exercise 49% of the voting rights in Bai Li Holdings based on the 456,229 ordinary shares and 42,700 preference shares held as the right to vote is different between an ordinary shareholder and a preference shareholder. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings which entitles him to exercise 1 vote. Wanchai Wanichkulthumrong has no relationship with our Company other than as a shareholder of Bai Li Holdings and our key senior management.*
- (3) *Bai Li Holdings holds 20,399 ordinary shares in Bai Li Enterprise which entitles it to exercise 51% of the voting rights in Bai Li Enterprise. Vine Growth Holdings holds 19,600 ordinary shares in Bai Li Enterprise which entitles it to exercise 49% of the voting rights in Bai Li Enterprise. Saranjit Wang holds 1 ordinary share in Bai Li Enterprise which entitles her to exercise 1 vote.*
- (4) *The remaining 25% shareholding in Keymall Retail is held by Ittiwat Rattakun and Waraporn Utairat who hold 15% and 10% shareholding in Keymall Retail, respectively. None of them has any relationship with our Company other than as shareholders of Keymall Retail.*

Our Group was formed when our Company acquired the entire issued share capital of Vine Growth Holdings on 29 November 2022. As at the date of this Prospectus, our Company does not have any associates. Further details of our subsidiaries are set out in Section 6.6 of this Prospectus.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.5 OUR SHARE CAPITAL**

As at the date of this Prospectus, our issued share capital is RM23,501,000 comprising 587,525,000 Shares. Pursuant to our Public Issue, our issued share capital will increase to RM52,159,000 comprising 712,125,000 Shares.

The changes in the issued share capital of our Company since our incorporation are as follows:

Date of allotment	No. of Shares allotted	Value per Share (RM)	Type of issue / Consideration	Cumulative issued share capital (RM)
6 August 2021	10,000	1.00	Subscribers' shares/ RM10,000	10,000
19 November 2021	1,990,000	1.00	Allotment of shares/ RM1,990,000	2,000,000
9 March 2022	10,000,000	1.00	Allotment of shares/ RM10,000,000 ^(a)	12,000,000
29 November 2022	11,501,000	1.00	Pursuant to the Acquisition of Vine Growth Holdings/ RM11,501,000	23,501,000
30 November 2022	587,525,000 ^(b)	-	Share Split / N/A ^(b)	23,501,000

Notes:

- (a) *Our Company increased the share capital to RM12,000,000 by way of allotment of shares for the consideration of RM10,000,000, to defray estimated expenses for the Listing and for future working capital of Wellspire.*
- (b) *On 30 November 2022, our Company had completed the share split exercise which involved subdivision of every 1 existing ordinary share into 25 ordinary shares. Arising from this, the issued and paid-up ordinary shares of our Company were increased from 23,501,000 Shares to 587,525,000 Shares.*

As at the LPD, we do not have any outstanding warrants, options, convertible securities or uncalled capital. There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.6 OUR SUBSIDIARIES**

Our subsidiaries as at the LPD are as follows:

Name	Date and country of incorporation	Issued share capital	Our Company's effective interest (%)	Principal place of business	Principal activities
Direct wholly-owned subsidiary of Wellspire:					
Vine Growth Holdings	11 March 2021 / Singapore	SGD5,969,000	100.00	Singapore	Investment holding company and provision of management consultancy services.
Subsidiary of Vine Growth Holdings:					
Bai Li Holdings	25 October 2021 / Thailand	THB97,820,000	51.00 ⁽¹⁾	Thailand	Investment holding company.
Subsidiary of Bai Li Holdings:					
Bai Li Enterprise	30 January 2007 / Thailand	THB4,000,000	75.01 ⁽²⁾	Thailand	Distribution of consumer packaged foods
Subsidiary of Bai Li Enterprise:					
Keymall Retail	25 May 2020 / Thailand	THB1,000,000	56.26 ⁽³⁾	Thailand	Online retailer of consumer packaged foods

Notes:

- (1) Shareholding based on Vine Growth Holdings' voting rights in Bai Li Holdings.
- (2) Wellspire's effective interest in Bai Li Enterprise is computed as follows:
- (i) direct interest held through Vine Growth Holdings (49.00%); and
 - (ii) indirect interest held through Vine Growth Holdings and Bai Li Holdings based on Vine Growth Holdings' voting rights in Bai Li Holdings (51.00% x 51.00% = 26.01%).
- Wellspire's total effective interest in Bai Li Enterprise is 75.01% (49.00% + 26.01%).
- (3) Wellspire's total effective interest in Keymall Retail is 56.26% (75.01% x 75%).

Please refer to Sections 6.4, 6.6.1(c), 6.6.2(c), 6.6.3(c) and 6.6.4(c) of this Prospectus for detailed information of the shareholders and their respective shareholdings in our subsidiaries.

6. INFORMATION ON OUR GROUP (CONT'D)**6.6.1 Vine Growth Holdings****(a) Background, history and principal activities**

Vine Growth Holdings was incorporated on 11 March 2021 in Singapore under the Singapore Companies Act as a private company limited by shares under its present name. Vine Growth Holdings is an investment holding company of Bai Li Holdings and Bai Li Enterprise and its principal activity includes the provision of management consultancy services. Vine Growth Holdings commenced operations in December 2021.

(b) Share capital

As at the LPD, the issued share capital of Vine Growth Holdings is SGD5,969,000 comprising 5,969,000 ordinary shares.

The changes in the issued share capital of Vine Growth Holdings since incorporation are as follows:

Date of allotment	No. of shares allotted	Value per share (SGD)	Type of issue / Consideration	Cumulative issued share capital (SGD)
11 March 2021	100,000	1.00	Subscribers' shares/ SGD100,000	100,000
9 December 2021	3,875,000	1.00	Pursuant to the acquisition of Bai Li Enterprise under the Pre-IPO Internal Reorganisation Exercise/ SGD3,875,000	3,975,000
9 December 2021	1,994,000	1.00	Pursuant to the acquisition of Bai Li Holdings under the Pre-IPO Internal Reorganisation Exercise/ SGD1,994,000	5,969,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Vine Growth Holdings. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

(c) Shareholder

Vine Growth Holdings is a direct wholly-owned subsidiary of Wellspire upon the completion of the Acquisition of Vine Growth Holdings. There is no indirect shareholding.

6. INFORMATION ON OUR GROUP (CONT'D)**(d) Directors**

As at the LPD, the Director of Vine Growth Holdings is Mo Guopiao.

(e) Subsidiary, associate and joint venture

Save for Bai Li Holdings, Bai Li Enterprise and Keymall Retail, Vine Growth Holdings does not have any other subsidiary, associate or joint venture.

6.6.2 Bai Li Holdings**(a) Background, history and principal activities**

Bai Li Holdings was incorporated on 25 October 2021 in Thailand as a private company limited by shares under its present name. Bai Li Holdings is an investment holding company. Bai Li Holdings commenced operations in November 2021.

(b) Share capital

As at the LPD, the registered capital[^] of Bai Li Holdings is THB97,820,000 and issued share capital of Bai Li Holdings is THB97,820,000 comprising 935,500 ordinary shares and 42,700 preference shares.

The changes in the issued share capital of Bai Li Holdings since incorporation are as follows:

Date of allotment	No. of shares allotted	Value per share (THB)	Type of issue / Consideration	Cumulative issued share capital (THB)
Ordinary shares				
25 October 2021	21,000	100	Subscribers' shares/ THB2,100,000	2,100,000
1 December 2021	914,500	100	Subscribers' shares/ THB91,450,000	93,550,000
Preference shares				
1 December 2021	42,700	100	Subscribers' shares/ THB4,270,000	97,820,000

As at the LPD, save as disclosed above, there are no outstanding warrants, options, convertible securities or uncalled capital in Bai Li Holdings. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Note:

[^] Registered capital is the total amount of capital registered with the Ministry of Commerce in Thailand. It is represented by the par value of a share multiplied by total number of shares in a company. Issued share capital is the value of shares actually issued to the shareholders. In most cases, registered capital and issued share capital are the same amount except where the share capital is not fully called.

6. INFORMATION ON OUR GROUP (CONT'D)**(c) Shareholders**

The shareholders of Bai Li Holdings are as follows:

Name	Shareholding based on shares allotted		Shareholding based on voting rights	
	No. of shares	%	No. of votes	%
Ordinary shares⁽¹⁾				
Saranjit Wang	456,229	46.64	456,229	48.55
Wanchai Wanichkulthumrong	1	*	1	*
Vine Growth Holdings	479,270	49.00	479,270	51.00
Preference shares⁽²⁾				
Saranjit Wang	42,700	4.36	4,270	0.45
Total	978,200	100.00	939,770	100.00

Notes:

* Negligible.

(1) 1 vote per 1 ordinary share.

(2) 1 vote per 10 preference shares.

In accordance with the provisions under the Articles of Association of Bai Li Holdings, 1 ordinary share shall be entitled to 1 dividend right and 10 preference shares shall be entitled to 1 dividend right. Save as disclosed above, there are no other terms to the preference shares. The terms of the preference shares are in accordance with the Thai laws.

Wellspire's indirect interest in Bai Li Holdings is held through Vine Growth Holdings.

(d) Directors

As at the LPD, the Directors of Bai Li Holdings are Saranjit Wang, Mo Guopiao and Kua Chin Teck.

(e) Subsidiary, associate and joint venture

Save for Bai Li Enterprise and Keymall Retail, Bai Li Holdings does not have any other subsidiary, associate or joint venture.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.6.3 Bai Li Enterprise****(a) Background, history and principal activities**

Bai Li Enterprise was incorporated on 30 January 2007 in Thailand as a private company limited by shares under the name of Thong Road Food Co., Ltd. and subsequently changed to its present name on 2 April 2010. Bai Li Enterprise is principally involved in distribution of consumer packaged foods.

The principal place of business of Bai Li Enterprise is Pathum Thani province, Thailand. Bai Li Enterprise commenced its operations in January 2007.

(b) Share capital

As at the LPD, the registered capital[^] of Bai Li Enterprise is THB4,000,000 and issued share capital of Bai Li Enterprise is THB4,000,000 comprising 40,000 ordinary shares.

The changes in the issued share capital of Bai Li Enterprise since incorporation are as follows:

Date of allotment	No. of shares allotted	Value per share (THB)	Type of issue / Consideration	Cumulative issued share capital (THB)
30 January 2007	10,000	100	Subscribers' shares/ THB 1,000,000	1,000,000
20 October 2014	10,000	100	Subscribers' shares/ THB 1,000,000	2,000,000
25 April 2017	20,000	100	Subscribers' shares/ THB 2,000,000	4,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Bai Li Enterprise. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Note:

[^] *Registered capital is the total amount of capital registered with the Ministry of Commerce in Thailand. It is represented by the par value of a share multiplied by total number of shares in a company. Issued share capital is the value of shares actually issued to the shareholders. In most cases, registered capital and issued share capital are the same amount except where the share capital is not fully called.*

6. INFORMATION ON OUR GROUP (CONT'D)**(c) Shareholders**

The shareholders of Bai Li Enterprise are as follows:

Name	No. of ordinary shares	%
Bai Li Holdings	20,399	51.00
Vine Growth Holdings	19,600	49.00
Saranjit Wang	1	*
Total	40,000	100.00

Notes:

* *Negligible.*

In accordance with the provisions under the Articles of Association of Bai Li Enterprise, an ordinary shareholder has 1 vote for each ordinary share held and 1 ordinary share shall be entitled to 1 dividend right.

Wellspire's effective interest in Bai Li Enterprise is computed as follows:

- (i) direct interest held through Vine Growth Holdings (49.00%); and
- (ii) indirect interest held through Vine Growth Holdings and Bai Li Holdings (51.00% x 51.00% = 26.01%).

Wellspire's total effective interest in Bai Li Enterprise is 75.01% (49.00% + 26.01%).

(d) Directors

As at the LPD, the Directors of Bai Li Enterprise are Saranjit Wang, Mo Guopiao and Kua Chin Teck.

(e) Subsidiary, associate and joint venture

Save for Keymall Retail, Bai Li Enterprise does not have any other subsidiary, associate or joint venture.

6.6.4 Keymall Retail**(a) Background, history and principal activities**

Keymall Retail was incorporated on 25 May 2020 in Thailand as a private company limited by shares under its present name. Keymall Retail is principally involved in online retailer of consumer packaged foods.

The principal place of business of Keymall Retail is Pathum Thani province, Thailand. Keymall Retail commenced its operations in December 2020.

6. INFORMATION ON OUR GROUP (CONT'D)**(b) Share capital**

As at the LPD, the registered capital[^] of Keymall Retail is THB1,000,000 and the issued share capital of Keymall Retail is THB1,000,000 comprising 10,000 ordinary shares.

The changes in the issued share capital of Keymall Retail since incorporation are as follows:

Date of allotment	No. of shares allotted	Value per share (THB)	Type of issue / Consideration	Cumulative issued share capital (THB)
25 May 2020	10,000	100	Subscribers' shares/ THB400,000	400,000
28 February 2022	-	-	Remaining capital call/ THB600,000	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Keymall Retail.

In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Note:

[^] Registered capital is the total amount of capital registered with the Ministry of Commerce in Thailand. It is represented by the par value of a share multiplied by total number of shares in a company. Issued share capital is the value of shares actually issued to the shareholders. In most cases, registered capital and issued share capital are the same amount except where the share capital is not fully called.

(c) Shareholders

The shareholders of Keymall Retail are as follows:

Name	No. of ordinary shares	%
Bai Li Enterprise	7,500	75.00
Ittiwat Rattakun	1,500	15.00
Waraporn Utairat	1,000	10.00
Total	10,000	100.00

Wellspire's effective interest in Keymall Retail is 56.26%, via Bai Li Enterprise and is computed as follows:

Wellspire's total effective interest in Bai Li Enterprise of 75.01% x 75%.

6. INFORMATION ON OUR GROUP (CONT'D)

(d) Directors

As at the LPD, the Directors of Keymall Retail are Saranjit Wang, Ittiwat Rattakun and Waraporn Utairat.

(e) Subsidiary, associate and joint venture

Keymall Retail does not have any subsidiary, associate or joint venture.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our Company was incorporated under the name of Wellspire Holdings Sdn Bhd in Malaysia on 6 August 2021 under the Act as a private limited company and was subsequently converted to a public limited company on 25 March 2022.

The principal activity of our Company is investment holding, whilst our Group is principally engaged in the distribution of consumer packaged foods focusing on snack foods in Thailand. Our Group's main snack food product is sunflower seeds where we are the exclusive distributor of ChaCha brand sunflower seeds for the Thailand market. We also distribute other snack food products such as other seeds and nuts, and baked and confectionery products comprising third-party brands as well as our brands. We serve the market in Thailand where our market reach through our customers extends from our base in Pathum Thani, Thailand to cover the Central, Northeast, Northern, and Southern regions of Thailand. A small proportion of our revenue is derived from online retail sales of consumer packaged foods which commenced in 2020. For FYE 2020, FYE 2021 and FPE 2022, our revenue derived from online retail sales accounted for 0.09% (RM0.11 million), 0.14% (RM0.19 million) and 0.12% (RM0.07 million) of our total revenue, respectively.

For further details of the principal activities of our subsidiaries, please refer to Section 6.6 of this Prospectus.

Our Group's history can be traced back to 2007 when Saranjit Wang and six individuals founded Bai Li Enterprise (formerly known as Thong Road Food Co., Ltd), which was initially involved in the exporting of snack food products from Thailand to China. Saranjit Wang held 50.00% equity interest, her mother, Umaporn Aimrahong held 49.95% equity interest and the remaining 0.05% equity interest was held by 3 family members and 2 third-party individuals.

In 2014, Umaporn Aimrahong together with the 3 family members and 2 third-party individuals exited when they sold their collective 49.98% equity interest in Bai Li Enterprise to Wei Wang. Nevertheless, Umaporn Aimrahong maintained a minimal equity interest of 0.02% in Bai Li Enterprise. Wei Wang is a third-party investor from China introduced by Wang Zheng (COO of our Group), who is the spouse of Saranjit Wang.

From 2007 to 2014, apart from Saranjit Wang, the other shareholders of Bai Li Enterprise were not involved in the operations of Bai Li Enterprise.

In 2014, Bai Li Enterprise increased its share capital and both Wei Wang and Saranjit Wang subscribed an equal number of shares. Thus, Wei Wang's equity interest in Bai Li Enterprise increased to 49.99% while Saranjit Wang's equity interest in Bai Li Enterprise was maintained at 50.00%. Umaporn Aimrahong's equity interest in Bai Li Enterprise decreased to 0.01%.

In 2015, Umaporn Aimrahong sold 0.01% equity interest in Bai Li Enterprise to Saranjit Wang and Wei Wang sold 49.99% equity interest in Bai Li Enterprise to Mo Guopiao due to Wei Wang's personal reasons. In the same year Mo Guopiao has sold 24.50% and 0.99% equity interest in Bai Li Enterprise to He Haibin and Saranjit Wang, respectively.

Prior to Mo Guopiao and He Haibin becoming shareholders of Bai Li Enterprise in 2015, they were based in China. They were looking to explore investment opportunities in the South East Asia region. Mo Guopiao and He Haibin are friends of Wang Zheng and Wang Zheng introduced Mo Guopiao and He Haibin to invest in Bai Li Enterprise.

Since Mo Guopiao and He Haibin became shareholders of Bai Li Enterprise in 2015, Mo Guopiao has been involved in the management or operations of our Group. He Haibin is not involved in the management or operations of Bai Li Enterprise apart from the provision of specific consultancy services to Bai Li Enterprise in FYE 2020.

7. BUSINESS OVERVIEW

Our Group was formed when our Company acquired the entire issued share capital of Vine Growth Holdings on 29 November 2022.

The table below sets out the key events and milestones in the history and development of our business:

Year	Key Events and Milestones
2007	<ul style="list-style-type: none"> Bai Li Enterprise was incorporated by Saranjit Wang, 4 persons connected to Saranjit Wang and 2 third-party individuals, and commenced operations in Ang Thong province as an exporter of snack food products namely fried fish and dried fruits sourced from Thailand to China namely Jilin, Heilongjiang, Fujian and Beijing provinces. Since 2010, we have discontinued this business activity as the sales for these products were not encouraging to the target market in China. Bai Li Enterprise started its operations by renting single storey landed warehouse from Saranjit Wang's father, with a total floor area measuring approximately 100 sq.m., located at Ang Thong province in Thailand.
2010	<ul style="list-style-type: none"> We commenced importing green bean snacks from Suzhou in Jiangsu province in China for sales in Thailand, which were sold to convenience stores. Since 2012, we have discontinued this business activity as the sales for the green bean snacks were not encouraging.
2012	<ul style="list-style-type: none"> Bai Li Enterprise relocated its place of operation by renting 4 ½ storey shop lot from a third party, with a total floor area measuring approximately 550 sq.m., located at MT City Khlong Luang, Pathum Thani province in Thailand. We commenced distribution of ChaCha brand sunflower seeds to retailers in Thailand*. The ChaCha brand of sunflower seeds was introduced by our COO into Thailand market, Wang Zheng, who was then the personal business advisor to the Managing Director of Bai Li Enterprise (Saranjit Wang) on sales and operations planning. Prior to 2012, there were no other distributors selling ChaCha brand of sunflower seeds in Thailand.
2013	<ul style="list-style-type: none"> In January 2013, we were appointed by QiaQia as the exclusive distributor of ChaCha brand of sunflower seeds in Thailand as we presented to QiaQia that based on Wang Zheng and Saranjit Wang's existing contacts, Bai Li Enterprise will be able to introduce the ChaCha brand products to operators in the modern trade who have many retail outlets throughout Thailand. We commenced distribution of ChaCha brand sunflower seeds to major retailers in Thailand including 7-Eleven convenience store, Big C hypermarket and Tops supermarket.
2014	<ul style="list-style-type: none"> We commenced sales of ChaCha brand sunflower seeds to Lotus's hypermarket (formerly known as Tesco Lotus).
2015	<ul style="list-style-type: none"> Mo Guopiao and He Haibin joined Bai Li Enterprise as shareholders. We commenced sales of snack food products to a wholesaler, namely Kor Chaisaeng D.C. Co., Ltd., that resell to traditional retailers such as sundry shops, market stalls and street vendors in Southern region of Thailand.
2016	<ul style="list-style-type: none"> We commenced sales of snack food products to Makro cash and carry stores, and FamilyMart convenience store.
2017	<ul style="list-style-type: none"> We commenced distribution of our Pee Ree brand of snack food products namely watermelon seeds and sunflower kernels which were imported from China. Since 2020, we have discontinued distribution of sunflower kernels due to low demand.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key Events and Milestones
2018	<ul style="list-style-type: none"> In August 2018, we relocated and expanded our operations to a distribution centre in the district of Thanyaburi in Pathum Thani province. We rented a portion measuring 1,037 sq. m. of the distribution centre from a related party, S.W. Enterprise Co., Ltd. As of the LPD, we rent the entire premises with a total built-up area measuring approximately 4,897 sq. m. We commenced distribution of ChaCha coconut flavour sunflower seeds to 7-Eleven convenience store and Makro cash and carry stores.
2019	<ul style="list-style-type: none"> We commenced sales of snack food products to another wholesaler, namely Mega Alliance, who is one of our major customers and our former associate, for traditional retailers including sundry shops and small retailers in the outskirts areas of city or town centres. We commenced distribution of our King Kong brand of mixed nuts energy bar imported from China.
2020	<ul style="list-style-type: none"> We commenced distribution of third-party Cundo brand of layer cakes and our Miyu brand of chocolate snacks imported from China. Keymall Retail was incorporated and commenced operations as an online retailer of snack food products via our e-commerce platform namely www.keymall.me as well as third-party online platform such as Shopee and Facebook, Thailand.
2021	<ul style="list-style-type: none"> We commenced distribution of our Mina brand of dried plums and prunes and Miyu brand of biscuits. As at the LPD, we have discontinued the distribution of Mina brand dried fruits on 30 March 2022 as we are in the midst of rebranding the product.

Note:

* For information purposes, our sales from the ChaCha brand sunflower seeds and nuts products from 2012 to 2016 were, THB1.22 million or RM0.12 million in 2012, THB17.39 million or RM1.73 million in 2013, THB24.98 million or RM2.66 million in 2014, THB29.38 million or RM3.50 million in 2015 and THB43.32 million or RM5.42 million in 2016. (Translated based on the exchange rates of THB to RM sourced from Bank Negara Malaysia as at 31 December, for the respective financial years).

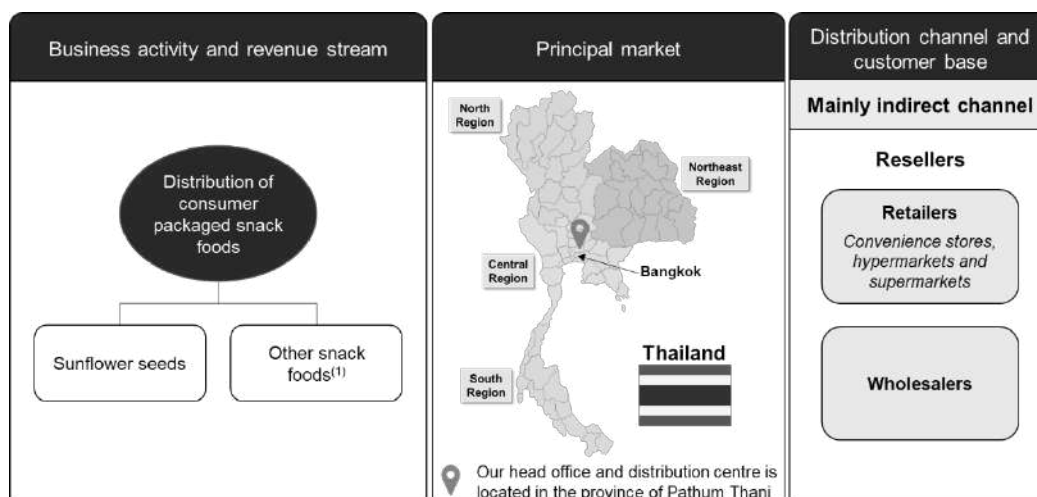
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7. BUSINESS OVERVIEW (CONT'D)

7.2 OVERVIEW OF OUR BUSINESS

7.2.1 Our business model

Our business model is depicted in the following diagram:



Note:

- (1) *Other snack foods mainly comprise other seeds and nuts, and baked and confectionery products. For the Financial Years and Period Under Review, revenue contribution from other snack foods amounted to RM2.69 million (4.58%), RM7.92 million (6.61%), RM11.32 million (8.28%) and RM4.80 million (7.93%) for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.*

7.2.2 Business activity and revenue streams

We are involved in the distribution of consumer packaged foods focusing on snack foods. Our main product is sunflower seeds where we are the exclusive distributor of ChaCha brand sunflower seeds and nuts for the Thailand market since January 2013. QiaQia is a China-based company that produces roasted seeds and nuts, and baked snack foods under the brand "ChaCha" and "ChaCheer" with sales in China and export countries including Thailand, Malaysia, Indonesia, Vietnam, the United States and Canada, among others. At present, QiaQia has 10 production facilities where 9 are located in China, and 1 located in Thailand (*Source: ChaCha Annual Report 2021*). We sourced the ChaCha sunflower seeds and nuts mainly from Thailand as well as China.

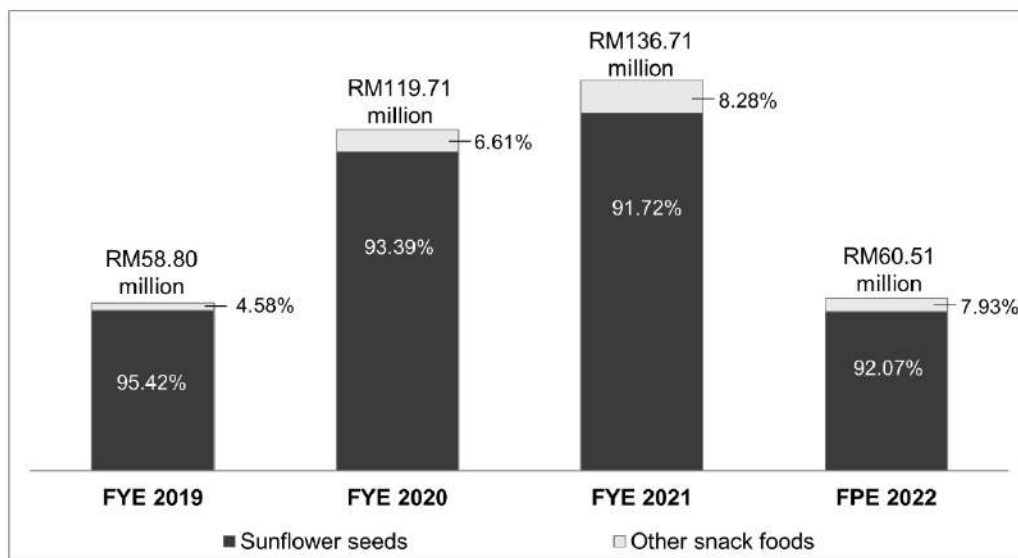
A small proportion of our revenue is derived from online retail sales of consumer packaged foods which commenced in 2020. For FYE 2020, FYE 2021 and FPE 2022, our revenue derived from online retail sales accounted for 0.09% (RM0.11 million), 0.14% (RM0.19 million) and 0.12% (RM0.07 million) of our total revenue, respectively.

We also distribute other snack foods such as other seeds and nuts, and baked and confectionery products comprising third-party brands as well as our brands. Our other snack foods are imported from China.

We have one (1) rented distribution centre comprising two (2) warehouse buildings with combined built-up area of approximately 4,897 sq. m. located in the province of Pathum Thani, Thailand to serve our customers throughout the Central, Northeast, Northern and Southern regions of Thailand.

7. BUSINESS OVERVIEW (CONT'D)

Our revenue segmentation by products are as follows:



Between FYE 2019 and FYE 2021, our total revenue grew by a CAGR of 52.48%. Please refer to Section 12.3.2 of the Prospectus for further details on segmental analysis by revenue.

7.2.3 Principal market

Our principal market is Thailand where we derived all our revenue for the Financial Years and Period Under Review and up to the LPD. As at the LPD, our revenue is mainly from customers based in Bangkok with sales and distribution points throughout the Central, Northeast, Northern and Southern regions of Thailand. In FYE 2021 and FPE 2022, revenue from customers based in Bangkok amounted to RM106.43 million (77.84%) and RM44.11 million (72.90%) of our total revenue. Please refer to Section 7.13 of this Prospectus for further details on our sales and distribution points.

7.2.4 Our distribution channels and customer base

We adopt mainly indirect distribution channel, where our customers would buy our product and resell them.

Our indirect distribution channel covers resellers including retailers and wholesalers. Our retailer customers include chain and standalone convenience stores, hypermarkets, cash and carry stores, supermarkets, petrol kiosks and sundry shops while our wholesale customers include operators that supply to other wholesalers and retailers.

For the Financial Years and Period Under Review, our sales through indirect distribution channel such as retailers and wholesalers accounted for 99.99%, 99.73%, 99.36% and 99.77% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. Utilising intermediaries such as retailers and wholesalers enable us to use their existing network to expand our market coverage without the need for significant investments in sales and marketing, and logistics.

A small proportion of our revenue is derived from direct distribution channels where we sell our products directly to end-consumers, such as companies and individuals who purchase for own consumption. In FYE 2020, we commenced direct sales to consumers through our online sales channel mainly through third-party online platform such as Shopee and Facebook, Thailand.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our revenue segmented by type of customers are as follows:

Distribution channel	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Indirect	58,791	99.99	119,383	99.73	135,829	99.36	60,370	99.77
Retailers	54,196	92.18	98,429	82.23	107,472	78.62	44,877	74.17
Wholesalers	4,595	7.81	20,954	17.50	28,357	20.74	15,493	25.60
Direct	8	0.01	323	0.27	878	0.64	139	0.23
End-consumers ⁽¹⁾	2	-	115	0.10	265	0.19	139	0.23
Staff purchase ⁽²⁾	6	0.01	208	0.17	613	0.45	-	-
Total revenue	58,799	100.00	119,706	100.00	136,707	100.00	60,509	100.00

Notes:

- (1) Includes sales made via external e-commerce platform (such as Shopee and Facebook, Thailand), and sales to companies and individual for own consumption.
- (2) Includes sales to our employees for own consumption as well as for resale to other retailers. In the past, we were trying to expand our sales to traditional retailers and thus we allowed our employees to purchase our products for resale to other retailers in their personal capacity to traditional retailers. However, since January 2022, this practice has been discontinued as part of our efforts to streamline our distribution channels and have clear segregation of duties for our employees.

7.3 MODES OF OPERATION

7.3.1 Basis of purchases

The following are the basis of purchases from our customers:

(i) Retailers and wholesalers

For our retailer and wholesaler customers, we operate based on purchase orders and they are invoiced upon delivery of goods.

As at the LPD, we entered into several agreements with our customers to establish business relationships with the respective customers while setting out the general terms and conditions, scope of services as well as their respective validity period. These include the trading agreement with Siam Makro and Main Agreement with CP All as stated in Section 7.20 of this Prospectus.

Save for the trading agreement with Siam Makro, the other agreements with our customers do not have an expiry period. The current validity period of the trading agreement with Siam Makro is from 1 January 2022 to 31 December 2022. The agreements do not oblige the customers to place orders and there is no minimum purchase order quantum committed in the agreements with retailers and wholesalers. Please refer to Section 7.20.2 for further details of the trading agreement with Siam Makro.

7. BUSINESS OVERVIEW (CONT'D)

For customers with agreements, as and when required by the customers, the customers will issue purchase orders. In general, our revenue is dependent on the issuance of purchase orders by customers at customers' discretion. Kindly refer to Section 7.20 of this Prospectus for further details on the agreements.

These customers would typically place their orders periodically, such as twice a week or every specific day in the week. We provide our retailer customers with credit term of 30 to 60 days and wholesaler customers are dealt on cash terms.

(ii) End-consumers

For direct sales to end-consumers such as companies and individuals, we operate based on purchase orders and these customers are required to make advance payment before delivery of goods. Majority of these customers would place their orders on an ad hoc basis.

For our online sales customers, we operate based on orders placed through online platform such as Shopee and Facebook, Thailand. Upon placement of orders, all payments are made through the online payment gateway established on the third-party online platform (Shopee) or through bank transfer (Facebook). Subsequently, delivery will be arranged. We will only be paid by the payment gateway after 3 to 10 days, subject to acknowledgement of acceptance by our customers after successful delivery. Most of the online sales are on an ad hoc basis.

7.3.2 Fees and rebates

For retailer customers, depending on the agreement, we are typically subject to the following fees and/or rebates which are paid separately by our Group to the customers, where applicable, while discounts are offset against customers' invoice:

- entrance fee which is a one-off fee based on the number of SKU to be sold through our customers' retail outlets;
- fixed rebates and/or discounts based on yearly sales target deducted on a monthly basis;
- advertising fee based on percentage of sales, which varies among customers;
- promotional fees, a fixed yearly amount based on yearly sales target; and
- special promotion fees, which is ad hoc and when we participate in customers' promotion campaign.

For wholesale customers, we do not have any promotional fees and rebates.

7.3.3 Return policy

All goods delivered or collected are inspected by our customers. During the inspection, customers are permitted to reject the goods. Once the goods are accepted, we do not allow customers to return the products.

This return policy is applicable to all customers.

Typically, we do not have any return policy for expired goods.

7. BUSINESS OVERVIEW (CONT'D)

7.4 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths will provide us with the platform to sustain and grow our business. These are as follows:

(i) We are the exclusive distributor for ChaCha brand snack foods for the Thailand market

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue derived from the exclusive distributorship of ChaCha brand of sunflower seeds and nuts accounted for 96.11%, 93.76%, 91.86% and 92.21% of our Group's total revenue, respectively.

As the exclusive distributor for ChaCha brand of sunflower seeds and nuts in Thailand, our business benefits from its brand equity that has been established in China. In addition, we have continuously built up the brand awareness and equity of the ChaCha brand in Thailand since we commenced distribution in 2012. In addition, we have introduced the ChaCha brand of sunflower seeds and nuts in some of the large chain of supermarkets, cash and carry stores, hypermarkets, minimarkets, convenience stores and petrol stations.

As such, being the exclusive distributor in Thailand, we are able to enjoy the full benefits accrued through the ChaCha brand of sunflower seeds and nuts in Thailand. This is further demonstrated through our revenue growth of CAGR of 49.07% between FYE 2019 and FYE 2021 for the ChaCha brand of sunflower seeds and nuts.

(ii) We have established indirect distribution channels to provide wide coverage of end-consumers for our snack food products

As the general public is the end-consumer of snack food products, having a wide distribution network is key in ensuring that our snack food products reach as many end-consumers as possible. As such, we mainly utilise the indirect distribution channel where we sell our snack food products through intermediaries who will then resell our products to their respective networks of customers. Through our indirect distribution channel, we have customer base that includes retailers such as chain and standalone convenience stores, hypermarkets, cash and carry stores, supermarkets, petrol kiosks, and sundry shops, and a wholesaler who utilise its existing network to sell our snack food product to sundry shops and other small retailers. For the Financial Years and Period Under Review, our indirect distribution channel represented more than 99% of our total revenue.

Furthermore, our coverage can be demonstrated by our 43 delivery destinations owned by the customers in the Central, Northeast, Northern, and Southern regions of Thailand, as at the LPD. Our delivery destination points indicate our market access and coverage for our snack food products in Thailand. Our delivery destinations which are determined by our customers cover our customer's distribution centres, warehouses and retail outlets.

(iii) Some of our customers operate large chain retail outlets that provide market access of our products to a large potential end-consumer base for our snack food products

Our customers operate large retail convenience stores such as 7-Eleven, FamilyMart, Lotus's Go Fresh mini market, Mini BigC and Lawson108, cash and carry stores such as Makro, hypermarkets such as Lotus's and Big C, supermarkets such as Tops, Lotus's Go Fresh and Big C Market. As of 31 December 2021, there were 13,134 7-Eleven convenience stores, 2,197 Lotus's Go Fresh mini markets, 805 FamilyMart convenience stores, 222 Lotus's hypermarkets, 199 Lotus's Go Fresh supermarkets, 154 Big C hypermarkets and 142 Makro cash and carry stores in Thailand (*Source: IMR Report*).

7. BUSINESS OVERVIEW (CONT'D)

These customers operate recognisable retail brand names with large number of retail outlets. As such, these customers would have a large potential end-consumer bases which would provide market access to our products. As a distributor, we benefit from the wide market coverage and access from these recognisable brand name retail outlets to provide growth to our business in the distribution of consumer packaged foods.

(iv) We have experienced directors and key senior management team

We have an experienced key senior management team headed by Mo Guopiao, our CEO and Executive Director, who has more than 12 years of experience in business management and investment fields. By leveraging on his business experience and business networks which were garnered over the years, he has guided our Company to strategically expand our Group's product offerings and strengthening our Group's revenue sources. He is responsible for providing strategic, financial, and operational leadership to our Group.

He is supported by our key senior management team as follows:

- Saranjit Wang, our Executive Director, who has approximately 20 years of working experience in consumer packaged goods industry. She oversees our Group's overall management and business growth direction in Thailand.
- Kua Chin Teck, our Executive Director, who brings with him approximately 18 years of experience in the areas of audit, financial reporting, corporate finance and corporate development. He is responsible for the corporate strategy and corporate development of our Group.
- Wang Zheng, our COO, who brings with him approximately 15 years of experience in the areas of logistics management, supply chain management and setting up operational procedures for companies. He is responsible in overseeing the overall operations of our Group.
- Tin Jiing Soon, our CFO, who brings with him approximately 19 years of experience in the areas of audit, financial reporting, budgeting, cost management and corporate planning. He is responsible in overseeing our accounts and finance department.
- Wanchai Wanichkulthumrong, our Deputy COO, who brings with him approximately 25 years of experience in the areas of procurement, merchandising and inventory management. He is responsible for customer relationship management of our Group. He also oversees the sales department, delivery of action plans of each department and implementation of the performance framework and monthly operational performance meeting.

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7. BUSINESS OVERVIEW (CONT'D)

7.5 DISTRIBUTION OF CONSUMER PACKAGED SNACK FOODS

7.5.1 Overview

Snacks are generally defined as small portions of ready-to-eat or ready-to-cook foods targeted to be eaten between main meals or to serve as light meals on its own. Consumer packaged foods are ready-to-eat or ready-to-cook processed foods that are packed in small packages for individual or household consumption and are branded. It is commonly sold through various retail format including store-based and non-store based. In the context of this Prospectus, snacks are referred to as consumer packaged snack foods.

We are a distributor of consumer packaged foods focusing on snack foods and covering the following product categories, as at the LPD:

- Sunflower seeds; and
- Other snack foods including:
 - Other seeds and nuts; and
 - Baked and confectionery products.

Our snack foods encompass third-party brands as well as our brands.

7.5.2 Product categories and brands

The following table sets out our Group's revenue by product category:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sunflower seeds	56,105	95.42	111,791	93.39	125,386	91.72	55,713	92.07
Other snack foods	2,694	4.58	7,915	6.61	11,321	8.28	4,796	7.93
- <i>Other seeds and nuts</i>	2,454	4.17	2,740	2.29	2,006	1.47	830	1.37
- <i>Baked and confectionery products</i>	178	0.30	4,362	3.64	7,451	5.45	3,695	6.11
- <i>Others⁽¹⁾</i>	62	0.11	813	0.68	1,864	1.36	271	0.45
Total revenue	58,799	100.00	119,706	100.00	136,707	100.00	60,509	100.00

Notes:

- (1) *Others include snack foods such as dried fruits, crispy fish snack, rice puffs, pretzels and pea crackers. As at the LPD, we have discontinued the distribution of Mina brand dried fruits on 30 March 2022 as we are in the midst of rebranding the product.*

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we distribute two (2) third party brands and three (3) of our brands of snack foods. The following table sets out our revenue by third-party brands and our brands:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Third-party brand	56,573	96.21	115,390	96.39	128,469	93.97	57,156	94.46
- <i>ChaCha</i>	56,511	96.11	112,243	93.76	125,573	91.85	55,795	92.21
- <i>Cundo</i>	-	-	2,881	2.41	2,896	2.12	1,361	2.25
- <i>Others⁽¹⁾</i>	62	0.11	266	0.22	-	-	-	-
Our brand	2,226	3.79	4,316	3.61	8,238	6.03	3,353	5.54
- <i>Pee Ree</i>	2,048	3.49	2,288	1.91	1,819	1.33	748	1.24
- <i>Miyu</i>	-	-	855	0.72	4,238	3.10	2,333	3.85
- <i>King Kong</i>	178	0.30	626	0.52	317	0.23	1	#
- <i>Others⁽²⁾</i>	-	-	547	0.46	1,864	1.37	271	0.45
Total revenue	58,799	100.00	119,706	100.00	136,707	100.00	60,509	100.00

Notes:

Negligible.

- (1) *Others include Koloko and Thor brands. As at the LPD, we have discontinued the distribution of Koloko and Thor brands due to low demand.*
- (2) *Others include Mina and Wang Wang brands. As at the LPD, we have discontinued the distribution of Mina brand dried fruits on 30 March 2022 as we are in the midst of rebranding the product, as well as Wang Wang brand of rice puffs and crispy fish snack due to low demand.*

We continually review and make efforts to increase our range of products by introducing new brands and product categories. In addition to ChaCha sunflower seeds, between 2017 and up to the LPD, we have introduced and commercialised various new brands and products for the distribution in Thailand including our brands, namely Pee Ree, King Kong and Miyu brands in 2017, 2019 and 2020, respectively, as well as third-party Cundo brand in 2020.

Our sales and marketing department identifies the category of snack foods that are currently in trend and in demand through monthly discussions with our key retailer customers. Generally, the process to market new products takes about 3 to 6 months from identifying, procurement and up to the distribution to market.

The period to market new products includes discussion with our existing customers to secure shelf space in their retail outlets. As our first marketing step is to discuss with existing customers, we would normally be able to secure shelf space for our new products within 3 to 6 months from the start of our discussion. The timeframe of 3 to 6 months varies across different operators in the industry when introducing new products due to consideration factors including, among others, track record and strength of relationships with existing customers, and market reputation and brand recognition for new customers.

Consequently, we carry out a periodic review on the demand for new products including obtaining feedback from customers on various aspects from packaging, pricing as well as the flavour and taste aspects. This would enable us to decide on the continuity of the new products introduced. If there is no demand for the said products, we will eventually cease to replenish the product once existing stocks have been depleted.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we distribute 43 SKUs of snack foods comprising third-party brands and our brands, as follows:

	Product category	Type of Products	Brands	Our Brand (Y/N)	Sourced from manufacturer/distributor	Product's country of origin	No of SKUs as at the LPD
(i)	Sunflower seeds	Sunflower seeds	ChaCha	N	Manufacturer	China and Thailand	25
(ii)	Other seeds and nuts	Mixed nuts	ChaCha	N	Manufacturer	China	5
		Green peas	Pee Ree	Y	Distributor	China	1
		Watermelon seeds	Pee Ree	Y	Distributor	China	1
(iii)	Baked and confectionery products	Layer cake	Cundo	N	Distributor	China	3
		Mixed nuts and dried fruit bar	King Kong	Y	Manufacturer	China	1
		Biscuit	Miyu	Y	Distributor	China	2
		Biscuit filled with cream	Miyu	Y	Manufacturer	China	2
		Chocolate snack	Miyu	Y	Manufacturer	China	3

(i) Sunflower seeds

We are the exclusive distributor for ChaCha sunflower seeds for the Thailand market. As at the LPD, we distribute 25 SKUs of ChaCha brand sunflower seeds. Some of the SKUs are illustrated, as follows:

ChaCha 5 flavours of sunflower seeds



ChaCha coconut flavoured sunflower seeds



7. BUSINESS OVERVIEW (CONT'D)

ChaCha sunflower seeds (other flavours)



(ii) Other seeds and nuts

As at the LPD, we distribute 7 SKUs under the other seeds and nuts category, as follows:



(iii) Baked and confectionery products

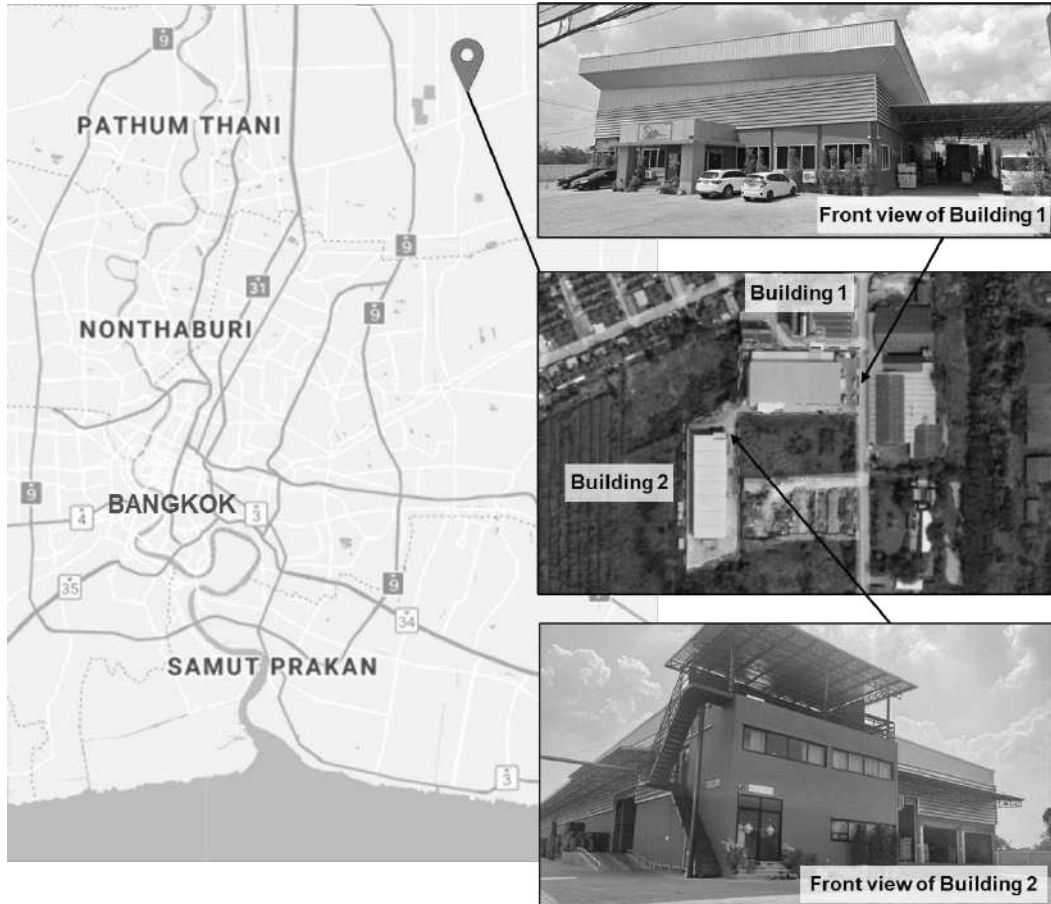
As at the LPD, we distribute 11 SKUs under the baked and confectionery products category, as follows:



7. BUSINESS OVERVIEW (CONT'D)

7.5.3 Operation of distribution centre

As a distributor, our operations are supported by a distribution centre comprising two (2) buildings rented from a related party, namely S.W. Enterprises Co., Ltd. The combined built-up area of the two buildings is approximately 4,897 sq. m. located in the province of Pathum Thani in Thailand as depicted below:



Within the said distribution centre, we have two (2) dry warehousing storage facilities with storage floor area measuring 1,800 sq. m. and 1,800 sq. m., respectively. In Building 1, our goods are stored on dedicated open floor area, while in Building 2, our goods are stored on racking system as well as on dedicated open floor area. The dry warehouses are used to store most of our snack foods including sunflower seeds, other seeds and nuts, and biscuits.

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7. BUSINESS OVERVIEW (CONT'D)

Our dry warehouse storage facility in Building 1



Our dry warehouse storage facility in Building 2



Within the said distribution centre, we have one (1) chiller room with floor area measuring 450 sq. m. The chiller room is used to store certain snack foods such as layer cake, biscuit filled with cream and chocolate snacks. The temperature in our chiller room is maintained at a constant temperature of approximately 20°C.

Our chiller room in Building 1



As at the LPD, we have ten (10) delivery trucks for delivery of goods to customers mainly for ad-hoc purposes as we appoint external transportation service providers.

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, we incurred transportation cost for appointment of external transportation service providers totaling RM0.56 million, RM1.18 million, RM1.89 million and RM0.71 million, respectively.

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, we engaged a related party, namely SF Express (Thailand) Co., Ltd. as well as 4, 10, 7 and 3 other external transportation service providers. SF Express (Thailand) Co., Ltd. had ceased to provide domestic delivery services to our Group since August 2022 as the delivery services are less accommodative with the change in ownership and cessation of Saranjit Wang as a director of SF Express (Thailand) Co., Ltd.

7.6 SEASONALITY

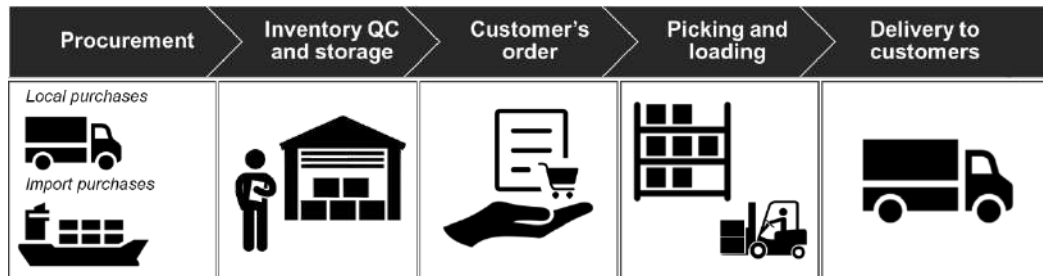
Generally, we do not experience any material seasonality in our business operations.

7. BUSINESS OVERVIEW (CONT'D)

7.7 OUR OPERATION PROCESSES

7.7.1 Distribution of consumer packaged foods

The process flow for the distribution of consumer packaged foods is depicted in the diagram below:



Procurement and introduction of new products

For procurement and introduction of new products, firstly our sales and marketing department will identify the category of snack food products that are in trend or demand through our monthly discussions with key retailer customers such as CP All, Siam Makro and Ek-Chai Distribution. In most cases, the new products that we introduced were largely due to feedback and requests from our customers.

Once a product category is identified, our procurement department will source the said product from potential suppliers to obtain samples for taste testing and price evaluation. Our procurement team will then prepare a detailed assessment report for our COO to review. The report includes, among others, the number of competing brands, retail selling price analysis, expected initial starting cost, and feedback of sample taste testing by customers. Upon approval by our COO, the proposal will be submitted to our Executive Directors for final approval.

Upon final approval, our COO will then proceed with the supplier selection process to request for quotation and price negotiation. Subsequently, our procurement team will provide the relevant Thailand labelling requirement to the selected supplier for their preparation of label samples for our review and approval. If the snack food is to be packed under our brand, we will also provide the supplier with our proposed packaging design and logo for the said supplier to arrange for the printing of the product labels. The final draft of the product labelling is to be approved by our COO. Thereafter, we will submit final product sample with labelling for approval from the Food and Drug Administration, Thailand ("FDA"), which will take approximately 28 days (for food products) for approval.

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7. BUSINESS OVERVIEW (CONT'D)

Procurement of existing product

For the procurement of existing product, we place orders directly with the snack food manufacturers or distributors. Generally, approximately 3 to 4 weeks in advance, our sales representatives would discuss with each major customers about the estimated volume each customer will be purchasing from us in the coming month. The sales and marketing department will compile the expected volume and submit it to the procurement department.

If there are any changes in the product labelling regulatory requirement, our procurement team is responsible to inform our suppliers to amend the product labels accordingly for the said supplier to arrange for the printing of the product labels.

For our main snack foods, ChaCha sunflower seeds, our procurement frequency is every 1 to 2 weeks. This is also dependent on the season and forecasted purchases provided by our major customers. Meanwhile, for other snack foods which is imported from China, our procurement frequency is every 4 to 6 weeks. Our procurement frequency will take into consideration our customers' purchase pattern, our customers' estimated purchase volume in the coming months, and the stock level in our warehouse.

Upon placing orders, the products are shipped from the respective manufacturers or distributors and delivered directly to our distribution centre in Pathum Thani, Thailand. In some cases, the supplier may ship the snack foods to Laem Chabang Port in Chonburi Province in Thailand and we will arrange for port clearance and transportation of goods to our distribution centre.

For products sourced domestically, such as some of the SKU of ChaCha sunflower seeds, they are typically delivered to us within 2 to 3 days upon placement of orders. Meanwhile, all other snack foods which are imported products, they typically shipped and delivered to us within 1 to 2 weeks upon placement of orders.

Inventory quality check, product label check and storage

Once the snack foods are received, we will conduct a stock count on the incoming inventories to ensure the quantity received is equivalent to the amount in the purchase order raised as well as invoice issued by suppliers. We will also conduct a visual quality check on the incoming products to ensure that the products have not been damaged or compromised while in transit to our distribution centre. If there are any discrepancy in terms of quantity or products being damaged, we will take a photo as evidence, and request for replacement (for domestic purchases) and/or raise a credit note (for imported purchases).

Further, we will perform sample checks on packaging labels of incoming products to ensure conformity with the updated and approved labels. Our procurement team ensures that the product label is updated based on the latest regulatory requirement by the FDA and the Ministry of Public Health in Thailand. As part of our internal control process, every month, our procurement team provides an updated product label of each SKU to our warehouse department, so that any updates to the product labels may be detected on a timely basis.

The inventories received are then entered into our inventory system namely Xpress Inventory System. This will allow us to keep track of inventory levels. The inventories are then stored in the appropriate sections of our distribution centre, either in the general warehousing area or in the chiller room.

Typically, our stock holding levels for ChaCha sunflower seeds, which are mainly sourced domestically, ranges from 2 to 3 weeks. Meanwhile, our stock holding levels for our imported snack food products ranges from 6 to 8 weeks, as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

Customer's order

Upon receiving purchase orders from our customers, sales orders, delivery orders, invoices and picking lists are generated and printed. The picking lists are used to pick the required item and prepared loading onto our truck for delivery to our customers' specified destinations.

Picking and loading

At the warehousing and/or chiller room storage facilities, products ordered by customers are picked out from the pallets according to the itemised packing list. The picking process also include visual checking to ensure that the products are in merchandising condition. The picked products are placed on a pallet and subsequently shrink wrapped in preparation for transportation to customers' specified locations.

Delivery to customers

Our logistic department will then generate a delivery summary for outgoing goods. We will then undertake a final quantity and visual quality check on the condition of the goods before delivery. Subsequently, we will appoint an external logistic service provider to undertake the delivery of goods to the customer. Additionally, we also have our own transportation of 10 trucks for ad-hoc purposes. The delivery time varies depending on the location of the customers' distribution centre. Usually, the delivery time for customers that are located in the central area such as Bangkok and its vicinity takes approximately 1 to 3 hours, while customers in remote locations requires a longer delivery time of approximately 17 to 20 hours.

In some cases, our customers may collect the goods from our distribution centre in Pathum Thani. This applies to our wholesaler customer, namely Valueplus, which collects the goods from our distribution centre and distributes the goods to their traditional retailer customers such as sundry shops and small retailers in the outskirts areas of city or town centres.

Upon receiving the goods, the customer is required to sign and stamp the invoice as proof of delivery. The signed invoice is then returned to us for documentation and record keeping purposes. As part of our internal control procedures, our accounts department will manage the collections from our customers upon the due date for payment.

In the event of any product recall requested by the authorities or our management, we have put in place a standard operating procedure for such event. This includes, among others, identifying the affected batch of products from our warehouse, sending sample of affected products for quality testing, notifying affected customers, notifying the supplier of the affected product, arranging logistics to recall the affected products, informing insurance company on cost of product recall and product liability claim (if any).

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7. BUSINESS OVERVIEW (CONT'D)**7.8 OPERATIONAL FACILITIES, CAPACITIES AND OUTPUT****7.8.1 Operational facilities**

As at the LPD, our Group's business operating office is located in Thanyaburi, Pathum Thani province, Thailand and details are as follows:

Company	Main Function	Approximate Built-up Area (sq. m.)	Location of Facilities
Bai Li Enterprise and Keymall Retail	Office	547	220/3, Moo 4, Tambon Rangsit, Thanyaburi District, Pathum Thani Province, 12110, Thailand
	Dry warehousing storage	3,750 ⁽¹⁾	
	Chiller room	600 ⁽²⁾	

Notes:

- (1) Includes useable storage floor area measuring 3,600 sq. m., and loading bay preparation and office area measuring 150 sq. m.
- (2) Includes useable floor area measuring 450 sq. m. and common area measuring 150 sq. m.

7.8.2 Capacity and utilisation**(i) Storage space**

As a distributor, our main supporting facility is storage space. For the FYE 2019, FYE 2020 and FYE 2021, our capacity and utilisation of storage space are as follows:

Warehousing capacity and estimated utilisation rates

	Storage floor space (sq. m.)	Available capacity ⁽¹⁾ (No. of cartons)	Average Utilisation ⁽²⁾ (No. of cartons)	Utilisation rate ⁽³⁾
FYE 2019				
General warehousing	1,500 ⁽⁴⁾	122,000	51,700	42%
Chiller space	450 ⁽⁵⁾	14,000	1,500	11%
FYE 2020				
General warehousing	1,800 ⁽⁶⁾	147,000	92,200	63%
Chiller space	450	14,000	3,800	27%
FYE 2021				
General warehousing	3,600 ⁽⁷⁾	292,000	212,600	73%
Chiller space	450	14,000	4,300	31%

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) Available capacity is calculated based on the total number of pallet space available from the racking system installed and dedicated open floor area for storage of goods in our dry general warehousing space and cold room facilities. Racking system refers to a multi-level steel structure shelving system for the storage of goods on pallets.
- (2) Average utilisation is based on the average number of pallet spaces filled each month during each of the FYE.
- (3) $(\text{Average utilisation}/\text{Available capacity}) \times 100\%$
- (4) From January 2019 to March 2019, we rented 1,000 sq. m. of dry general warehousing space and subsequently increase the rental of space to 1,500 sq. m. from April 2019 onwards.
- (5) We commenced the rental of chill storage from October 2019 onwards.
- (6) From January 2020 to March 2020, we rented 1,500 sq. m. of dry general warehousing space and subsequently increase the rental of space to 1,800 sq. m. from April 2020 onwards.
- (7) From January 2021 to February 2021, we rented 1,800 sq. m. of dry general warehousing space and subsequently increase the rental of storage space to 3,600 sq. m. from March 2021 onwards.

For the FYE 2019, FYE 2020 and FYE 2021, the increase in rental space of distribution centre was due to the need to stock more products arising from the increase in sales of snack foods which grew from RM58.80 million in FYE 2019 to RM119.71 million in FYE 2020 and RM136.71 million in FYE 2021.

Moving forward, we expect our general warehousing utilisation rate to increase to cater to our planned business expansion mainly for new snack foods such as potato chips, tortilla chips, konjac snacks and gluten snacks. For FYE 2021, the utilisation rate for our general warehousing space was 73%.

(ii) Transportation

As a distributor, usually we are required to deliver our goods from our storage facilities to customers' specified destinations. For the FYE 2019, FYE 2020 and FYE 2021, our capacity and utilisation of transportation vehicles are as follows:

	Capacity ⁽¹⁾	Total utilisation ⁽²⁾	Utilisation rate ⁽³⁾
FYE 2019	1,300 ⁽⁴⁾	634	49%
FYE 2020	2,640 ⁽⁵⁾	1,343	51%
FYE 2021	2,470 ⁽⁶⁾	1,248	50%

Notes:

- (1) Capacity is calculated based on the summation of the total number of vehicles available to carry out delivery per month multiply by the number of working days per month. It is also assumed that each vehicle requires 10% per year for downtime for repairs and maintenance.
- (2) Total utilisation is based on the number of days that the truck is on the job defined as the truck is manned during loading and unloading, as well as actual on the move between origin and destination.
- (3) $(\text{Total utilisation}/\text{Available capacity}) \times 100\%$
- (4) In FYE 2019, the number of vehicles available for delivery of our goods ranges from 3 to 8 vehicles where we purchase additional trucks during the year. The total number of working days in FYE 2019 was 315 days.
- (5) In FYE 2020, the number of vehicles available for delivery of our goods ranges from 8 to 10 vehicles where we purchase and disposed of trucks during the year. The total number of working days in FYE 2020 was 312 days.
- (6) In FYE 2021, we had 9 vehicles available throughout the year for delivery of our goods. The total number of working days in FYE 2021 was 306 days.

7. BUSINESS OVERVIEW (CONT'D)

Notwithstanding the utilisation for transportation for the FYE 2019, FYE 2020 and FYE 2021 is between 49% to 51%, our Group has been engaging external parties for the transportation services as our management views that is it more efficient. The use of our own transportation is mainly for ad-hoc purposes.

This is also in line with our business model, which is to focus on the sourcing and distribution of products (such as increasing its product range) as opposed to owning and maintaining a transportation/ logistics fleet.

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7. BUSINESS OVERVIEW (CONT'D)**7.9 TYPE, SOURCES AND AVAILABILITY OF MATERIALS**

The following are the major types of materials that we purchased for our business operations for the Financial Years and Period Under Review.

Purchases of Materials

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sunflower seeds	38,839	95.01	76,208	93.71	92,076	91.84	42,501	93.23
Other snack foods	2,040	4.99	5,114	6.29	8,182	8.16	3,088	6.77
- Other seeds and nuts	1,688	4.13	1,693	2.08	1,763	1.76	714	1.56
- Baked and confectionery products	306	0.75	2,489	3.06	5,004	4.99	2,274	4.99
- Others ⁽¹⁾	46	0.11	932	1.15	1,415	1.41	100	0.22
TOTAL	40,879	100.00	81,322	100.00	100,258	100.00	45,589	100.00

Note:

- (1) Others include snack foods such as dried fruits, crispy fish snack, rice puffs, pretzels and pea crackers

As a distributor of consumer packaged snack foods, our purchases include sunflower seeds and other snack foods such as other seeds and nuts, baked and confectionery products, and dried fruits.

Sunflower seeds amounted to the majority of our Group's total purchases which accounted for RM38.84 million (95.01%), RM76.21 million (93.71%), RM92.08 million (91.84%) and RM42.50 million (93.23%) of our Group's total purchases for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively, of these:

- 7.27%, 79.36%, 93.92% and 98.44% of our purchases of sunflower seeds for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively, are from local Thailand supplier; and
- the remaining 92.73%, 20.64%, 6.08% and 1.56% of our purchases of sunflower seeds for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively, are imported from China.

The shift in purchases of sunflower seeds since FYE 2019 was due to the completion of QiaQia Group's factory in Thailand in 2018 which commenced operations in 2019. As such, since 2019, we started purchasing the ChaCha brand sunflower seeds from QiaQia's factory locally in Thailand in addition to importing from QiaQia in China.

Moving forward, we will continue to purchase from QiaQia's factory in China as some of the SKU of ChaCha brand sunflower seeds are produced in China and not in Thailand.

Other snack foods contributed RM2.04 million (4.99%), RM5.11 million (6.29%), RM8.18 million (8.16%) and RM3.09 million (6.77%) of our Group's total purchases for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. Of these, all our purchases of other snack foods were imported from China.

In FYE 2020, we experience a slight interruption in the supply of imported goods where some of the shipment of our imported goods between March 2020 and December 2020 took up to 2 weeks to arrive in Thailand. Save for a slight interruption in the supply of imported goods in FYE 2020 due to COVID-19, our Group has not encountered any material interruptions in the supply of materials for our business operations for the Financial Years and Period Under Review and up to the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.10 INFORMATION ON MATERIAL LANDS AND BUILDINGS

7.10.1 Properties owned by our Group

As at the LPD, there are no material properties owned by our Group.

7.10.2 Properties rented by our Group

The details of material properties rented by our Group as at the LPD are set out below:

No.	Postal address / Type of property	Landlord / Tenant	Description of use	Land area / Built-up area	Period of tenancy	Rental per annum
1.	220/3, Moo 4 Tambon Rangsit, Thanyaburi district, Pathum Thani province, 12110, Thailand / Warehouse	S.W Enterprise Co., Ltd. / Bai Li Enterprise	Office, dry warehousing storage and chiller room	Land area: 9,636 sq. m. Built-up area: 4,897 sq. m.	1 year, commencing from 1 January 2022 to 31 December 2022 ^(a)	THB13.46 million (approximately RM1.73 million)
2.	Lot D/E, Level 12, Tower 1, Etiqa Twins, 11 Jalan Pinang, 50450 Kuala Lumpur, Malaysia / Office building	Etiqa Life Insurance Berhad / Wellspire	Office	Built-up area: 2,687 sq. ft.	2 years, commencing from 16 January 2022 to 15 January 2024	RM193,464

Note:

(a) *For the Financial Years and Period Under Review, our Group has been renting this property on a yearly renewal basis as it provides our Group the flexibility for expansion purposes. It is unlikely for the tenancy not to be renewed upon expiry as the owner of the property is S.W. Enterprise Co., Ltd., which is wholly-owned by the Promoters. This tenancy was renewed vide a tenancy agreement dated 10 December 2022 for a period commencing from 1 January 2023 to 31 December 2023.*

As at the LPD, the properties rented by our Group are not in breach of any land use conditions and/or in non-compliance with current statutory requirements, land codes, building regulations or by-laws, which will have material adverse impact on our operations. Our Group is not dependent on the rented properties as stated above as we would be able to rent other available properties within the vicinity of our current principal place of business, if required.

7. BUSINESS OVERVIEW (CONT'D)

7.11 MAJOR LICENCES AND PERMITS

Details of the approvals, major licences and permits obtained by our Group as at the LPD are set out below:

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
Wellspire	Dewan Bandaraya Kuala Lumpur	DBKL.JPPP/00055/05/2022/KM01	Issue Date: 9 May 2022 Expiry Date: 9 May 2023	Business and signage licence for Lot D/E, Level 12, Tower 1, Etiqa Twins, 11 Jalan Pinang, 50450 Kuala Lumpur, Malaysia	<ol style="list-style-type: none"> Datuk Bandar Kuala Lumpur reserves the right to impose additional conditions as a business control measure from time to time as well as takes action based on laws and acts applicable to external departments/ agencies related to the business activities. The licence shall be renewed every year 60 days before the expiration of the licence without any notice from Datuk Bandar Kuala Lumpur. Employees on the premises must be 50% citizens and 50% non-citizens with a valid work permit. 	<p>Noted</p> <p>Noted</p> <p>Complied</p>
Bai Li Enterprise	Thanyaburi Municipality, Thailand	No. 18/2022	Issue Date: 2 December 2022 Expiry Date: 16 December 2023	Licence to establish the place used for storing and selling the dry and fresh food, issued pursuant to the Public Health Act B.E. 2535 (1992)	Nil.	N/A

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
Bai Li Enterprise	Food and Drug Administration, Thailand ("FDA")	No. 13-4-01554	Issue Date: 24 June 2011 Expiry Date: 31 December 2022 ⁽¹⁾	Licence to import food into Thailand, issued pursuant to the Food Act B.E. 2522 (1979)	Some types of food, including bread must be obtained the FDA number and its label must be approved by the authority.	Complied
Bai Li Enterprise	Department of Land Transport, Thailand	No. 1PorTor.Yor. 34/2562	Issue Date: 29 January 2019 Expiry Date: 28 January 2024	Licence to operate private transport business	1. The drivers are required to obtain the driver licence under the Land Transportation Act B.E. 2522 (1979); and 2. The trucks used in the business operation must be registered under the licence.	Complied Complied
Keymall Retail	Commercial Registration Office, Thanyaburi Municipality, Thailand	No. 1301364000217	Issue Date: 17 December 2021 ⁽²⁾ This registration is valid unless revoked.	Commercial registration to sell snacks via Keymall Retail's website, issued pursuant to the Business Registration Act B.E. 2499 (1956)	Nil.	N/A
Keymall Retail	Commercial Registration Office, Thanyaburi Municipality, Thailand	No. 1301364000218	Issue Date: 17 December 2021 ⁽²⁾ This registration is valid unless revoked.	Commercial registration to sell snacks via online platform (Facebook), issued pursuant to the Business Registration Act B.E. 2499 (1956)	Nil.	N/A

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
Keymall Retail	Commercial Registration Office, Thanyaburi Municipality, Thailand	No. 1301364000219	Issue Date: 17 December 2021 ⁽²⁾ This registration is valid unless revoked.	Commercial registration to sell snacks via online platform (Shopee), issued pursuant to the Business Registration Act B.E. 2499 (1956)	Nil.	N/A
Keymall Retail	Office of Consumer Protection Board	No. 6504040020	Issue Date: 25 April 2022 ⁽³⁾ This registration is valid unless revoked.	Direct marketing business registration certificate under the Direct Sales and Marketing Act B.E. 2545 (2002)	Nil.	N/A

Notes:

- (1) On 22 November 2022, Bai Li Enterprise has submitted the application to renew the licence and the application is currently pending approval as at the LPD.
- (2) In year 2020, Keymall Retail commenced operations as a retailer of snack food products via its e-commerce platform namely, www.keymall.me as well as third-party online platform (such as Shopee and Facebook, Thailand). The abovementioned commercial registration to sell snacks via online platform were obtained in December 2021. According to the Business Registration Act B.E. 2499 (1956), section 19 prescribes that any business operator who does not register commercial registration license is subject to a fine of not exceeding THB 2,000.

The Solicitors in respect of our IPO, to our Company as to laws of Thailand is of the view that it is unlikely that the authorities will pursue the non-compliance once the registration is made.

7. BUSINESS OVERVIEW (CONT'D)

- (3) *In year 2020, Keymall Retail commenced operations as an online retailer of consumer-packaged foods without registering with the Office of Consumer Protection Board for a direct marketing business registration certificate.*

For failing to register the direct marketing business, the potential maximum penalty our Group may be subject to is a fine of up to THB100,000 (or approximately RM12,600), a daily fine of up to THB10,000 (or approximately RM1,260) throughout the violation, and imprisonment term of 1 month on Keymall Retail's directors or the person responsible for the operations of the company.

Keymall Retail had on 27 December 2021 submitted the application for the direct marketing business registration certificate. The direct marketing business registration certificate was issued to Keymall Retail on 25 April 2022 and as at the LPD, no fines have been imposed by the relevant authorities on Keymall Retail.

The Solicitors in respect of our IPO, to our Company as to laws of Thailand is of the view that it is unlikely that the authority will investigate previous non-compliance since the direct marketing business registration certificate has been issued to Keymall Retail.

Our Group had embarked on e-commerce business in 2020 and did not have prior experience in this business segment as well as adequate and experienced personnel in 2020, to ensure that the relevant laws and requirements in respect of the e-commerce business are complied with. Upon becoming aware of such non-compliance, Keymall Retail had on 27 December 2021 submitted the application for the direct marketing business registration certificate. Pending the issuance of the certificate, our Group also had in March 2022 realised the continued non-compliance and concurrently took down the existing e-commerce platform website. Since March 2022 up to the LPD, the e-commerce platform is not in use and is in the midst of preparation to re-launch and enhance the website. Please refer to Section 7.24.3 for further details.

A legal register has been established which currently comprises company documents (for example, company affidavit, value added tax registration, certificate of company registration, list of shareholders), licences and permits with regards to selling, operations and importing of food and trademark certificates. An internal committee comprising heads of department has also been set up to update the legal register detailing all relevant and applicable legal and regulatory requirements relevant to our Group's business and its countries of operations. The internal committee has identified the relevant laws and regulations that needs to be complied with for continuous updates to the legal register to ensure completeness and continuous compliance.



As at the LPD, our Group has not faced any difficulties or issues in renewing the major licences and permits obtained by our Group.

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7. BUSINESS OVERVIEW (CONT'D)

7.12 INTELLECTUAL PROPERTY




As at the LPD, our Group currently holds and/or is licensed to use the following trademarks:

Trademark	Registered Owner / Applicant	Issuing Authority	Description	Application no. / Trademark no.	Validity Period / Application Date	Status
Bai Li Enterprise:						
	Applicant: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Snacks made from grain and flour, crackers, cookies, waffles, mochi, bread Class 35: E-commerce service and importing products for sales Class 43: selling food and beverages	Application no.: 220108067/-	Application Date: 3 March 2022	Pending registration*
KeeMao:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Snacks made from grains Class 35: E-commerce	180125395 /201124164	Validity Period: 6 August 2018 to 5 August 2028	Registered




7. BUSINESS OVERVIEW (CONT'D)

Trademark	Registered Owner / Applicant	Issuing Authority	Description	Application no. / Trademark no.	Validity Period / Application Date	Status
Pee Ree Brand:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Baked bean snacks	170136556 /191118565	Validity Period: 17 October 2017 to 16 October 2027	Registered
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Baked bean snacks	170136560 /191118578	Validity Period: 17 October 2017 to 16 October 2027	Registered
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Snacks made from grains, flour snacks	200109018 /211113748	Validity Period: 12 March 2020 to 11 March 2030	Registered




7. BUSINESS OVERVIEW (CONT'D)

Trademark	Registered Owner / Applicant	Issuing Authority	Description	Application no. / Trademark no.	Validity Period / Application Date	Status
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Snacks made from grains, flour snacks	200134612 /211124267	Validity Period: 15 September 2020 to 14 September 2030	Registered
Kingkong Brand:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Chocolate bars mixed with grains	180139632 /201110585	Validity Period: 23 November 2018 to 22 November 2028	Registered
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Chocolate bars mixed with grains	180139633 /201110587	Validity Period: 23 November 2018 to 22 November 2028	Registered

7. BUSINESS OVERVIEW (CONT'D)

Trademark	Registered Owner / Applicant	Issuing Authority	Description	Application no. / Trademark no.	Validity Period / Application Date	Status
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Instant noodles	200141608 /221105681	Validity Period: 10 November 2020 to 9 November 2030	Registered
Miyu Brand:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Stuffed wafer cones, chocolate-covered snacks	200110150 /211113768	Validity Period: 19 March 2020 to 18 March 2030	Registered
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Crackers, cookies, waffles, mochi, bread	200126183 /211119687	Validity Period: 13 July 2020 to 12 July 2030	Registered

7. BUSINESS OVERVIEW (CONT'D)

Trademark	Registered Owner / Applicant	Issuing Authority	Description	Application no. / Trademark no.	Validity Period / Application Date	Status
Mina Brand⁽¹⁾:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 43: Selling of food and beverages	170136561 /191105705	Validity Period: 17 October 2017 to 16 October 2027	Registered
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 30: Crackers, cookies, waffles, mochi, bread	200126185 /211119606	Validity Period: 13 July 2020 to 12 July 2030	Registered
Wang Wang Brand⁽²⁾:						
	Registered Owner: Saranjit Wang Licensee: Bai Li Enterprise	Intellectual Property Department of Thailand	Class 29: Dried fruits and vegetables	956729 /161112857	Validity Period: 1 October 2014 to 30 September 2024	Registered

7. BUSINESS OVERVIEW (CONT'D)

Notes:

* *This trademark is expected to be registered by July 2024.*

(1) *As at the LPD, we have discontinued the distribution of Mina brand dried fruits on 30 March 2022 as we are in the midst of rebranding the product.*

(2) *As at the LPD, we are not actively using this brand due to low demand.*

Save for the trademark applied under Bai Li Enterprise which is currently pending registration, all the above-stated trademarks were applied and registered under the name of Saranjit Wang as Bai Li Enterprise was initially started as a family-owned business and the business was essentially managed by Saranjit Wang.

Pursuant to the trademark licence agreement dated 1 December 2021, Saranjit Wang, as a licensor, has authorised Bai Li Enterprise to have exclusive use of her above-stated trademarks for Bai Li Enterprise's goods in the territory of Thailand. The right to use the trademarks has been granted with effect from the registration dates of each trademark. On 15 March 2022, the trademark licence agreement has been registered with Thailand's Board of Trademarks in order for the licensing to be effective under the Thai trademark law.

Saranjit Wang has also agreed to assign the above-stated trademarks to Bai Li Enterprise on 1 January 2022 by way of a deed of assignment. The deed of assignment for the transfer of the trademarks was registered with Thailand's Board of Trademarks on 22 March 2022. The transfer of the trademarks via the deed of assignment will typically take 8 to 12 months to be effective in Thailand.

Our Group is dependent on the above-stated trademarks for its business operations. Please refer to Section 7.20.5 of this Prospectus for further details on the trademark licence agreement and deed of assignment.

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7. BUSINESS OVERVIEW (CONT'D)

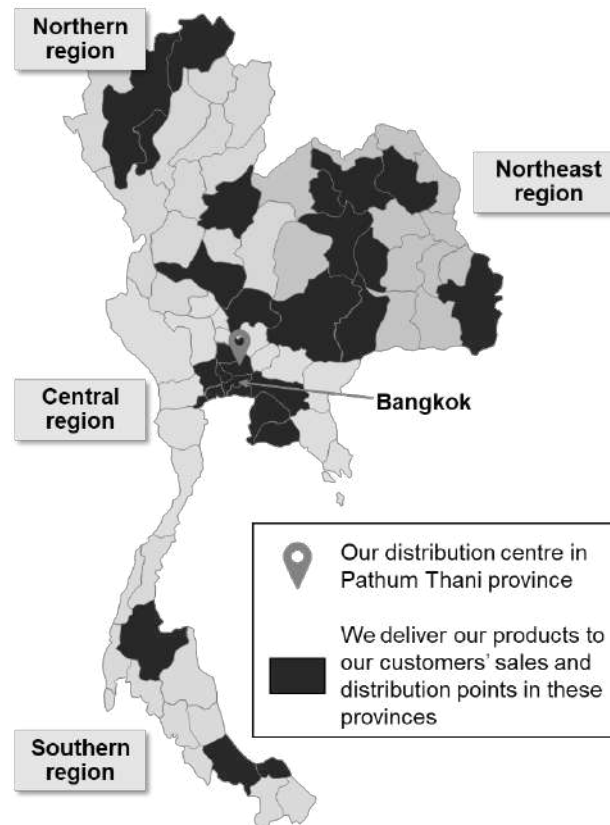
7.13 PRINCIPAL MARKET AND DELIVERY DESTINATIONS

For the Financial Years and Period Under Review and up to the LPD, our principal market is Thailand. As at the LPD, our customers are mainly located in Central Region with sales and distribution points throughout many provinces in Thailand. We will deliver our products to the respective customers' sales and distribution points covering distribution centres, warehouses and retail outlets. From these sales and distribution points, our customers will either sell our products in their respective retail outlets or send our products to other sales and distribution points.

As at the LPD, we deliver our products to 43 of our customers' sales and distribution points in Thailand comprising 32 sales and distribution points in the Central region such as the province of Ayutthaya and Nonthaburi, and Bangkok city, 6 sales and distribution points in the Northeast region, 3 sales and distribution points in the Northern region, and 2 sales and distribution points in the Southern region.

The following diagram and table set out our customers' sales and distribution points for the Financial Years and Period Under Review up to the LPD:

Our customers' sales and distribution points in Thailand



7. BUSINESS OVERVIEW (CONT'D)

We deliver our products to the following customers' sales and distribution points

Regions in Thailand	FYE 2019	FYE 2020	FYE 2021	LPD
Central Region ⁽¹⁾	30	23	28	32
Northeast Region ⁽²⁾	10	3	5	6
Northern Region ⁽³⁾	2	2	3	3
Southern Region ⁽⁴⁾	5	2	2	2
Total number of sales and distribution points	47	30	38	43

Notes:

The above are our customers' sales and distribution points that represent our delivery destinations. The final locations of retail outlets and end-consumers of our products may cover a larger area.

- (1) Includes Ayutthaya, Bangkok, Chachoengsao, Chon Buri, Nakhon Pathom, Nonthaburi, Pathum Thani, Ratchaburi, Rayong, Samut Sakhon and Samut Prakan provinces.
- (2) Includes Buri Ram, Khon Kaen, Maha Sarakham, Nakhon Ratchasima, Nong Bua Lamphu, Ubon Ratchathani and Udon Thani provinces.
- (3) Includes Lamphun and Nakhon Sawan provinces.
- (4) Includes Songkhla, Surat Thani and Yala provinces.

7.14 MARKETING STRATEGIES

Snack foods, as with most consumer packaged foods, require marketing and promotions to create and maintain brand awareness, loyalty and differentiation. Marketing and promotions come in various forms including, among others packaging, allocation and location of shelf spaces in retail outlets, as well as advertisements in various media including online, as well as catalogues, posters and gondolas in retail outlets.

Marketing and promotions are commonly the purview of brand owners while as a distributor, we mainly inform and discuss with our supplier about marketing and promotions, and assist in the process. The marketing and promotion activities that we are involved are mainly targeted at chain hypermarkets, supermarkets and convenience stores. As our revenue is largely derived from ChaCha brand of sunflower seeds and nuts, we work with QiaQia, our principal, to be involved in the following:

- We participate in major retail outlets' promotion and advertisement programmes such as member loyalty programmes and in store promotion sales periods. During the Financial Years and Period Under Review, we participated in advertisement and promotion programmes in retail outlets such as 7-Eleven convenience store, Makro cash and carry stores and Big C retail stores.

The advertisement and promotional programme expenses amounted to RM1.76 million, RM7.76 million, RM9.15 million and RM3.34 million for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. For the Financial Years and Period Under Review and up to the LPD, all advertisement and promotion expenses are entirely funded by our Group.

- We carry out digital marketing to promote our full portfolio of products comprising third-party brands and our brands of products. Our digital marketing includes third-party platforms such as Facebook.
- In May 2022, we were mandated by QiaQia to hire a brand ambassador for the ChaCha brand of sunflower seeds, namely, Sunny Suwanmethanont, a Thai actor, to increase brand awareness and recognition.

7. BUSINESS OVERVIEW (CONT'D)

The cost of hiring Sunny Suwanmethanont as the brand ambassador for the ChaCha brand sunflower seeds is shared equally between our Group and QiaQia. In this regard, QiaQia being the brand owner of ChaCha brand, is able to advertise their products on their official website through the brand ambassador of ChaCha brand (i.e., Sunny Suwanmethanont).

The cost for the marketing and promotions relating to ChaCha brand products are determined on a case-to-case basis between our Group and QiaQia. Save and except for ChaCha brand products, the marketing and promotions costs for other products are fully borne by our Group.

As at the LPD, we have 8 personnel involved in sales and marketing activities headed by our Executive Director, Saranjit Wang.

7.15 RESEARCH AND DEVELOPMENT

As we are mainly involved in distribution of consumer packaged snack foods, research and development is not relevant to our business. As such, we do not carry our research and development activities and we have not recognised any research and development expenditure for the Financial Years and Period Under Review.

7.16 TECHNOLOGY USED

Our business operations do not employ any special technology.

7.17 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save as disclosed below, there has not been any material interruption to our business operations during the past 12 months prior to the LPD.

7.17.1 COVID-19 conditions in Thailand in 2020

The World Health Organisation declared the coronavirus disease (COVID-19) a pandemic on 11 March 2020. The Royal Thai Government declared and enforced a State of Emergency Decree on 26 March 2020 and implemented a nationwide night-time curfew (10pm to 4am) from 3 April 2020. Among other measures, the Royal Thai Government also advocated a 'stay at home' policy for the whole of April 2020 although it was not mandatory, cancelled national holidays to prevent massive social gatherings and domestic travel, and imposed school closures and restrictions of access to all public spaces except the essential. All international flights were suspended from 4 April 2020 and only emergency or authorised flights were permitted.

On 21 March 2020, the Bangkok Governor declared a lockdown and closure of various businesses across the city of Bangkok which commenced on 22 March 2020 until 12 April 2020. It was subsequently further extended to 30 April 2020. Establishments in Bangkok such as, among others, shopping malls, markets, sports centres, entertainment centres and service shops were closed during this period. Only supermarkets (including convenience stores and hypermarkets), pharmacies and takeaway restaurants were allowed to remain open in the malls, however with restricted operating hours. The restrictions were gradually eased from 3 May 2020 onwards in phases and by 1 July 2020, most of the restrictions were lifted including night-time curfew with the resumption of normal operating hours for shopping malls, convenience stores and supermarkets.

7. BUSINESS OVERVIEW (CONT'D)**7.17.2 Impact on our business operations and financial performance in 2020**

We did not face any closure of our business operations in 2020. However, some of our customers faced interruptions to their business operations due to closure of retail establishments in March and April 2020. As such, this affected our business and financial operations. Our financial performance was impacted due to the COVID-19 conditions in Thailand in 2020 and this was reflected in the 2nd quarter of FYE 2020 as summarised in the table below:

	Qtr1 FYE 2020 <i>(Jan 2020 to Mar 2020)</i>	Qtr2 FYE 2020 <i>(Apr 2020 to June 2020)</i>	Qtr3 FYE 2020 <i>(July 2020 to Sept 2020)</i>	Qtr4 FYE 2020 <i>(Oct 2020 to Dec 2020)</i>
Revenue (RM'000)	29,371	20,160	37,569	32,606
Quarter-on-quarter change (%)	42.56%	-31.36%	86.35%	-13.21%

Our Group's revenue declined by 31.36% in the second quarter of FYE 2020 compared to the previous quarter due to decrease in customer's orders as there were closure of our customer's business operations amidst the lockdown and curfews implemented during this period. Subsequently, our revenue increase by 86.35% in the third quarter of FYE 2020 once the lockdown and curfew were lifted and our customers commenced operations. The decline of revenue by 13.21% in the fourth quarter of FYE 2020 was mainly due to the high base in the third quarter arising from increased sales to customers.

In terms of expenses, we incurred approximately RM1,000 for the purchase of masks in FYE 2020.

We did not encounter any cancellation or suspension of purchase orders from customers during the FYE 2020. Meanwhile, in terms of supply of our products, we encountered a slight delay in the turnaround time for some imported goods where some of the shipment of our imported goods between March 2020 and December 2020 took up to 2 weeks arrive in Thailand.

7.17.3 COVID-19 conditions in Thailand in 2021 and 2022

In April 2021, Thailand faced a third wave of COVID-19 cases forcing the Government to tighten restrictions on business and social activities. Thailand's 77 provinces were designated into colour-coded zones depending on severity of infection level, including Dark-Red Zone (maximum and strict controlled area), Red Zone (maximum controlled area), Orange Zone (controlled area) and Yellow Zone (close surveillance area). The restrictions and measures in each zone were changed from time to time. Some of the restrictions which were enforced from April 2021 onwards included, among others, closure of entertainment venues, inter-provincial travel restrictions, general restrictions on operating hours, night-time curfews and restrictions on large gatherings in selected high-risk provinces. In July 2021, the Royal Thai Government declared a lockdown and implemented curfew in Bangkok and other Dark-Red Zone provinces, including Pathum Thani province. The curfew included closure of shopping malls at 8pm except essentials such as supermarkets and pharmacy, closure of restaurants, markets and convenience stores from 8pm to 4am, as well as passengers limit of public transportation from 9pm to 4am.

From 1 September 2021 onwards, the restrictions were gradually eased and provinces were gradually redesignated to surveillance zones in phases. On 1 November 2021, Bangkok and 16 other provinces/destinations were designated to Blue Zone, where night-time curfew was lifted and shopping malls, convenience stores and supermarkets resumed to normal operating hours. Blue Zone, introduced in October 2021, were provinces that have completed at least 70% of their mass vaccinations and are ready to accept international visitors. By December 2021, night-time curfew was lifted nationwide as the Dark-Red Zone was removed.

7. BUSINESS OVERVIEW (CONT'D)

Subsequently, between December 2021 and June 2022, the Government gradually redesignated more provinces as Blue Zone to allow the entering of international visitors. On 23 June 2022, the Government removed the colour-coded zoning, redesignated all provinces to Green Zone and entertainment venues were allowed to reopen.

7.17.4 Impact on our business operations and financial performance in 2021 and 1st half of 2022

We did not face any closure of our business operations in 2021 and in the 1st half of 2022. However, we reduced our number of staff at our operating premise in May 2021 when COVID-19 cases started to rise in Thailand. As a precautionary measure, our warehouse staff were operating at 50% capacity while the remaining departments such as finance, administration, sales and marketing, logistics staffs were operating at 25% capacity. The remaining employees were under the alternate work from home arrangement to reduce the number of staffs present at our operating premise.

Our financial performance was impacted due to the COVID-19 conditions in Thailand in 2021 and this was reflected in the second and third quarter of FYE 2021 as summarised in the table below:

	Qtr1 FYE 2021 <i>(Jan 2021 to Mar 2021)</i>	Qtr2 FYE 2021 <i>(Apr 2021 to June 2021)</i>	Qtr3 FYE 2021 <i>(July 2021 to Sept 2021)</i>	Qtr4 FYE 2021 <i>(Oct 2021 to Dec 2021)</i>
Revenue (RM'000)	43,063	34,409	26,648	32,587
Quarter-on-quarter change (%)	32.07%	-20.10%	-22.56%	22.29%

Our Group's revenue declined by 20.10% in the second quarter of FYE 2021 and 22.56% in the third quarter of FYE 2021 compared to the previous quarters respectively due to the decrease in orders from customers as there were interruptions to customer's business operation due to the implementation of restrictions and curfews from April 2021 to August 2021 as mentioned above. Subsequently, our Group's revenue increased by 22.29% to RM32.59 million in the fourth quarter of FYE 2021 largely due to the gradual easing of restrictions and upliftment of curfews from September 2021 onwards coupled with the redesignation of 17 provinces/destinations including Bangkok to Blue Zone in November 2021 to allow the entering of international visitors. The growth was also due to the increase in demand from customers to immediately stock up upon the commencement of the upliftment of restrictions.

Despite the decrease in revenue in the second and third quarter of 2021, our overall revenue for the FYE 2021 grew by RM17.00 million or 14.20% from RM119.71 million in FYE 2020 to RM136.71 million in FYE 2021.

Our financial performance was also slightly impacted in the 1st half of 2022 due to the gradual easing of restrictions and upliftment of curfews from September 2021 up to June 2022 which led to our customers being cautious on their purchases from us. This was reflected in the first and second quarter of FYE 2022 as summarised in the table below:

	Qtr1 FYE 2022 <i>(Jan 2022 to Mar 2022)</i>	Qtr2 FYE 2022 <i>(Apr 2022 to June 2022)</i>
Revenue (RM'000)	33,925	26,584
Quarter-on-quarter change (%)	4.11%	-21.64%

7. BUSINESS OVERVIEW (CONT'D)

Our revenue grew by 4.11% in the first quarter of 2022 as our customers made purchases based on their sales performance of the previous quarter. However, in the second quarter of 2022, our revenue declined by 21.64% as some customers still have additional stocks from purchases made from the previous quarter and hence purchased fewer stocks in the second quarter of 2022.

In terms of expenses, we incurred approximately RM6,250 and RM8,501 in FYE 2021 and FPE 2022 for additional COVID insurance for employees, swab tests, sanitization, masks and PPE suits.

We did not encounter any cancellation or suspension of purchase orders from customers nor did we face any delay or shortage on any food products during the FYE 2021 and FPE 2022.

As of 30 June 2022, we have cash and bank balances of RM12.89 million and total borrowings were RM6.05 million. As at the LPD, we have banking facilities of up to a limit of RM18.61 million including revolving credit and invoice financing, of which RM16.13 million have not been utilised. As at the LPD, we have not received any claw-back or reduction in banking facility limits granted to us by the financial institutions. We do not expect difficulties in meeting our debt repayment obligations during the next 12 months. We do not anticipate any material impairment to our assets, inventories and receivables.

Our Board is confident that our working capital will be sufficient for our operating expenditure and will sustain our business for 12 months from the date of this Prospectus, after taking into account our cash and bank balances and banking facilities that are available to our Group.

Based on the above, we do not expect any material adverse effects to our cash flow, liquidity, financial position and financial performance from the impact of COVID-19.

7.17.5 Measures and steps taken by our Group in response to COVID-19 pandemic

In response to the COVID-19 pandemic, we have implemented measures for our business operations to safeguard our customers and employees. These include the following:

- (i) all employees and visitors are required to wear face masks and practice social distancing in our premises at all times; and
- (ii) implementation of temperature measurements of any employees and visitors before they enter into our distribution centre;
- (iii) daily sanitisation of common areas including the lobby, lift, pantry, meeting room and toilets;
- (iv) minimising physical meetings and avoiding unnecessary business-related travelling; and
- (v) all employees are required to carry out weekly rapid testing.

There are no rules and regulations enacted to mandate an employer to take specific action on dealing with an employee infected with the COVID-19. However, the employee who is tested COVID-19 positive is eligible to take sick leave as allowed by law, i.e. leave with being paid for at most 30 days. During this leave period, the employer is obliged to pay wages due to the employee taking such leave.

With an aim to prevent the spread of COVID-19 at the local community level, the provincial administrative body can issue local regulations imposing measures to prevent the spread in a specific local area. In Pathum Thani province, where Bai Li Enterprise's workplace is located, the Provincial Governor encouraged employers to implement work-from-home policy to prevent the spread of COVID-19.

7. BUSINESS OVERVIEW (CONT'D)

Since March 2020 and up to the LPD, 43 of our employees were infected with COVID-19 and have since fully recovered.

7.17.6 Impact on our business and earning prospects

Our business was slightly affected due to the impact of the COVID-19 pandemic in Thailand. Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run, taking into consideration the gradual recovery of Thailand's economy as well as gradual opening of international borders.

In 2021, the overall distributive trade industry is slightly recovered from the COVID-19 pandemic resulting in a growth in the economy and higher consumer spending. The real GDP of the distributive trade industry and total private consumption expenditure grew by 1.7% and 1.5%, respectively in 2021. For the first 9 months of 2022, the real GDP of the distributive trade industry and total private consumption expenditure grew by 3.1% and 12.1%, respectively.

As food is a basic need, its demand remains resilient during the COVID-19 pandemic. In 2021, the private consumption expenditure on food grew by 3.0%. For the first 9 months of 2022, the private consumption expenditure on food grew by 8.4%.

Overall, the distribution of consumer packaged food industry is still dependent on Thailand's economy as people are likely to spend more when they have higher spending power. Thailand's economy in 2022 is expected to recover while the resurgence of COVID-19 cases and the reimposition of containment measures will weigh on the economic growth.

In 2021, the Thailand economy recovered and grew by 1.5% mainly due to the recovery in exports of goods and increased domestic spending. For the first 9 months of 2022, Thailand's real GDP grew by 3.1%, resulting from an acceleration in the agricultural sector and the rise in the service sector after the introduction of the government's economic stimulus measures and the relaxation of travel restrictions. Overall, Thailand's economy is projected to expand by 3.2% in 2022, and is expected to expand within the range of 3.0% and 4.0% in 2023, mainly supported by improved domestic demand, expansion of both private and public investments, improved domestic demand, and the favourable growth of agricultural sector.

Additionally, tourism plays an important role in Thailand's economy where between 2015 and 2019, tourism revenue contributed a range from 16.1% to 18.2% of Thailand's GDP respectively. The containment measures imposed in Thailand has affected the tourism revenue significantly, where in 2020 and 2021, tourism revenue accounted for 5.1% and 1.5% of Thailand's GDP respectively. With the gradual reopening of borders as well as the relaxation of international travel restrictions since 1 November 2021, the number visitors (including domestic and foreign visitors) in Thailand increased by 284.0% to 155.7 million persons for the first 9 months of 2022 compared to 40.6 million persons for the first 9 months of 2021.

(Source: IMR Report)

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7. BUSINESS OVERVIEW (CONT'D)**7.18 MAJOR CUSTOMERS**

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, we have a total base of approximately 55, 30, 30 and 30 customers, respectively. Our top 5 major customers for the Financial Years and Period Under Review are as follows:

FYE 2019

Major Customers	Principal activities ⁽¹⁾	Length of relationship ⁽²⁾ (year)	Revenue Contribution	
			RM'000	%
CP All ⁽³⁾	Convenience stores/Minimarts	6	41,983	71.40
Siam Makro ⁽³⁾	Discount stores/Supercenters/Hypermarkets	3	4,802	8.17
Kor Chaisaeng D.C. Co., Ltd.	Non-specialized wholesale trade	4	3,420	5.82
Big C Supercenter Public Company Limited (" Big C ")	Discount stores/Supercenters/Hypermarkets	6	2,207	3.75
Ek-Chai Distribution ⁽³⁾	Discount stores/Supercenters/Hypermarkets	5	2,004	3.41
Sub-total			54,416	92.55
Total Group revenue			58,799	

FYE 2020

Major Customers	Principal activities ⁽¹⁾	Length of relationship ⁽²⁾ (year)	Revenue Contribution	
			RM'000	%
CP All ⁽³⁾	Convenience stores/Minimarts	7	59,598	49.79
Siam Makro ⁽³⁾	Discount stores/Supercenters/Hypermarkets	4	27,495	22.97
Mega Alliance Co., Ltd. (" Mega Alliance ")	Non-specialized wholesale trade	1	20,908	17.47
Big C	Discount stores/Supercenters/Hypermarkets	7	5,724	4.78
Ek-Chai Distribution ⁽³⁾	Discount stores/Supercenters/Hypermarkets	6	2,987	2.50
Sub-total			116,712	97.51
Total Group revenue			119,706	

7. BUSINESS OVERVIEW (CONT'D)**FYE 2021**

Major Customers	Principal Activities ⁽¹⁾	Length of relationship ⁽²⁾ (year)	Revenue Contribution	
			RM'000	%
CP All ⁽³⁾	Convenience stores/Minimarts	8	56,007	40.97
Siam Makro ⁽³⁾	Discount stores/Supercenters/Hypermarkets	5	28,914	21.15
Valueplus Worldwide Co., Ltd (" Valueplus ")	Wholesale on a fee or contract basis of agricultural raw materials and live animals	1	23,865	17.46
Big C	Discount stores/Supercenters/Hypermarkets	8	13,649	9.98
Ek-Chai Distribution ⁽³⁾	Discount stores/Supercenters/Hypermarkets	7	5,731	4.19
Sub-total			128,166	93.75
Total Group revenue			136,707	

FPE 2022

Major Customers	Principal Activities ⁽¹⁾	Length of relationship ⁽²⁾ (year)	Revenue Contribution	
			RM'000	%
CP All ⁽³⁾	Convenience stores/Minimarts	9	26,957	44.55
Valueplus	Wholesale on a fee or contract basis of agricultural raw materials and live animals	2	15,494	25.61
Siam Makro ⁽³⁾	Discount stores/Supercenters/Hypermarkets	6	8,582	14.18
Big C	Discount stores/Supercenters/Hypermarkets	9	3,461	5.72
Ek-Chai Distribution ⁽³⁾	Discount stores/Supercenters/Hypermarkets	8	3,043	5.03
Sub-total			57,537	95.09
Total Group revenue			60,509	

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) *Based on publicly available documents/ information.*
 (2) *Length of business relationship as at each respective FYEs.*
 (3) *CP All have shareholdings in Siam Makro and Ek-Chai Distribution (“CP All Group”). Siam Makro and Ek-Chai Distribution are subsidiaries of CP All. Ek-Chai Distribution is a subsidiary of Siam Makro.*

During the Financial Years and Period Under Review, our major customers comprise:

- retailers including CP All, Siam Makro, Big C and Ek-Chai Distribution; and
- wholesalers including Kor Chaisaeng D.C. Co., Ltd., Mega Alliance and Valueplus.

We are or were dependent on the following customers due to the quantum of their contribution to more than 10.00% to our revenue during the Financial Years and Period Under Review:

(i) CP All

CP All is a company incorporated in Thailand and is listed on the Stock Exchange of Thailand. Revenue from CP All accounted for 71.40%, 49.79%, 40.97% and 44.55% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. As at the LPD, CP All has been our customer for 9 years.

CP All is principally involved in the operation of convenience stores under the “7-Eleven” trademark and franchises to other retailers in the territory of Thailand. The number of 7-Eleven convenience stores in Thailand as at 31 December 2021 was 13,134 stores. *(Source: Based on latest annual report of CP All i.e., for the FYE 2021).*

We distribute our snack food products to CP All for sales in its 7-Eleven convenience stores. As at the LPD, we deliver our snack food products to 11 CP All’s sales and distribution points located in Central, Northeast, Northern and Southern regions of Thailand. Our snack food products would subsequently be re-distributed by CP All to their various 7-Eleven stores throughout Thailand.

For the Financial Years and Period Under Review, we distributed the following range of snack food products to CP All’s 7-Eleven convenience stores:

- ChaCha brand sunflower seeds and nuts;
- Cundo brand layer cakes;
- Miyu brand biscuits and chocolate snacks;
- King Kong brand mixed nuts and dried fruits bar, and corn snack; and
- Pee Ree brand watermelon seeds and green peas.

We also deal with two related companies of CP All, namely Siam Makro and Ek-Chai Distribution, who are also two of our major customers for the Financial Years and Period Under Review.

Collectively, our revenue generated from CP All Group accounted for 82.98%, 75.25%, 66.31% and 63.76% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Siam Makro

Siam Makro is a company incorporated in Thailand and is listed on the Stock Exchange of Thailand, and is a subsidiary of CP All.

Revenue from Siam Makro accounted for 8.17%, 22.97%, 21.15% and 14.18% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. As at the LPD, Siam Makro has been our customer for 6 years.

Siam Makro is principally involved in the operation of membership-based cash and carry trade, under the name of Makro, selling food and non-food products to registered members in Thailand. Its target customers are predominantly small and medium-sized enterprises, namely retailers, hotels, restaurants, cafes, institutions and businesses. As of 31 December 2021, under the Makro brand, Siam Makro has a total of 142 Cash and Carry stores in Thailand comprising 79 classic stores, 35 Foodservice stores, 15 Eco Plus stores, 5 Food shops, 7 Siam Frozen shops, and 1 Fresh@Makro store (Source: Based on latest annual report of Siam Makro i.e., for the FYE 2021).

We distribute our snack food products to Siam Makro for sales in its Makro Cash and Carry stores. As at the LPD, we deliver our snack food products to 3 Siam Makro's distribution centres located in the Central region of Thailand. Our snack food products will then be distributed by Siam Makro to their various Makro Cash and Carry stores located throughout Thailand.

For the Financial Years and Period Under Review, we distributed ChaCha sunflower seeds and Pee Ree watermelon seeds to Siam Makro's cash and carry stores.

(iii) Mega Alliance

Revenue from Mega Alliance accounted for 2.00%, 17.47% and 3.29% of our total revenue for the FYE 2019, FYE 2020 and FYE 2021. There was no revenue from Mega Alliance in FPE 2022.

Mega Alliance was established in October 2019 as an associate company of Bai Li Enterprise. Bai Li Enterprise had a 30% equity stake in the said company together with three individuals namely Wanchai Wanichkulthumrong, our Deputy COO (10% equity stake), and two third-party individuals, namely, Pajikarn Sae-lim (40% equity stake) and Nattaphong Sakdikornthanasiri (20% equity stake), both whom are not our Group's employees.

Mega Alliance was established as a wholesaler of consumer packaged goods and household items, for the traditional retail markets. We sell our snack food products namely ChaCha sunflower seeds to Mega Alliance.

Our business relationship with Mega Alliance commenced in October 2019 and ended in February 2021. Due to different business direction with the two third-party shareholders of the company, in February 2021, Bai Li Enterprise ceased its business relationship and sold off its shareholdings in Mega Alliance to Nattaphong Sakdikornthanasiri and Suthasinee Sakulyanonwittayaa, whom are also not our Group's employees. Wanchai Wanichkulthumrong has also disposed of his shareholdings in February 2021.

Since February 2021 and up to the LPD, Mega Alliance is no longer our customer as the distribution of our Group's products to traditional retailers are now carried out by Valueplus.

7. BUSINESS OVERVIEW (CONT'D)

(iv) Valueplus

Revenue from Valueplus accounted for 0.06%, 17.46% and 25.61% of our total revenue for the FYE 2020, FYE 2021 and FPE 2022, respectively. Our business relationship with Valueplus commenced in October 2020.

Valueplus is a wholesaler of various products (food and non-food items) for traditional retailers. We sell our snack food products mainly ChaCha sunflower seeds, Cundo layer cakes, Miyu biscuits and chocolate snacks and PeeRee watermelon seeds and green peas to Valueplus.

Valueplus was established in October 2020 as an associate company of Bai Li Enterprise. Bai Li Enterprise had a 30% equity stake in the said company together with two third-party individuals, namely, Juntra Saeli (40% equity stake) and Rongrong Bhuridej (30% equity stake) both of whom are not our employees. Bai Li Enterprise disposed of its shares in Valueplus to Pisan Eiamsooksai (who is also not our Group's employee) in July 2021, to focus on our distribution business to our retailer customers*.

Note:

* *In this regard, our wholesale customers (which includes Valueplus) deal with traditional retailers such as sundry shops and small retailers in the outskirts areas of city or town centres and the associated business risks.*

Since July 2021 and up to the LPD, Valueplus continues to be our customer and our only wholesaler distributing our snack food products to the traditional retailers. Our Group has no plan to reduce the reliance on Valueplus, however, we are open to consider any suitable wholesalers if approached by them.

Loss of major customer

For FYE 2021, we lost a major customer, Mega Alliance who carried out the distribution of our Group's products to traditional retailers in FYE 2020 (contributed RM20.91 million to our total revenue). Nevertheless, the distribution of our Group's products to traditional retailers are now carried out by Valueplus.

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7. BUSINESS OVERVIEW (CONT'D)**7.19 MAJOR SUPPLIERS**

Our top 5 major suppliers for the Financial Years and Period Under Review are as follows:

FYE 2019

Major Suppliers	Product's country of origin	Product supplied	Length of relationship ⁽¹⁾ (year)	Value of purchases	
				RM'000	%
Jet Voyage ⁽²⁾	China	ChaCha sunflower seeds and nuts	7	36,496	89.28
ChaCha Thailand ⁽³⁾	Thailand	ChaCha sunflower seeds	<1	2,865	7.01
Qingdao Hightide Co., Ltd	China	Pee Ree watermelon seeds and sunflower kernels	3	854	2.09
Chanwin Marketing & Distribution Co., Ltd	China	Pee Ree watermelon seeds	<1	312	0.76
New Strait Pte Ltd	China	Cundo layer cakes	<1	210	0.51
Sub-total				40,737	99.65
Total Group purchases				40,879	

FYE 2020

Major Suppliers	Product's country of origin	Product supplied	Length of relationship ⁽¹⁾ (year)	Value of purchases	
				RM'000	%
ChaCha Thailand	Thailand	ChaCha sunflower seeds	1	60,879	74.86
Jet Voyage ⁽²⁾	China	ChaCha sunflower seeds and nuts	8	15,462	19.01
Chanwin Marketing & Distribution Co., Ltd	China	Pee Ree watermelon seeds and green peas, and Wang Wang rice puffs and crispy fish snack	1	2,316	2.85
New Strait Pte Ltd	China	Cundo layer cakes	1	1,707	2.10
Tianjin Heijingang Food Co., Ltd	China	Miyu chocolate snacks and King Kong mixed nuts and dried fruit bar	1	782	0.96
Sub-total				81,146	99.78
Total Group purchases				81,322	

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7. BUSINESS OVERVIEW (CONT'D)**FYE 2021**

Major Suppliers	Product's country of origin	Product supplied	Length of relationship ⁽¹⁾ (year)	Value of purchases	
				RM'000	%
ChaCha Thailand ⁽³⁾	Thailand	ChaCha sunflower seeds	2	85,799	85.58
Jet Voyage ⁽²⁾	China	ChaCha sunflower seeds and nuts	9	6,400	6.38
New Strait Pte Ltd	China	Cundo layer cakes, and Mina dried fruits	2	3,098	3.09
Chanwin Marketing & Distribution Co., Ltd	China	Pee Ree watermelon seeds and green peas, Miyu biscuits, Wang Wang rice puffs and crispy fish snack	2	2,499	2.49
Tianjin Heijingang Food Co., Ltd	China	Miyu chocolate snacks, King Kong mixed nuts and dried fruit bar	2	2,459	2.45
Sub-total				100,255	99.99
Total Group purchases				100,258	

FPE 2022

Major Suppliers	Product's country of origin	Product supplied	Length of relationship ⁽¹⁾ (year)	Value of purchases	
				RM'000	%
ChaCha Thailand ⁽³⁾	Thailand	ChaCha sunflower seeds	3	41,839	91.77
Tianjin Heijingang Food Co., Ltd	China	Miyu chocolate snacks	3	1,296	2.84
New Strait Pte Ltd	China	Cundo layer cakes, and Mina dried fruits	3	941	2.06
Chanwin Marketing & Distribution Co., Ltd	China	Pee Ree watermelon seeds and green peas, and Miyu biscuits	3	784	1.72
Jet Voyage ⁽²⁾	China	ChaCha sunflower seeds and nuts	10	728	1.60
Sub-total				45,588	99.99
Total Group purchases				45,589	

Notes:

- (1) Length of business relationship as at the respective financial years/ period.
- (2) Jet Voyage is a wholly owned subsidiary of QiaQia, a company listed on the Shenzhen Stock Exchange. Jet Voyage is a company based in Hong Kong and is involved in trading of products to foreign markets. Jet Voyage was appointed by QiaQia to be the trading agent for markets outside China, and as such Jet Voyage invoices us and we pay to Jet Voyage for our purchases. However, products are delivered by QiaQia in China directly to us in Thailand. In FPE 2022, we purchased ChaCha sunflower seeds (original, coffee and red date flavours) and nuts from Jet Voyage as these products were not manufactured by ChaCha Thailand in Thailand.

7. BUSINESS OVERVIEW (CONT'D)

(3) *ChaCha Thailand is a wholly owned subsidiary of QiaQia, a company listed on the Shenzhen Stock Exchange.*

Our business is dependent on our top suppliers namely ChaCha Food Thailand and Jet Voyage, collectively known as QiaQia Group, by virtue of their contribution to our total purchases. For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, QiaQia Group represented 96.29%, 93.87%, 91.96% and 93.37% of our Group's total purchases respectively. Prior to FYE 2020, our supply of ChaCha brand sunflower seeds were mainly purchased from QiaQia in China via Jet Voyage. From FYE 2020 onwards, we mainly purchased the ChaCha brand sunflower seeds from ChaCha Thailand.

Both ChaCha Thailand and Jet Voyage are wholly owned subsidiaries of QiaQia, a company listed on the Shenzhen Stock Exchange. QiaQia Group, through ChaCha Thailand, completed its first overseas factory in Thailand in 2018 which is intended to serve foreign markets outside China particularly the Southeast Asia markets. The new factory commenced operations in 2019. Since 2019, we started purchasing the ChaCha brand sunflower seeds from QiaQia's factory in Thailand.

As an exclusive distributor for QiaQia in Thailand, we are reliant on QiaQia Group of companies for the supply of ChaCha brand sunflower seeds to us under the Distributor Agreement as set out in Section 7.20.1 of this Prospectus. Similarly, QiaQia Group is also dependent on Bai Li Enterprise to distribute the ChaCha brand products in Thailand. Please refer to Section 9.1.1 of this Prospectus for further details on the risk of our dependency on our Distributor Agreement with QiaQia.

Our Group and QiaQia are mutually dependent on each other based on the following consideration factors:

- Since 2012, we have a long track record and relationship with QiaQia Group for approximately 10 years where we have been working closely with QiaQia Group. We have been their exclusive distributor for ChaCha sunflower seeds and nuts for the Thailand market since 2013 and up to the LPD. This indicates a stable and long-term business relationship with QiaQia Group. For the Financial Years and Period Under Review and up to the LPD, we have not experienced any difficulty in obtaining supplies of sunflower seeds from QiaQia Group.
- Since 2013, we have established a distribution network for ChaCha sunflower seeds and nuts in Thailand including the modern trade retailers such as 7-Eleven convenience store, Big C hypermarket and Tops supermarket. Since 2015, we extended our distribution network to include the traditional trade retailers via wholesalers that resells to sundry shops, market stalls and street vendors. As at the LPD, the coverage of our distribution network extends throughout the Central, Northeast, Northern and Southern regions of Thailand to 43 customer's delivery destinations including customer's distribution centres, warehouses and retail outlets.
- We have established a long-term business relationship with major retailers in Thailand where we managed to successfully secure shelf-space in large retail convenience stores such as 7-Eleven, FamilyMart, Lotus's Go Fresh mini market, Mini BigC and Lawson108, cash and carry stores such as Makro, hypermarkets such as Lotus's and Big C and supermarkets such as Tops, Lotus's Go Fresh and Big C Market. Through our established relationships with these retailers, we were able to obtain feedback for QiaQia's products in various aspects including types of packaging, pricing as well as flavour and taste.

7. BUSINESS OVERVIEW (CONT'D)

7.20 MATERIAL DEPENDENCY ON COMMERCIAL OR FINANCIAL CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND OTHER ARRANGEMENTS

As at the LPD, there are no commercial or financial contracts, intellectual property rights, licences, permits and other arrangements which our Group's business or profitability is materially dependent on save for the following:

7.20.1 Distributor Agreement with QiaQia

Since 2013, Bai Li Enterprise has been appointed as QiaQia's exclusive distributor of ChaCha sunflower seeds and nuts products in Thailand where the products supplied by QiaQia will only be sold by Bai Li Enterprise in Thailand. For FYE 2019, FYE 2020, FYE 2021 and FPE 2022, purchases from QiaQia Group represented 96.29%, 93.87%, 91.96% and 93.37% of our Group's total purchases respectively. As at the LPD, QiaQia Group has been our supplier for up to 10 years.

The annual distributor agreement and distributor supplementary agreement are entered into between QiaQia and Bai Li Enterprise upon the terms and conditions to be mutually agreed by the parties. The distributor agreement has been renewed on 13 May 2022 ("**Distributor Agreement**") with QiaQia for a period of 1 year, commencing from 1 January 2022 to 31 December 2022. On 13 May 2022, we have also entered into a distributor supplementary agreement with QiaQia in respect of the sales incentive plan ("**Distributor Supplementary Agreement**"). The Distributor Agreement and the Distributor Supplementary Agreement are collectively referred to as the "**Agreements**". There is no impact to our Group's business operations for entering into the distributor agreement and distributor supplementary agreement after the commencement date of the Distributor Agreement. As at the LPD, our Group has commenced discussion with QiaQia on the renewal of the Agreements and we expect it to be concluded in 1st quarter of 2023. In this regard, nothing has come to our attention that there will be any material issue for the renewal of the Agreements and QiaQia continue to supply sunflower seeds and nuts products to us in accordance with the current practice while pending the renewal of the Agreements.

During the terms of the Distributor Agreement, Bai Li Enterprise will not be allowed to accept or sell other similar products (i.e., sunflower seeds and nuts) in Thailand or sell the products supplied by QiaQia outside of Thailand.

Bai Li Enterprise is obliged to take charge of the development and management of secondary distributors in Thailand, and is fully responsible for the secondary distributors' shipment, sales guidance, and after-sale service of the products. If secondary distributors of Bai Li Enterprise sell the products supplied by QiaQia outside of Thailand, it will be deemed as the behaviour of Bai Li Enterprise. Nevertheless, Bai Li Enterprise has not appointed and has no intention to appoint any secondary distributors. Thus, such obligation is not applicable to Bai Li Enterprise.

If Bai Li Enterprise violates any of the above terms, QiaQia has the right to terminate the Distributor Agreement unilaterally and is exempted from any duty and entitled to deduct the performance bond (if any) as the compensation, the shortage of which can otherwise be claimed from Bai Li Enterprise thereafter. There is no performance bond provided by Bai Li Enterprise to QiaQia.

If the Distributor Agreement is terminated in advance by QiaQia for any reason save for the circumstances set out above, QiaQia will repurchase those good products in stock from Bai Li Enterprise, except those expired products or other defective products caused by Bai Li Enterprise. If the Distributor Agreement is terminated in advance due to breach of contract by Bai Li Enterprise, QiaQia will not accept return of goods for any remaining products held by Bai Li Enterprise.

Bai Li Enterprise's distributors are obliged to cooperate with each other, exchange market information and avoid vicious competition. If Bai Li Enterprise is found to engage in vicious competition against QiaQia, QiaQia has the right to take necessary measures until the Distributor Agreement is terminated.

7. BUSINESS OVERVIEW (CONT'D)

The Distributor Supplementary Agreement sets out a sales incentive plan which adopts a point system calculation based on the sales level. After the expiration of the annual distributor agreement, the computation of the incentives under the sales incentive plan will be completed and honoured by QiaQia within the first quarter of the following year. Further, QiaQia has the right to reconsider the distribution rights of Bai Li Enterprise in Thailand after the expiration of the annual distributor agreement if Bai Li Enterprise fails to meet the sales level under the sales incentive plan.

Further to the above, based on the opinion of the solicitors from the Chinese law perspective, QiaQia does not have a right to unilaterally terminate the Agreements unless Bai Li Enterprise has breached any of its obligations under the Distributor Agreement or the circumstances fall under Article 563 of the Civil Code of the People's Republic of China ("**Civil Code**").

Article 563 of the Civil Code provides that the parties may rescind the contract under any of the following circumstances: (1) the purpose of a contract cannot be achieved due to force majeure; (2) prior to expiration of the period of performance, one of the parties explicitly expresses or indicates by act that it will not perform the principal obligation; (3) one of the parties delays performance of the principal obligation and still fails to perform it within a reasonable period of time after being demanded; (4) one of the parties delays performance of the obligation or has otherwise acted in breach of the contract, thus making it impossible to achieve the purpose of the contract; or (5) there exists any other circumstance as provided by law.

Both the termination clause of the Distributor Agreement and Article 563 of the Civil Code do not grant QiaQia a right to unilaterally terminate the Agreements without cause.

Please also refer to Section 9.1.1 of this Prospectus for the risk factor of "We are dependent on our distributor agreement for ChaCha sunflower seeds and nuts" for further details and **Appendix 1** of this Prospectus, for the aforementioned legal opinion.

7.20.2 Trading Agreement with Siam Makro

Bai Li Enterprise sells its products to Siam Makro pursuant to the 1-year period trading agreement. The current term starts from 1 January 2022 to 31 December 2022.

If Siam Makro carries out any campaign for the purpose of stimulating the sales volume, Bai Li Enterprise agrees to join the campaign.

Revenue from Siam Makro accounted for 8.17%, 22.97%, 21.15% and 14.18% of our Group's total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. As at the LPD, Siam Makro has been our customer for 6 years.

7.20.3 Main Agreement with CP All

Bai Li Enterprise has agreed to sell its products which are processed food to CP All pursuant to a main agreement dated 19 April 2018. The products will be sold in 7-11 convenient stores across Thailand.

If there is any issue arising from the products, Bai Li Enterprise will be responsible for the return of the products and cost of the return.

Bai Li Enterprise represents to CP All that Bai Li Enterprise has been licensed to use trademarks with its products, will be responsible to customers for quality of products, the products were properly manufactured and safe for consumption. In case there is a problem with the products such as defects, CP All may return the defected products to Bai Li Enterprise at Bai Li Enterprise's expense.

The main agreement does not specify validity period. Therefore, the main agreement is effective until it is terminated.

7. BUSINESS OVERVIEW (CONT'D)

The main agreement can be terminated by CP All if the sale volume cannot meet the minimum requirement or if Bai Li Enterprise goes under receivership. There is no sale volume stated in the main agreement. The main agreement with CP All does not specify the minimum order quantum. As such, the sales volume will not result in the main agreement being terminated.

Revenue from CP All accounted for 71.40%, 49.79%, 40.97% and 44.55% of our Group's total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. As at the LPD, CP All has been our customer for 9 years.

7.20.4 Joint Venture Agreement

Bai Li Enterprise entered into a joint venture agreement dated 30 September 2020 with Mr. Thierry Suttivong ("**Mr. Thierry**") whereby Mr. Thierry authorises Bai Li Enterprise to use a cartoon of him in Bai Li Enterprise's Pee Ree products.

In return for the right to use the cartoon, Bai Li Enterprise will pay part of profits incurred from the sale of Pee Ree products to Mr. Thierry at an agreed rate. In case Mr. Thierry passes away and Bai Li Enterprise still uses the cartoon on the products, Bai Li Enterprise agrees to pay the profits to his statutory heir.

During the term of the joint venture agreement, Bai Li Enterprise will invest in the product's manufacturing and marketing while Mr. Thierry will be a presenter of the products. Mr. Thierry cannot operate the same or similar business as Bai Li Enterprise and cannot use Pee Ree and the cartoon as trademark without Bai Li Enterprise's prior consent.

If any party breaches the joint venture agreement, the other party can terminate the agreement and claim for damages.

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue from our Group's products that carry the Pee Ree brands, collectively accounted for 3.48%, 1.91%, 1.33% and 1.24% of our Group's total revenue respectively.

7.20.5 Trademark Licence Agreement and Deed of Assignment

On 1 December 2021, Bai Li Enterprise entered into a trademark licence agreement ("**Licence Agreement**") with Saranjit Wang who is the owner of the trademarks set forth in the schedule thereto, and as set out in Section 7.12 of this Prospectus.

Saranjit Wang, as a licensor, has authorised Bai Li Enterprise to have exclusive use of her trademarks for Bai Li Enterprise's goods in the territory of Thailand. The right to use the trademarks will take effect from the registration dates of each trademark.

On 1 January 2022, Saranjit Wang and Bai Li Enterprise entered in to a deed of assignment ("**Deed of Assignment**") whereby Saranjit Wang agreed to assign the trademarks she owns to Bai Li Enterprise.

The parties registered the Licence Agreement on 15 March 2022 and the Deed of Assignment on 22 March 2022 with Thailand's Trademark Office, Intellectual Property Department, in order for the Licence Agreement and Deed of Assignment to be effective under Thai trademark law.

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue from our Group's brands, collectively accounted for 3.79%, 3.61%, 6.03% and 5.54% of our Group's total revenue respectively.

7. BUSINESS OVERVIEW (CONT'D)**7.21 EMPLOYEES**

As at the LPD, our Group has a total workforce of 83 local employees and 4 foreign employees.

As at the LPD, our Group does not employ any contractual employees.

None of our employees belong to any trade unions and there has been no industrial dispute since we commenced operations.

A summary of our Group's total workforce by job functions as at the LPD are as set out below:

Categories	No. of employees as at LPD					
	Malaysian operations			Thailand operations		
	Malaysian (Local)	Foreigner	Total	Thai (Local)	Foreigner	Total
Senior management	2	-	2	2	1	3
Head of Department	-	-	-	1	1	2
Executive	3	-	3	75	2	77
Total	5	-	5	78	4	82

A summary of our Group's total workforce by departments as at the end of FYE 2021 are as set out below:

Department	No. of employees as at 31 December 2021					
	Malaysian operations			Thailand operations		
	Malaysian (Local)	Foreigner	Total	Thai (Local)	Foreigner	Total
Management (Senior and middle management)	2	-	2	3	2	5
Sales and marketing	-	-	-	6	-	6
Human resources and administration	-	-	-	8	-	8
Accounting and finance	-	-	-	12	-	12
Procurement	-	-	-	1	-	1
Warehouse	-	-	-	12	1	13
Logistics	-	-	-	20	-	20
Total	2	-	2	62	3	65

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7. BUSINESS OVERVIEW (CONT'D)

A summary of our Group's total workforce by departments as at the LPD are as set out below:

Department	No. of employees as at LPD					
	Malaysian operations			Thailand operations		
	Malaysian (Local)	Foreigner	Total	Thai (Local)	Foreigner	Total
Management (Senior and middle management)	2	-	2	3	2	5
Sales and marketing	-	-	-	8	-	8
Human resources and administration	2	-	2	14	1	15
Accounting and finance	1	-	1	12	-	12
Procurement	-	-	-	2	-	2
Warehouse	-	-	-	17	1	18
Logistics	-	-	-	22	-	22
Total	5	-	5	78	4	82

7.22 GOVERNMENT LAWS AND REGULATIONS**7.22.1 Government laws and regulations**

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

(a) Malaysia

- (i) the Local Government Act 1976 and any by-laws of the local councils and authorities setting out the requirements to obtain business and signage licences; and
- (ii) the Income Tax Act 1967 and the prevailing taxation regulations and policies in Malaysia.

(b) Singapore

- (i) the Income Tax Act and the administrative practice of the Inland Revenue Authority of Singapore.

(c) Thailand

- (i) the Land Code governing the right of a company that has foreign shareholding to own land in Thailand;
- (ii) the Thai Foreign Business Act B.E. 2542, governing the operation of business of a company that has foreign shareholding;
- (iii) the Revenue Code, regulating personal income tax, corporate income tax, value added tax, specific business tax, and stamp duty;
- (iv) the Food Act, B.E. 2522 (1979) and the relevant regulations and ministerial notifications;

7. BUSINESS OVERVIEW (CONT'D)

- (v) the Public Health Act, B.E. 2535 (1992) and the relevant regulations and ministerial notifications;
- (vi) the Business Registration Act, B.E. 2499 (1956) and the relevant regulations and ministerial notifications; and
- (vii) the Direct Sales and Direct Marketing Act, B.E. 2545 (2002) and the relevant regulations and ministerial notifications.

Save as disclosed in Section 7.11 of this Prospectus, as at the LPD, our Group is not in breach of laws and regulations governing our business that may have a material adverse impact on our business operations.

7.22.2 Environmental issue

As at the LPD, there is no environmental issue which may materially affect our Group's business operations.

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7. BUSINESS OVERVIEW (CONT'D)**7.23 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, our Group has not incurred any other material capital expenditure for the Financial Years and Period Under Review and up to the LPD.

Capital Expenditure	FYE 2019		FYE 2020		FYE 2021		FPE 2022		1 July 2022 up to LPD	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Motor vehicles	928	93.36	950	93.14	123	35.25	108	21.01	-	-
Office equipment	18	1.81	17	1.67	14	4.01	27	5.25	12	7.89
Office computers	5	0.50	8	0.78	83	23.78	25	4.87	19	12.50
Furniture and fittings	-	-	13	1.27	121	34.67	46	8.95	7	4.61
Machinery and tools	43	4.33	-	-	8	2.29	103	20.04	114	75.00
Renovation	-	-	32	3.14	-	-	205	39.88	-	-
Total	994	100.00	1,020	100.00	349	100.00	514	100.00	152	100.00

The above material investments were located within Thailand and were mainly funded through a combination of external borrowings and our internally generated funds.

For the FYE 2019, our capital expenditure of RM0.99 million was mainly for the purchase of 8 units of motor vehicles namely 6 trucks, and 2 passenger cars amounting to RM0.93 million. The remaining RM0.06 million was used to purchase 1 unit of forklift, office equipment and computers.

For the FYE 2020, our capital expenditure of RM1.02 million was mainly for the purchase of 5 units of motor vehicles namely 2 trucks and 1 passenger van amounting to RM0.95 million. The remaining RM0.07 million was used for renovation works at our distribution centre as well as for the purchase of furniture and fittings, office equipment and computers.

For the FYE 2021, our capital expenditure of RM0.35 million was mainly used to purchase 2 units of motor vehicles namely 1 truck and 1 forklift and the remaining RM0.23 million was used to purchase furniture and fittings, computer, office equipment and machinery and tools.

For the FPE 2022, our capital expenditure of RM0.51 million was mainly used for renovation works on Wellspire's office in Kuala Lumpur, Malaysia of RM0.20 million and purchase of 1 unit of forklift of RM0.11 million, while the remaining RM0.20 million was used to purchase machinery and tools, furniture and fittings, office equipment and office computers.

From 1 July 2022 up to the LPD, our capital expenditure of RM0.15 million was mainly used to purchase of machinery and tools of RM0.11 million and the remaining RM0.04 million was used to purchase office computers, office equipment, and furniture and fittings.

7. BUSINESS OVERVIEW (CONT'D)

Save as disclosed below, our Group has not incurred any other material capital divestitures for the Financial Years and Period Under Review and up to the LPD.

Capital Divestiture	FYE 2019		FYE 2020		FYE 2021		FPE 2022		1 July 2022 up to LPD	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Investment in former associate companies	-	-	-	-	1,242	100.00	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	54	100.00
Total	-	-	-	-	1,242	100.00	-	-	54	100.00

The above capital divestitures involve assets located within Thailand.

We do not have any capital divestitures in FYE 2019, FYE 2020, and FPE 2022.

For the FYE 2021, our capital divestiture of RM1.24 million was from the disposal of our former associate companies namely Mega Alliance and Valueplus on 28 February 2021 and 19 July 2021 for consideration of approximately RM0.20 million and RM1.04 million, respectively.

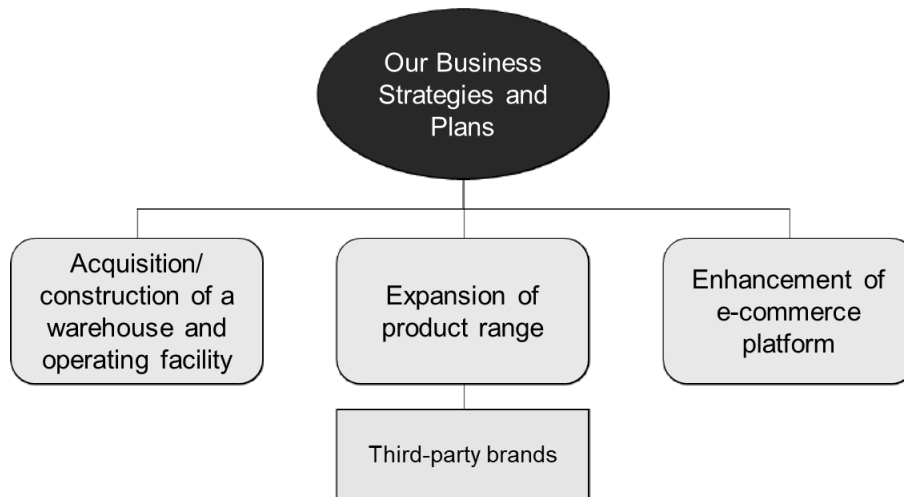
From 1 July 2022 up to the LPD, our capital divestiture of RM0.05 million was from the disposal of 1 unit of forklift.

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7. BUSINESS OVERVIEW (CONT'D)

7.24 OUR BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue to strengthen our core competency in the distribution of consumer packaged foods by expanding our business in the following areas:



7.24.1 Acquisition/ construction of a warehouse and operating facility in Thailand

Part of our business strategy and future plans as a distributor of consumer packaged foods is to acquire/ construct a warehouse and operational facility in Thailand.

As at the LPD, we are operating in a distribution centre in Pathum Thani province, which is in the Central region of Thailand, with total built-up area of approximately 4,897 sq. m. on total land area of approximately 9,636 sq. m.

As at the LPD, we are renting the abovementioned distribution centre from a related party namely, S.W. Enterprise Co., Ltd, since 2018. For the FYE 2019, FYE 2020, FYE 2021, FPE 2022 and from 1 July 2022 up to the LPD, we incurred rental expenses of RM0.39 million, RM0.83 million, RM1.60 million, RM0.85 million and RM0.69 million, respectively. Please refer to Section 10.1 of this Prospectus for further details.

As at the LPD, our distribution centre in Pathum Thani province serves 43 of our customers' sales and distribution points in Thailand comprising 32 sales and distribution points in the Central region such as the province of Ayutthaya and Nonthaburi, and Bangkok city, 6 sales and distribution points in the Northeast region, 3 sales and distribution points in the Northern region, and 2 sales and distribution points in the Southern region.

The idea to acquire/ construct a warehouse and operational facility in Thailand was mooted in early FYE 2021 when Bai Li Enterprise experienced significant growth in sales in FYE 2020. Our Group also planned to increase our product range (beyond mainly sunflower seeds) such as confectionaries (existing product), potato chips and dairy beverages (as set out in Section 7.24.2 for further details). Therefore, our Group needed to increase storage capacity, especially chiller room facilities.

During FYE 2021, we were also considering to undertake the Listing. In view of the proceeds to be raised from the Listing, our Group viewed that it was timely to increase our asset base by owning a warehouse. Furthermore, our Group has been expanding our storage rented floor space, from 1,500 sq.m. in FYE 2019 to 1,800 in FYE 2020 and 3,600 sq.m. in FYE 2021, representing a growth of 140% within the period. For FPE 2022 and as at the LPD, our Group's rented storage floor space remained at 3,600 sq. m.

7. BUSINESS OVERVIEW (CONT'D)

As part of our Group's business strategies, we intend to acquire/ construct a warehouse and operating facility as a long-term investment to increase our Group's asset base instead of renting the distribution centre.

Our Group intends to allocate up to RM16.00 million of the IPO proceeds to be utilised within 18 months from our Listing, to explore our options either to acquire the abovementioned existing distribution centre from our Promoters or to acquire a new warehouse and operational facility at another suitable location in Thailand which meet the requirements of our Group, that will facilitate the business operation and future business growth in the next 5 years.

The finalisation of the acquisition/ construction plans will take into consideration how much warehousing space is required for the medium and possibly long term, the availability of existing warehouse space versus constructing new warehouse facilities in a suitable location, and the funding required.

The detailed timing and key milestones for the acquisition of a warehouse and operating facility are as follows:

Estimated timing	Key milestones
Upon listing and within 6 months upon listing (1 st half of 2023)	<ul style="list-style-type: none"> Evaluation of options and commencement of negotiations Appointment of professionals (i.e. advisors and property valuer) Conduct valuation on the target property
Within 9 to 12 months upon listing (2 nd half of 2023)	<ul style="list-style-type: none"> Submission of valuation report to the Board for approval Obtain Board and shareholders' approval
Within 12 to 18 months upon listing (1 st half of 2024)	<ul style="list-style-type: none"> Completion of acquisition of target property Commencement on construction/ renovation works

In the event we acquire a new warehouse and operational facility, we plan to purchase a warehouse together with a 2-storey office building with estimated built-up area of 6,700 sq. m. on an estimated land area of approximately 11,450 sq. m.

The expected distribution centre will have an office space and equipped with the following facilities:

New operating facility	Estimated size (sq. m.)	Usage
Total land area	11,450	Includes warehouse building, 2-storey office building, parking lots and loading bays
Total built-up area	6,700	
- Office	1,000	Includes offices for key senior management and operational roles, and meeting rooms
- General warehousing space	4,500	Includes racking system and open floor space for storage of general dry goods
- Chiller room	1,200	Includes open floor space for storage of baked and confectionery snack foods, as well as dairy beverages.

7. BUSINESS OVERVIEW (CONT'D)

The general warehousing space will be utilised as storage for dry goods where we plan to install a racking system. We plan to allocate approximately 620 sqm of floor space within the general warehousing space to install the racking system. The remaining of 3,880 sqm will include a dedicated open floor area for storage of goods as well as walkway for mobilisation of forklift and handling of goods. The total estimated capacity for dry storage of goods at the general warehousing space is approximately 3,000 pallets.

The chiller room will be utilised as storage for certain snack foods such as baked and confectionery snack foods, as well as dairy beverages, a product we plan to introduce. Please refer to Section 7.24.2 for further details on our expansion of product range. We plan to operate the chiller room at a temperature ranging from 8°C to 18°C. The total estimated capacity for the chiller room is approximately at 550 pallets.

The total estimated cost of setting up the new distribution centre is RM16.00 million and the details are as follows:

	Estimated cost RM'000	IPO proceeds RM'000	Internally generated funds RM'000
New distribution centre			
Purchase of land and construction of building	11,400	11,400	-
Office fit-out	2,000	2,000	-
Installation of warehouse racking system	250	250	-
Installation of chiller facilities	2,200	2,200	-
Others ⁽¹⁾	150	150	-
Total	16,000	16,000	-

Note:

(1) Includes professional fees such as market surveyor and property valuer.

The acquisition of a warehouse does not require any approval of authorities. However, the transfer of land and building, i.e., the warehouse must be registered at the relevant land office.

The registered owner of the new warehouse and operating facility shall be Bai Li Enterprise.

We envisage that with the acquisition/ construction of our own warehouse and operating facility, our Group would be able to enjoy rental savings of approximately RM1.60 million per annum, enhance our Group's asset base as well as reduce potential related party transactions as we are currently renting our distribution centre from our Promoters.

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7. BUSINESS OVERVIEW (CONT'D)

7.24.2 Expansion of product range

As a distributor of consumer packaged snack foods to operators of large chain retail outlets, we will continue to expand our range of products to include other types of snack foods as we have the market access to a large potential end-consumer base.

In this respect, we plan to widen our existing range of third-party brands of consumer packaged snack foods, as well as introduce a new product namely dairy beverages, as follows:

(i) Third-party brands snack foods

We plan to source and import new products from our existing suppliers (excluding QiaQia Group) as well as new third-party brands from foreign countries including but not limited to China. We plan to bring in other snack foods such as potato chips, tortilla chips and corn puff snacks to the Thailand market.

(ii) Dairy beverages

We plan to source and import dairy beverages from new third-party brands from foreign countries including but not limited to China. This includes Ultra High Temperature (UHT) dairy beverages such as yoghurt and milk products. UHT yoghurt and milk products are beverages that can be stored at ambient or room temperature and with a longer product shelf life. As these products does not require chilled distribution or storage, it can reach further locations and wider customer base. Additionally, it is also suitable for sales through our e-commerce channel.

We expect to introduce these new products between 2023 and 2024 which will be funded through internally generated funds.

We have identified 1 new third-party brand for konjac and gluten snacks from China. In May 2022, we were appointed as an agent for the Thailand market by the brand owner and manufacturer of the konjac and gluten snacks. However, we only obtained FDA approvals in June and August 2022 for a total of 7 products. As at the LPD, we are finalising the product labelling and making arrangements with the supplier on the production schedule. We aim to launch these products to the traditional market via our wholesaler (i.e., Valueplus) by the first quarter of 2023. We estimate our first shipment of the goods to cost RM0.28 million which will be funded through internally generated funds.

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7. BUSINESS OVERVIEW (CONT'D)

7.24.3 Enhancement of e-commerce platform

Part of our plan is to enhance the features of our existing e-commerce platform operated by our subsidiary, Keymall Retail, to further complement our existing business model and to increase our online presence.

We have an existing e-commerce platform website which is currently not in use. As at the LPD, we have received the direct marketing business registration certificate and is in the midst of preparation to re-launch KEEMAO and enhance the e-commerce platform, as detailed below.

Currently, our direct/ online sales to customers are via external/ third-party e-commerce platform (such as Shopee and Facebook, Thailand).

Our existing e-commerce platform has basic features to showcase our product offerings on the website which does not have a payment gateway system, and is only available in Thai language.

We plan to engage a website developer, by 1st quarter of 2023, to re-design the e-commerce platform to provide users with ease of usage and carrying out transactions, as well as facilitate storage of users' past purchase patterns and search trends to better match specific products to users' preferences and purchase profiles.

The enhancement of the e-commerce platform will be accomplished in stages. The enhanced platform will include amongst others, a payment gateway system, content in Thai and English language, firewall protection, robust screening system to filter any fraudulent transactions and only good orders being completed, updated design and layout to feature our products as well as weblinks to other social media platforms.

We plan to upgrade the platform to be functional by 1st half of 2023 and to commence operations from the enhanced e-commerce platform. The estimated cost to be incurred for the enhancement of e-commerce platform is approximately RM0.35 million which will be funded through internally generated funds.

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8. THE IMR REPORT



8 December 2022

The Board of Directors
Wellspire Holdings Berhad
Lot D/E, Level 12, Tower 1, Etiqa Twins
11, Jalan Pinang
50450 Kuala Lumpur
Wilayah Persekutuan (KL)
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Vital Factor Consulting Sdn Bhd
Company No.: 199301012059 (266797-T)
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Website: www.vitalfactor.com

Dear Sirs/Madams

Independent Assessment of the Distribution of Consumer Packaged Foods in Thailand

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion in the prospectus of Wellspire Holdings Berhad concerning its listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders (formerly known as Australian Institute of Management). He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

8. THE IMR REPORT (CONT'D)

Date of Report: 8 December 2022

INDEPENDENT ASSESSMENT OF THE DISTRIBUTION OF CONSUMER PACKAGED FOODS IN THAILAND**1. INTRODUCTION**

- Wellspire Holdings Berhad and its subsidiaries (herein referred to as Wellspire Group) focuses on the distribution of snack foods, mainly sunflower seeds which uses common distribution channels such as wholesalers and retailers including hypermarkets, supermarkets and convenience stores that also sell a large variety of other consumer packaged goods. As such, this report will provide an assessment of the distribution of general consumer packaged goods and where relevant the snack food segment. All figures and information in this report refer to Thailand unless stated otherwise. The exchange rates are set out below are for reference only.

	2016	2017	2018	2019	2020	2021	Nov 2022
RM/100THB*	11.7505	12.6705	12.4876	13.3468	13.4323	12.9677	12.6709

* based on average for the period (Source: Bank Negara Malaysia)

2. OVERVIEW OF THAILAND

- Thailand is the second-largest economy in Southeast Asia, where its economy is largely driven by foreign tourism and industrial activities. Thailand is divided into four regions as depicted in the diagram, or 76 provinces and 1 special administrative area, Bangkok, the capital of Thailand.

2021	Thailand
Nominal GDP (THB billion)	16,179
Population (million)	66.2
No. of Households ('000)	22,624
People per Households	2.9
Monthly household income (THB thousand per household)	27.4

(Source: National Economic and Social Development Council (NESDC); National Statistical Office (NSO); Vital Factor analysis)



- The following is the population size by regions and their top provinces, in descending order.

2021	Population (million)	% to Kingdom	2021	Population (million)	% to Kingdom
Central region (25P + 1SA)	22.8	34.5%	Northern region (17P)	12.0	18.1%
Bangkok [^] *	5.5	8.4%	Chiang Mai	1.8	2.7%
Chon Buri*	1.6	2.4%	Chiang Rai	1.3	2.0%
Samut Prakan*	1.4	2.0%	Nakhon Sawan*	1.0	1.6%
Nonthaburi*	1.3	1.9%	Southern region (14P)	9.5	14.3%
Pathum Thani*	1.2	1.8%	Nakhon Si Thammarat	1.5	2.3%
Northeast region (20P)	21.8	33.0%	Songkhla*	1.4	2.2%
Nakhon Ratchasima*	2.6	4.0%	Surat Thani*	1.1	1.6%
Ubon Ratchathani*	1.9	2.8%			
Khon Kaen*	1.8	2.7%			
Buri Ram*	1.6	2.4%			
Udon Thani*	1.6	2.4%			

(Source: NSO) P = Provinces; SA = Special administrative area; [^] special administrative area; * Wellspire Group delivers its products to these provinces, among others.

8. THE IMR REPORT (CONT'D)



3. DISTRIBUTIVE TRADE INDUSTRY FOR CONSUMER PACKAGED GOODS

3.1 Value chain of distribution trade

- Distributive trade is the intermediary stage comprising all linkages and activities that channel consumer packaged goods for resale or to end consumers or users.



- Goods passing through the distributive trade are sold without transformation. Operators within the distributive trade may physically breakbulk, sort, grade, mix, pack or repack, but do not refine, process, manufacture or otherwise transform the goods. Additionally, distributive trade operators may sell directly to end consumers or users and/or other intermediaries who subsequently resell to end consumers or users. In some situations, manufacturers, producers and processors may also sell their goods directly to end consumers or end users.
- The distributive trade is segmented into wholesale and retail trade. Wholesale trade refers to the resale of goods to resellers, such as retailers or other wholesalers. Retail trade refers to the resale of goods mainly to the end-consumer or users. In some situations, wholesale trade also involves the sales of goods to industrial, commercial, institutional and professional users.
- Wellspire Group operates within the distributive trade industry as a wholesaler and largely sells to retailers.

3.2 Operators of wholesale and retail trade

- Within the wholesale trade industry, there are three general categories of operators:

- Merchant wholesalers** refer to operators that buy their goods from manufacturers, processors, producers or other wholesalers, and take title to the goods before the goods are resold. This category has by far the largest number of operators and includes, among others, distributors, exporters, importers and cooperative purchasers.
- Sales offices and branches** mainly refer to sales outlets owned by manufacturers, processors or producers to sell their goods, not amounting to retailing.
- Agents and brokers** refer to intermediaries that source buyers or sell on behalf of the supplier of the goods. They do not take title to the goods and mainly work on a commission or fee basis.



- Wholesalers would mainly sell their goods to retailers including the following:
 - Modern retailers** mainly include the following:
 - Large-scale retailers such as hypermarkets, discount stores, supercentres and cash and carry stores;
 - Supermarkets; and
 - Small-scale retailers such as convenience stores and mini markets.

8. THE IMR REPORT (CONT'D)



- **Traditional retailers** mainly include grocery stores, kiosks, street vendors and stalls in wet, floating and night markets; and
- **E-commerce** where products are sold through online platforms and websites.
- Wellspire Group operates mainly as a wholesaler that largely sells to modern retailers including hypermarkets, cash and carry stores, supermarkets and convenience stores. A small proportion of its sales is made to traditional retailers.

4. CONSUMER PACKAGED FOODS

4.1 Consumer packaged goods

- Consumer packaged goods refer to mass-produced consumer goods that are non-durable, relatively low cost and are consumed or used frequently by consumers or households. They include, among others, food and beverages, and household and personal care goods. This excludes fresh food, produce and products without packaging, as well as bulk goods and commodities sold in loose forms. As most of these items are consumed or used relatively quickly, they are also referred to as fast-moving consumer goods.
- Branding is used universally in consumer packaged goods that aim to create brand recognition, association, image and loyalty to attract new consumers and encourage recurrent purchases. Wellspire Group is a distributor of consumer packaged foods, particularly snack foods.

4.2 Distribution of consumer packaged foods

- The key participants in the distribution of consumer packaged goods include the following:
 - **Principals** are mostly brand owners and are responsible for the exclusive supply of products under their brand names. Principals may either manufacture their products, appoint contract manufacturers to manufacture their products or buy finished products which are packed under their brand names.
 - **Intermediaries** are operators that provide linkages between principals and end-consumers or users. Intermediaries in the consumer packaged goods supply chain include wholesalers and retailers.
- A key success to consumer packaged goods is to reach as wide a market coverage of consumers as possible. As such, consumer packaged goods are commonly sold through retailers such as hypermarkets, supermarkets, mini markets, convenience stores, pharmacies, kiosks, grocery stalls, as well as direct selling and online sales.

4.3 Packaged snack foods

- Packaged snack foods are small portions of foods commonly consumed between meals. They refer to a wide range of food products, including savoury snacks, confectionery snacks, bakery snacks, chilled snacks, frozen snacks and preserved fruits.
- Some examples of commonly packaged snack food segments are categorised as follows:
 - Asian snacks include, among others, sunflower seeds, extruded snacks such as prawn, fish and rice crackers, and preserved processed marine products;
 - Western snacks include, among others, extruded snacks such as corn and cheese puffs, and potato and corn chips; and
 - Other snacks such as nuts and preserved fruits.

8. THE IMR REPORT (CONT'D)

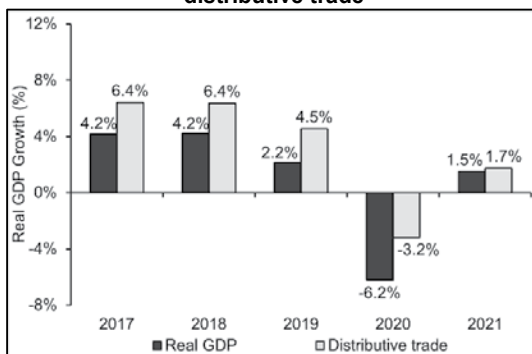


5. PERFORMANCE OF DISTRIBUTIVE TRADE

5.1 Thailand's economic activities

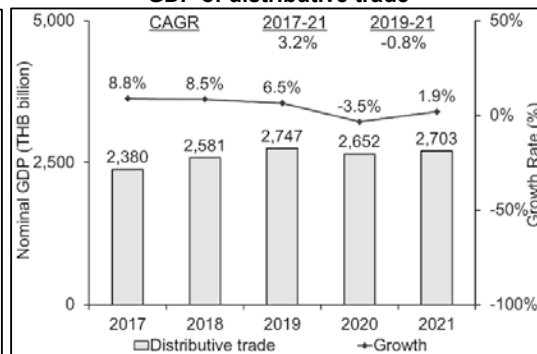
- The performance of the distributive trade is influenced by economic and social conditions. Gross Domestic Product (GDP) is a measurement of the gross value added in the output of goods and services indicating its overall size in monetary terms. GDP quoted in current prices without adjustments for inflation or deflation is termed nominal GDP. GDP growth is commonly measured by comparing a particular period with the preceding or corresponding period. Real GDP removes the effect of inflation or deflation, which provides “real” changes in output due to changes in the quantity of goods and services produced, rather than changes in their prices. In the context of this report, all GDP figures are nominal GDP, unless specified otherwise.
- In 2021, the real GDP of Thailand's economy recovered and grew by 1.5%, mainly due to the recovery in exports of goods and increased domestic spending. For the first 9 months of 2022, Thailand's real GDP grew by 3.1%, resulting from an acceleration in the agricultural sector and the rise in the service sector after the introduction of the government's economic stimulus measures and the relaxation of travel restrictions under the Thailand Pass System. Overall, in 2022, Thailand's economy is projected to expand by 3.2%, and is expected to expand within the range of 3.0% to 4.0% in 2023, mainly supported by recovery of tourism sector, expansion of both private and public investments, improved domestic demand, and the favourable growth of the agricultural sector. (Source: NESDC).
- Meanwhile, the real GDP of the distributive trade recovered and grew by 1.7% in 2021, which was in tandem with the recovery of household economic activities and the manufacturing sectors. For the first 9 months of 2022, the real GDP of the distributive trade grew by 3.1%, in line with the increase in the number of foreign tourists and increment in household consumption expenditure.

Real GDP growth of Thailand's economy and distributive trade



(Source: NESDC)

GDP of distributive trade

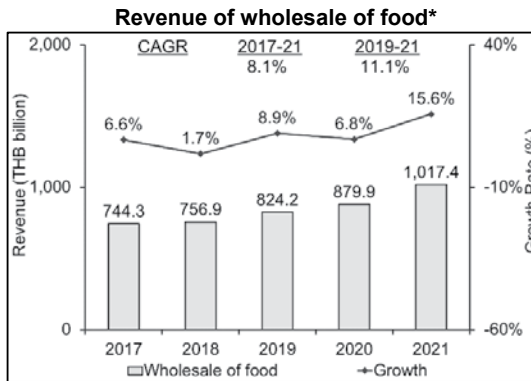


- In 2021, the GDP of the distributive trade, represented by the sum of wholesale and retail trade, which also includes repair of vehicles, and personal and household goods amounted to THB2.7 trillion, representing 28.1% of the GDP of the services sector, and 16.7% of Thailand's total GDP. For the first 9 months of 2022, the GDP of the distributive trade grew by 3.0% amounting to THB2.0 trillion.

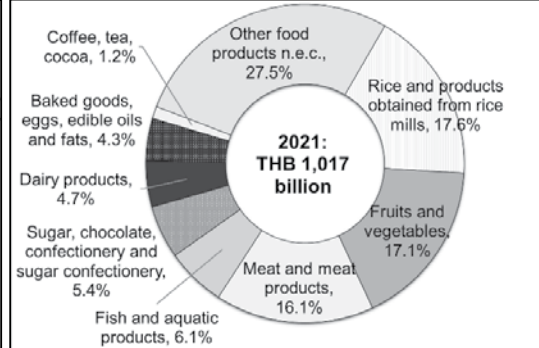
5.2 Performance of wholesale of food

- Based on Thailand Standard Industrial Classification (TSIC) code, wholesale trade includes wholesale of, among others, food, beverages and tobacco, household goods as well as machinery, equipment and tools. In 2021, the revenue of wholesale of food grew by 15.6%, amounting to THB1.0 trillion.

8. THE IMR REPORT (CONT'D)



Revenue breakdown on wholesale of food, 2021



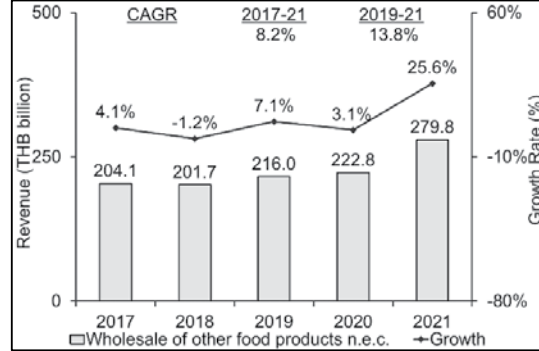
n.e.c. = not elsewhere classified, which includes, among others, snacks/crunchy snacks, crispy nuts, and ready-to-eat food. **Note:** Revenue Based on the latest available total revenue of companies registered under specific TSIC codes, which may include revenue from other business activities, products or services. (Source: Ministry of Commerce (MOC))

- Wellspire Group distributes consumer packaged foods, which is included in the segment under “Other food products n.e.c.”. In 2021, the wholesale value of “Other food products n.e.c.” grew by 25.6% to THB279.8 billion, which accounted for 27.5% of the revenue of wholesale of food.

5.3 Private consumption

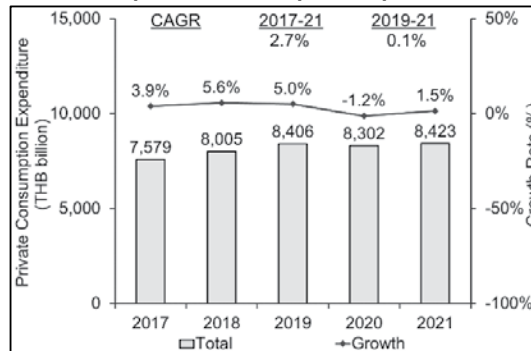
- Private consumption expenditure indicates consumer spending that drives demand for consumer packaged goods as well as consumer durables, among many others.

Revenue of wholesale of other food products n.e.c.

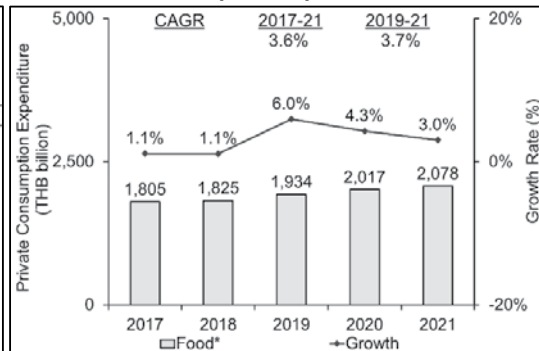


n.e.c. = not elsewhere classified. **Note:** Revenue may include revenue from other business activities, products or services. (Source: MOC)

Total private consumption expenditure



Private consumption expenditure on food*



* Classified based on Classification of Individual Consumption According to Purpose (COICOP), which includes all processed and unprocessed foods (Source: NESDC)

- In 2021, the total private consumption expenditure grew by 1.5% due to easing of the COVID-19 control measures and the introduction of government’s stimulus measures, while the private food consumption expenditure grew by 3.0%. For the first 9 months of 2022, the total private consumption expenditure and private food consumption expenditure grew by 12.1% and 8.4% respectively compared to the first 9 months of 2021.

5.4 Demand dependencies

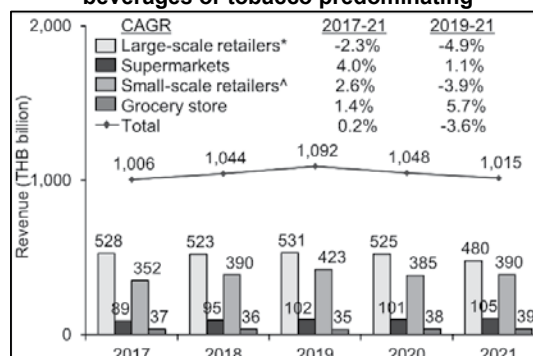
- The performance of consumer packaged goods depends on retailers, particularly the non-specialised stores. Non-specialised stores refer to stores that provide a wide range of product categories within the store.

8. THE IMR REPORT (CONT'D)



- Between 2017 and 2021, the revenue of retail activities in non-specialised stores for food, beverages and tobacco grew at a CAGR of 0.2%, where supermarket experienced the highest CAGR of 4.0%. In 2021, large-scale retailers, small-scale retailers, supermarkets and grocery stores accounted for 47.3%, 38.5%, 10.3% and 3.9% respectively of the retail sales revenue.
- In 2021, the retail sales revenue declined by 3.2%, due to disruptions in economic activities caused by the COVID-19 pandemic. Among the retailers, supermarkets, grocery stores and small-scale retailers grew by 3.9%, 4.1% and 1.3% respectively while the large-scale retailers declined by 8.5% in 2021. Some of the modern retailers are listed below.

Retail sale in non-specialised stores with food, beverages or tobacco predominating



* Include hypermarkets, discount stores and supercentres; ^Include convenience stores and mini markets. **Note:** Latest available statistics. (Source: MOC; Vital Factor analysis)

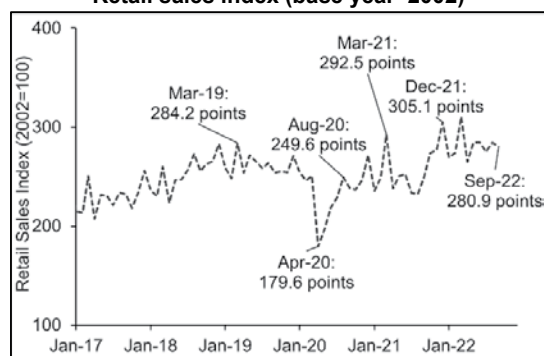
Number of selected retail outlets in Thailand

Retailers*	2017	2018	2019	2020	2021
Large-scale retailers					
Lotus's (hypermarket)	192	207	213	216	222
Big C (hypermarket)	140	147	151	152	154
Makro (cash & carry store)	123	129	134	137	142
Supermarket					
Lotus's Go Fresh (supermarket)	190	180	178	179	199
Small-scale retailers					
7-Eleven (convenience store)	10,268	10,988	11,712	12,432	13,134
Lotus's Go Fresh (mini market)	1,557	1,607	1,610	1,635	2,197
FamilyMart (convenience store)	1,136	1,186	968	901	805

* Wellspire Group's products are sold in these outlets. Data as at 31 December (Source: Company annual reports; Vital Factor analysis)

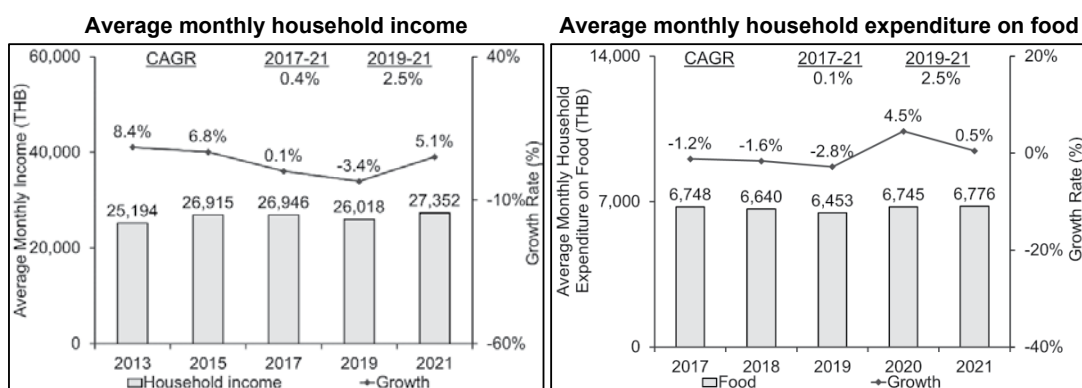
- The retail sales index measures the volume changes in the sales of retail goods over a stated period. Between 2017 and 2019, the retail sales index gradually increased. The index slumped in April 2020 due to the lower consumer purchasing power, decreased number of tourists, and the mandatory lockdown for non-essential retailers.
- The retail sales index improved in the second half of 2020 after the relaxation of the national lockdown and the introduction of economic stimulus measures throughout 2020 and 2021 by Thailand's government to boost household spending. In the first half of 2022, the retail sales index fluctuated and subsequently reached 280.9 points in September 2022.
- Between 2019 and 2021, the average monthly household income grew at a CAGR of 2.5%, despite a slump in Thailand's real GDP in 2020 and slow growth in 2021. Generally, on average, the Thailand population spend approximately 25% of their monthly household income on food.

Retail sales index (base year=2002)



(Source: BOT)

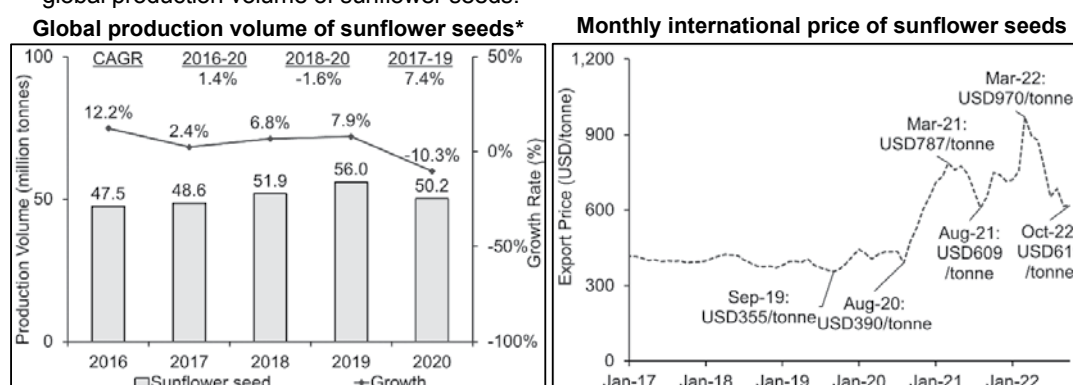
8. THE IMR REPORT (CONT'D)



(Source: NSO)

5.5 Global condition of sunflower seeds and sea freight rate

- Sunflower seeds are commonly processed for sunflower oil, to be eaten as snacks, and used as birdfeed. Between 2018 and 2020, the global production volume of sunflower seeds declined at an annual rate of 1.6%, amounting to 50.2 million tonnes in 2020. In 2020, Russia and Ukraine were the two leading sunflower seed producers that accounted for 26.5% and 26.1% respectively of the global production volume of sunflower seeds.



*Latest available statistics (Source: Vital Factor analysis)

- The monthly international price of sunflower seeds has been increasing since the beginning of the COVID-19 pandemic. The international price increased by 101.8% from USD390/tonne in August 2020 to USD787/tonne in March 2021, which was mainly driven by lower global production. Subsequently, the international price started to decline to reach USD609/tonne in August 2021. The international price kept rising and reached USD970/tonne in March 2022, mainly due to the Russia-Ukraine conflict. Furthermore, Russia has banned the export of sunflower seeds from 1 April to 31 August 2022 to ease rising domestic prices for agriculture produce. The price has subsequently dropped to USD619/tonne in October 2022 due to improved supplies.
- The global supply chain disruption prompt by the COVID-19 pandemic, combined with the US-China trade war have led to higher sea freight rates, which in turn led to higher input prices for global traders since the second half of 2020. The sea freight rate generally kept increasing from US\$2,032/forty-foot equivalent unit (FEU) on 2 July 2020 to US\$10,377/FEU on 23 September 2021, representing a growth of 410.7%. Following the gradual relaxing of containments in various countries, the rate declined by 76.8% to US\$2,404/FEU on 24 November 2022 despite uncertainties remained high due the Russia-Ukraine conflict, lockdowns in China and inflationary pressures.

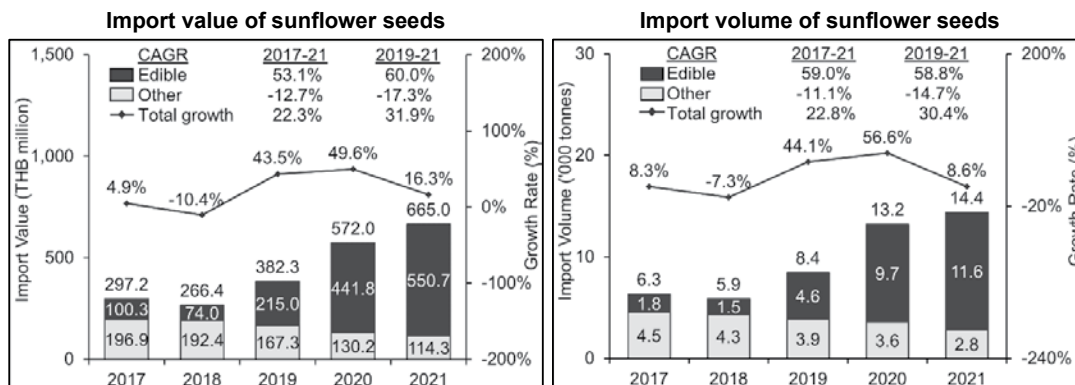
5.6 Import of edible sunflower seeds in Thailand

- The import of edible sunflower seeds in Thailand indicates the import of raw sunflower seeds. Between 2019 and 2021, the import value and volume of edible sunflower seeds grew at a CAGR

8. THE IMR REPORT (CONT'D)



of 60.0% and 58.8% respectively. In 2021, the edible sunflower seeds were mainly imported from China which accounted for 99.7% of the import value of edible sunflower seeds.

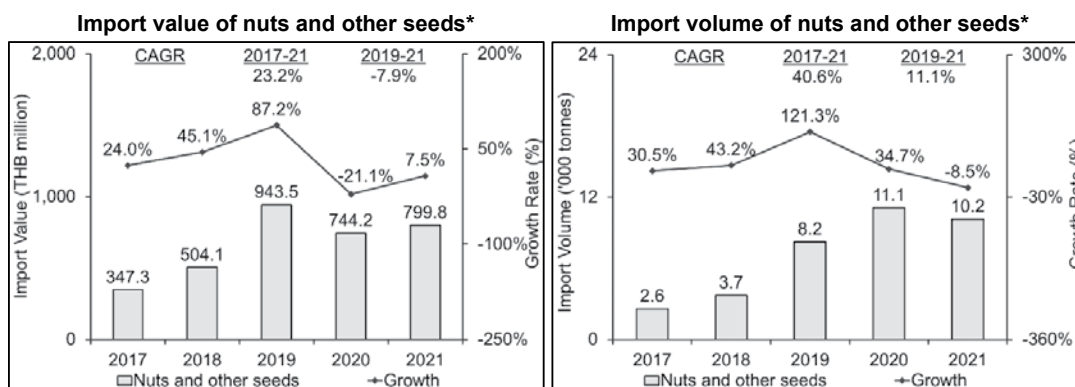


(Source: MOC)

- For the first 9 months of 2022, the import value of edible sunflower seeds grew by 13.7%, while the volume of edible sunflower seeds declined by 9.5% compared to the first 9 months of 2021. The decline in the import volume of edible sunflower seeds was mainly due to the rising price of sunflower seeds, as well as partly due to the containment measures imposed in China throughout the first 9 months of 2022 due to the rising COVID-19 cases domestically.

5.7 Import of nuts and other seeds in Thailand

- The import of nuts and other seeds in Thailand includes the import of, among others, roasted sunflower seeds. Between 2019 and 2021, the import value of nuts and other seeds declined at an annual rate of 7.9% while the import volume of nuts and other seeds grew at a CAGR of 11.1%.



*Excludes ground-nuts and cashew nuts (Source: MOC)

- Between 2019 and 2021, the import value of nuts and other seeds from China declined at an annual rate of 14.4%. In 2021, China remained the major importing country to Thailand, which represented 66.7% and 89.0% of the total import value and volume of nuts and other seeds respectively.
- For the first 9 months of 2022, the import value of nuts and other seeds grew by 4.2% while the volume of nuts and other seeds declined by 27.1% compared to the first 9 months of 2021. The decline in import volume of nuts and other seeds was mainly due to the lower Thailand demand for nuts and other seeds, and partly due to containment measures imposed in China throughout the first 9 months of 2022.

6. OPERATORS IN THE INDUSTRY

- In 2021, there were 8,442 wholesalers of foods of which 2,989 were wholesalers of other food products not elsewhere classified which include, among others, snack foods (Source: MOC). The

8. THE IMR REPORT (CONT'D)



following are some distributors of consumer packaged foods including sunflower seeds (shelled or unshelled) in Thailand, sorted in descending order of revenue:

Company Name	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP ^{(2) (3)} (RM mil)	GP Margin ⁽²⁾	NP ⁽²⁾ (RM mil)	NP Margin ⁽²⁾
Sino-Pacific Trading (Thailand) Co., Ltd. ⁽⁴⁾	2021	3,810.0	651.2	17.1%	175.5	4.6%
Kor Chaisaeng D.C. Co., Ltd. ⁽⁵⁾	2021	325.7	44.2	13.6%	2.6	0.8%
Heritage Marketing Co., Ltd. ⁽⁶⁾	2021	188.0	47.0	25.0%	1.0	0.5%
Wellspire Group	2021	136.7	38.2	27.9%	15.4	11.3%
Sun Foods Trading Co., Ltd. ⁽⁷⁾	2021	97.9	8.6	8.8%	0.3	0.4%
Modern Food Trading Co., Ltd. ⁽⁸⁾	2021	17.6	3.7	21.0%	*	0.1%
Chailai Intertrade Co., Ltd. ⁽⁹⁾	2021	6.6	1.1	16.6%	0.6	9.2%
Capmax Trading Co., Ltd. ⁽¹⁰⁾	2021	2.2	1.0	47.1%	*	2.1%

* less than RM0.1 million; FYE = financial year ended; Rev = revenue for sales and services; mil = million; GP = gross profit; NP = net profit after tax; Co., Ltd. = Company Limited. Note: The above companies' financial figures, except for Wellspire Group, were reported in Thai Baht and converted to RM based on THB100 = RM12.9677 for 2021

(1) Latest available financial information from the Ministry of Commerce and Wellspire Group. The month of the financial year for each company is not provided save for Wellspire Group.

(2) May include other business activities, products or services.

(3) Computed by taking revenue of sales and services less cost of goods sold.

(4) Involved in the import and distribution of confectionery, chocolates, snacks and biscuits, beverages, groceries, health care and personal care goods.

(5) Involved in the distribution of beverages, household and personal care goods, snacks, baby products as well as cooking products including seasoning, condiments, cooking oil and canned seafood.

(6) Involved in the distribution of food products such as nuts and seeds.

(7) Involved in the import and distribution of confectionery and snacks as well as dried food products such as mushrooms and prunes.

(8) Involved in the distribution of snacks.

(9) Involved in the import and distribution of snacks.

(10) Involved in the import and distribution of organic nuts and cereal products.

- The methodology used to compile information on the companies above was based on secondary market research, such as published documents and company websites. They were selected based on their involvement in at least the distribution of consumer packaged goods and also sunflower seeds in Thailand, and availability of the latest financial statements.
- The following are public listed companies in Thailand that distribute among others, consumer packaged snacks.

Company Name	FYE ⁽¹⁾	Group Rev ⁽²⁾ (RM mil)	Segment Rev ⁽²⁾ (RM mil)	GP ^{(2) (3)} (RM mil)	GP Margin ⁽²⁾	NP ⁽²⁾ (RM mil)	NP Margin ⁽²⁾
Saha Pathanapibul PCL ⁽⁴⁾	Dec-21	4,366.9	4,331.0	683.9	15.7%	232.7	5.3%
Premier Marketing Public PCL ⁽⁵⁾	Dec-21	565.9	396.3	174.9	30.9%	44.7	7.9%

FYE = financial year ended; Rev = revenue; Segment Rev = income from distribution of consumer packaged goods; mil = million; GP = gross profit; NP = net profit after tax; PCL = Public Company Limited. Note: The above companies' financial figures were reported in Thai Baht and converted to RM based on THB100 = RM12.9677 for 2021.

(1) Latest available audited financial information from annual reports.

(2) May include other business activities, products or services.

(3) Computed by taking revenue of sales and service income less cost of sales and services.

(4) Involved in distribution of consumer products and property development.

(5) Involved in marketing, sales promotion and distribution of snack food and confectionery, food and beverages, personal care and pet food.

7. MARKET SIZE AND SHARE

- The market size in Thailand and market share of Wellspire Group are estimated below:

2021 – Revenue	Market Size (RM billion) ^(a)	Wellspire Group's Rev (RM billion) ^(b)	Wellspire Group Market Share (%) ⁽³⁾
Wholesale of food	131.9 ⁽¹⁾	0.14	0.1
Wholesale of other food products n.e.c.	36.3 ⁽²⁾	0.14	0.4

Rev = Revenue; n.e.c. = not elsewhere classified; Sources: (a) MOC; (b) Wellspire Group; Note: The market size figures were reported in Thai Baht and converted to RM based on THB100 = RM12.9677 for 2021.

(1) Based on revenue for wholesale of food, which excludes beverages and tobacco.

8. THE IMR REPORT (CONT'D)



- (2) Based on revenue for wholesale of other food products n.e.c, which excludes meats, fish, dairy products, fresh produce, rice, baked goods, confectioneries, coffee, tea, cocoa and all related products. This is the smallest available segmentation that includes sunflower seeds.
- (3) $(\text{Wellspire Group's Revenue (b)} \div \text{Market Size (a)}) \times 100\%$.

8. BARRIERS TO ENTRY

- The barriers to entry for the distribution of consumer packaged foods industry are **low**. The low barriers to entry are due to low capital set-up costs where warehousing and logistics may be rented or outsourced, wide range of products available for distribution, and no onerous licences, regulations or restrictions governing the entry of new players into the industry. This is substantiated by the fact that in 2021, there were 8,442 wholesalers of foods (*Source: MOC*).

9. INDUSTRY CONSIDERATION FACTORS

- The consumer packaged goods sector is dependent on socio-economic factors as well as tourism which plays a key role in Thailand's economy. As such, the distributive trade industry is dependent upon, among others, the recovery of Thailand as well as the global economies from the COVID-19 pandemic. In 2021, the overall distributive trade industry is slightly recovered from the COVID-19 pandemic resulting in a growth in the economy and higher consumer spending. The real GDP of the distributive trade industry and total private consumption expenditure grew by 1.7% and 1.5% respectively in 2021. For the first 9 months of 2022, the real GDP of the distributive trade industry and total private consumption expenditure grew by 3.1% and 12.1% respectively.
- As food is a basic need, its demand remains resilient during the COVID-19 pandemic. In 2021, the private consumption expenditure on food grew by 3.0%. For the first 9 months of 2022, the private consumption expenditure on food grew by 8.4%.
- Overall, the distribution of consumer packaged food industry is still dependent on Thailand's economy as people are likely to spend more when they have higher spending power. Thailand's economy in 2022 is expected to recover while the resurgence of COVID-19 cases and the reimposition of containment measures will weigh on the economic growth. In 2021, the Thailand economy recovered and grew by 1.5% mainly due to the recovery in exports of goods and increased domestic spending. For the first 9 months of 2022, Thailand's real GDP grew by 3.1%, resulting from an acceleration in the agricultural sector and the rise in the service sector after the introduction of the government's economic stimulus measures and the relaxation of travel restrictions. Overall, in 2022, Thailand's economy is projected to expand by 3.2%, and is expected to expand within the range of 3.0% to 4.0% in 2023, mainly supported by recovery of domestic tourism, expansion of both private and public investments, improved domestic demand, and the favourable growth of agricultural sector. (*Source: NESDC*).
- Tourism plays an important role in Thailand's economy where between 2015 and 2019, tourism revenue contributed a range from 16.1% to 18.2% of Thailand's GDP. The containment measures imposed in Thailand have affected the tourism revenue significantly, where in 2020 and 2021, tourism revenue accounted for 5.1% and 1.5% of Thailand's GDP respectively. In 2020, Thailand's tourism revenues experienced a sharp decline of 70.9%, where income from foreign visitors declined by 81.2% amounting to THB310.1 billion, while income from domestic visitors declined by 55.4% amounting to THB482.5 billion. In 2021, Thailand's tourism revenues continued to decline further by 69.5% due to border closure since April 2021, where income from foreign visitors declined by 91.9% amounting to THB25.0 billion, while income from domestic visitors declined by 55.2% amounting to THB216.4 billion. For the first 9 months of 2022, Thailand's tourism revenue grew by 384.9%, where income from foreign visitors grew by 2193.4% amounting to THB238.3 billion, while income from domestic visitors grew by 243.3% amounting to THB455.5 billion. With the gradual reopening of borders as well as the relaxation of international travel restrictions since 1 November 2021, the number of visitors (domestic and foreign) in Thailand increased by 284.0% to 155.7 million persons for the first 9 months of 2022 compared to 40.6 million persons for the first 9 months of 2021. (*Source: Ministry of Tourism & Sports*).

9. RISK FACTORS

Notwithstanding the prospects of our Group as outlined in this Prospectus, you should carefully consider, in addition to the other information contained elsewhere in this Prospectus, the following risk factors that may have a significant impact on the future performance of our Group before investing in our Shares.

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

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS**9.1.1 We are dependent on our distributor agreement for ChaCha sunflower seeds and nuts**

We are dependent on our principal, QiaQia, for the distribution of ChaCha sunflower seeds and nuts in Thailand. Our revenue derived from the sales of ChaCha sunflower seeds and nuts accounted for RM56.51 million (96.11%), RM112.24 million (93.76%), RM125.57 million (91.86%) and RM55.80 million (92.21%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

As at the LPD, our subsidiary, Bai Li Enterprise, has an exclusive Distributor Agreement with QiaQia which is valid for 1 year, commencing from 1 January 2022 to 31 December 2022, and renewable yearly by QiaQia. A Distributor Supplementary Agreement has also been entered into with QiaQia in respect of the sales incentive plan on 13 May 2022. We have a long-standing relationship with QiaQia Group for the past 10 years (i.e., since year 2012) and have been an exclusive distributor of QiaQia since 1 January 2013. However, there is no assurance that we would be able to maintain our business relationships if we are unable to fulfil our obligations as an exclusive distributor.

During the term of the Distributor Agreement, we are not allowed to accept or sell other similar products in Thailand or sell the products supplied by QiaQia outside of Thailand. In addition, we are obliged to oversee the development and management of secondary distributors in Thailand, and are fully responsible for the shipment, sales guidance, and after-sale service for the products. If our secondary distributors sell the products supplied by QiaQia outside of Thailand, it will be deemed as our behaviour.

As an exclusive distributor, among others, we have to meet our annual sales target which is reviewed and agreed with our principal every year and implement an agreed promotion and product display plan. Due to the lockdown implemented by the Government as a result of the COVID-19 pandemic, we were unable to meet our sales target for the FYE 2021, with a shortfall of approximately 15%. Although we were unable to meet our sales target, our Distributor Agreement was subsequently renewed in 2022.

As such, if we are unable to meet our obligations under the Distributor Agreement and Distributor Supplementary Agreement, there is a risk that we would lose our distributorship of ChaCha sunflower seeds and nuts. Any termination or non-renewal of our Distributor Agreement will adversely affect our business and financial performance. For illustrative purposes, assuming the Distributor Agreement is terminated at the beginning of FYE 2021, our Group will lose approximately 92% of our revenue in FYE 2021, which will substantially affect our Group's business.

In addition, there is no assurance that our Distributor Agreement will be renewed even if we meet all our distributorship requirements. For the Financial Years and Period Under Review and up to the LPD, we have been able to renew our Distributor Agreement. Please refer to Section 7.20.1 of this Prospectus for the salient terms of the Distributor Agreement and Distributor Supplementary Agreement.

9. RISK FACTORS (CONT'D)

We also face the risk that QiaQia may appoint other companies to be its distributor after the expiration of our agreement. There are low barriers for QiaQia to seek one or more distributors to replace us. In addition, there are low barriers for QiaQia to operate its own distribution network, given that QiaQia's products are already available in various retail outlets in Thailand. This could also be used as a platform to expand QiaQia's business in Thailand.

9.1.2 We are dependent on a group of major customers and any disruption or loss of these customers may affect our financial performance

We are and continue to be dependent on a group of major customers, namely CP All, Siam Makro and Ek-Chai Distribution ("CP All Group") as well as Valueplus.

CP All have shareholdings in Siam Makro and Ek-Chai Distribution. Collectively, the CP All Group accounted for 82.98%, 75.26%, 66.31% and 63.76% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. CP All was our largest customer having accounted for 71.40%, 49.79%, 40.97% and 44.55% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

Valueplus accounted for 17.46% and 25.61% of our total revenue for FYE 2021 and FPE 2022, respectively. Our access to traditional market is through sales to our customer Valueplus that mainly serves the traditional market. If we were to lose Valueplus it would affect our access to the traditional market until such time we secure customers that serve the traditional market. As such, any material reduction or disruption in purchases or termination of business relationship from Valueplus will adversely affect our business and financial performance.

As we operate based on purchase orders which are issued by our customers at their discretion, there can be no assurance that purchase orders will continue to be issued. As such, any material reduction or disruption in purchases or termination of business relationship from CP All Group will adversely affect our business and financial performance.

The declining trend in revenue from CP All and CP All Group for the Financial Years and Period Under Review indicates our decreasing dependency on this group of customers. Although we have established a long working business relationship with CP All Group spanning six to nine years as at the LPD, any material reduction or disruption in sales, or termination of business relationships with CP All or CP All Group would adversely affect our business and financial performance.

For the Financial Years and Period Under Review and up to LPD, save for Mega Alliance, we have not experienced any loss of major customers.

9.1.3 Our Group is dependent on a single product, sunflower seeds, and QiaQia Group as the single supplier for the sunflower seeds

As stated in Section 7.5.2 of this Prospectus, our Group's revenue derived from the sales of ChaCha sunflower seeds accounted for RM56.11 million (95.42%), RM111.79 million (93.39%), RM125.39 million (91.72%) and RM55.71 million (92.07%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

Sunflower seeds is a snack product and a non-essential food item. As such, any reduction in the demand for snack foods particularly sunflower seeds may adversely affect our business and financial conditions. Some of the factors that may affect the demand of sunflower seeds as a snack food includes, reduction in discretionary income, increase in inflation rate which reduces consumer spending on non-essential food items, changes in consumer tastes and preferences, and increased popularity of other snack foods as substitutes.

9. RISK FACTORS (CONT'D)

Furthermore, as stated in Sections 7.19, 7.20 and 9.1.1 of this Prospectus, we are dependent on our principal, QiaQia, for the supply of and exclusive distributorship we have for the ChaCha brand sunflower seeds and nuts in Thailand. Please refer to Section 7.20.1 of this Prospectus for the salient terms of the Distributor Agreement and Distributor Supplementary Agreement.

Notwithstanding our long track record and relationship with QiaQia Group for approximately 10 years since 2012, there is no assurance that QiaQia Group will continue to appoint us as their exclusive distributor or supply the ChaCha brand sunflower seeds and nuts to our Group.

As at the LPD, our subsidiary, Bai Li Enterprise, has an exclusive Distributor Agreement with QiaQia which is valid for 1 year, commencing from 1 January 2022 to 31 December 2022, and renewable yearly by QiaQia.

In the event that our Distributor Agreement is not renewed, our revenue derived from the sales of ChaCha sunflower seeds which accounted for 95.42%, 93.39%, 91.72% and 92.07% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively will be adversely affected. As our dependency on our exclusive Distributor Agreement with QiaQia affects at least 90% of our total revenue for the Financial Years and Period Under Review, we may not be able to promptly replace a substantial portion of our revenue derived from our Distributor Agreement with QiaQia

Although we have plans to expand our range of products to include other types and brands of snack foods to reduce our reliance on ChaCha brand of sunflower seeds, however, in the event we are unable to reduce the reliance on ChaCha brand of sunflower seeds and unable to expand our product range, we will continue to be dependent on sunflower seeds as a single product for our Group.

In the event we are unable to continue the sale of the ChaCha brand sunflower seeds or unable to procure supply of the ChaCha brand sunflower seeds from QiaQia Group, it would have a material adverse effect on our Group's financial performance and profitability.

9.1.4 We face risks in increases in the costs for the supply of our consumer packaged foods

We face risks in increases in our cost for the supply of our consumer packaged foods which may adversely affect our financial performance. The increase in our cost may arise from price increases of consumer packaged foods from our suppliers as well as costs of transportation.

Cost increases will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to secure new orders from our customers which may affect our revenue and business growth. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

In FYE 2021 and FPE 2022, we experienced an increase in our purchase price of most of our consumer packaged foods from our suppliers including ChaCha sunflower seeds and mixed nuts, Cundo layer cake, Miyu chocolate cone, Pee Ree green peas and watermelon seeds. Consequently, we managed to pass some of the increase in cost to wholesaler customers. However, for our major retailer customers, we continued to maintain the selling prices of most of our consumer packaged foods, including ChaCha sunflower seeds.

9. RISK FACTORS (CONT'D)

This is mainly to minimise the risk of losing market share which will negatively affect our financial performance. As such, this affected our profitability in FYE 2021 and FPE 2022 where our GP margin decreased from 30.66% in FYE 2020 to 27.92% in FYE 2021 and 22.59% in FPE 2022. Correspondingly, this affected our PBT margin where it decreased from 18.36% in FYE 2020 to 13.97% in FYE 2021 and 6.42% in FPE 2022. Please refer to Section 12.3.4 and Section 12.3.8 of this Prospectus for further details on our GP and PBT margins.

For the Financial Years and Period Under Review, our revenue contributed by major retailer customers (i.e., CP All, Siam Makro, Big C and Ek-Chai Distribution) accounted for 86.73% (RM51.00 million), 80.04% (RM95.80 million), 76.29% (RM104.30 million) and 69.48% (RM42.04 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

In the event we are unable to pass on any of the future cost increases to our customers or if we are unable to do so in a timely manner where we have to absorb the increase in the cost of our consumer packaged foods, this would adversely affect our profitability and financial performance.

9.1.5 We are subject to the risk of product liability

As a distributor of consumer packaged snack foods for third-party brands and own brands, we are potentially exposed to the risk of product liability which may impact our revenue and profitability. Product liability generally stems from, among others, manufacturing defects, design defects or defective warnings or instructions, product contamination, inadvertent use of unsafe ingredients, sabotage and product mislabelling. Members of the public claiming damages from these defects may take legal action against us, which may have an adverse financial impact on our business, as well as create bad publicity that may damage the brands and our reputation.

While manufacturers are likely to be the most directly exposed to the risk of product liability (as the party manufacturing the products), distributors like us that are involved in marketing and distribution may also face legal actions. This is because the end-consumer may take legal action against every company along the value chain from the manufacturer to us as the distributor as well as the retailer. Alternatively, the retailer may take legal action against us as the distributor. The success of legal action taken against distributors depends on facts of each case. According to Thai product liability law, an injured benefits from legal assumption and only needs to prove that he suffers from unsafe products with normal use and storage. However, a distributor defendant will not be liable if he can prove that the product is not unsafe product, or the injured has always known that the product is unsafe, or the damage caused by improper use or storage of the injured.

Additionally, as the exclusive distributor of ChaCha brand products and pursuant to the Distributor Agreement, the Distributor Agreement provides for duties of each party on product quality whereby Bai Li Enterprise has to handle the unqualified products and the cost will be borne by QiaQia. Although we are currently covered by product liability insurance of up USD3.0 million for the distribution of our brands of products and the distribution of third-party brands of products, there can be no assurance that the amount insured by us is sufficient to cover the entire amount of claims on third-party brands or our own brands of consumer packaged snack food. As such, there can be no assurance that any successful product liability claim would not have a material adverse impact on our business performance.

For the Financial Years and Period Under Review and up to LPD, we have not experienced any product liability claims for the consumer packaged snack food that we distribute.

9. RISK FACTORS (CONT'D)**9.1.6 We face the risks of product misstatement or mislabelling for third-party brands and our brands of product**

Our business is subject to the risk of product misstatement and mislabelling associated with third-party brands and our brands of consumer packaged snack food. Revenue from third-party brands, mainly ChaCha and Cundo brand, amounted to RM56.57 million (96.21%), RM 115.39 million (96.39%), RM128.47 million (93.97%) and RM57.16 million (94.46%) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. The remaining revenue of RM2.23 million (3.79%), RM4.32 million (3.61%), RM8.24 million (6.03%) and RM3.35 million (5.54%) were from our brands including mainly Miyu, Pee Ree, and King Kong.

The Thai Food Act, B.E. 2522 (1979) (as amended) provides, among others, that any person who sells food with labels that are false or deceptive as regards to its character, quality, quantity, origin, or in contravention of any regulation which includes the regulations made under the Food Act commits an offence and may be criminally liable in relation to penalties for product misstatement or mislabelling.

Any product misstatement or mislabelling may incur penalties, damage to the affected brand as well as reputation of our principal and/or our company name. Product misstatement or mislabelling may result in the consumption of ingredients that consumers are allergic to, or which are against their religious or other beliefs or preferences. Damage to our principal or our brands and company reputation may negatively affect purchases of our products from our customers and/or end-consumers which would have an adverse impact on our business operation and financial performance.

In addition, we risk incurring costs in recalling our products, compensate our customers as well as affected end-consumers or be subjected to legal action resulting from product liability claims. Should any of the above occur, it may have an adverse effect on our financial performance and prospects of our Group.

For our brands of consumer packaged snack food, we source the finished products from external suppliers, which are packed under our brand. This consists of green peas, watermelon seeds, mixed nuts and dried fruit bar, chocolate snacks and biscuits. For the FYE 2021 and FPE 2022, we sourced these products from three suppliers in China and Singapore. These suppliers sourced the products from manufacturers in China. As at the LPD, the manufacturers in China of our brands of products are accredited with Hazard Analysis Critical Control Points (HACCP) certification, an international standard for effective control of food safety.

Since the commencement of our business and up to the LPD, we have not faced any penalties from authorities, incurred compensations or product liability pay outs or carry out product recall due to product misstatement or mislabelling. Nevertheless, there can be no assurance that there will be no occurrence of misstatement and mislabelling for third-party brands or our brands in the future, which may not have a material adverse impact on our business and financial performance.

9.1.7 We are subjected to the risk of negative perception and publicity on our reputation and brands that we distribute

The reputation of operators in the distributive trade industry is sensitive to public perception. For example, F&B products that are consumed directly by the general public, possibly resulting from improper processing, storage or handling during the processing, manufacturing or distribution phases that may cause F&B products to become contaminated, resulting in food poisoning or other illnesses. As such, any adverse public opinions on any products, brand or effects of any ingredients could have an impact on the affected operator, from manufacturers, distributors up to retailers.

9. RISK FACTORS (CONT'D)

In addition, consumer packaged snack food operators may become the target of malicious sabotage or rumours intended to damage their reputation. In this respect, operators may experience harmful substances being maliciously introduced into an operator's products or subjected to market rumours based on unfounded claims of harm resulting from consuming an operator's products. These incidences of contamination, sabotage or rumours may have an adverse impact on the brand name, reputation and public perception of the operator, which in turn, may have a negative effect on the demand for their products. This may culminate in the recall of products from the market, and in addition, the operator may be subjected to administrative action by the relevant authorities. As a result, these types of incidences may have an adverse effect on the financial performance and prospects of an operator in the distributive trade industry.

As a distributor of consumer packaged snack food for third-party brands and our brands, we may be exposed to potential reputation risk associated with third-party brands and/or our brands of consumer packaged snack food.

We have not experienced any recall of third-party brands or our brands of consumer packaged snack food or subject to any administrative action by relevant authorities of F&B contamination, sabotage or rumours for the Financial Years and Period Under Review up to LPD. Nonetheless, there can be no assurance that the risk in reputation resulting from negative perception and publicity would not have a material adverse impact on our business and financial performance.

9.1.8 We are subject to the risk of disruptions to warehousing facilities and business operations

Part of our business activities is dependent on the continued operation of our warehousing facilities. Any material or sustained disruption to our warehousing facilities such as fire, flood, pest infestation and power failure will have an adverse impact on our business operations. For the Financial Years and Period Under Review and up to LPD, we have not encountered any major disruptions to our warehousing facilities. However, there can be no assurance that any major incident in our warehousing facilities in the future would not severely disrupt our business operations. We are also aware of the consequences arising from inadequate insurance coverage for any accident, fire outbreak or flood that could disrupt our business and seek to limit this risk through annual reviews of our insurance policies. Hence, we ensure the continuity of our insurance by renewing all the insurances annually.

Whilst we have taken the necessary steps to ensure that our warehousing facilities and assets are adequately covered by insurance and although we have not previously experienced any disruptions to our warehousing facilities and business operations, there can be no assurance that any occurrence of such disruptions will not affect our future business performance.

9.1.9 We are dependent on external manufacturers and distributors for our brands of consumer packaged snack foods

We are dependent on external manufacturers and distributors for the manufacture and supply of our brands of consumer packaged snack food namely Pee Ree green peas and watermelon seeds, King Kong mixed nuts and dried fruit bar, and Miyu baked and confectionery products. For FYE 2021 and FPE 2022, we sourced our brands of products from three suppliers comprising manufacturers and distributors. Revenue derived from the sales of our brands of products accounted for RM2.23 million (3.79%), RM4.32 million (3.61%), RM8.24 million (6.03%) and RM3.35 million (5.54%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. In this respect, any disruptions in the business dealings and supply from these external manufacturers and distributors may negatively affect our business and financial performance.

9. RISK FACTORS (CONT'D)

Our strategy of engaging external manufacturers and distributors to produce and supply some of our brands of consumer packaged snack food is to provide diversity and range of products to the market. In line with our operations as a distributor of consumer packaged foods, we will continually review and make efforts to increase our range of products by introducing new brands and product categories.

For the Financial Years and Period Under Review and up to the LPD, we did not face any material interruptions in the supply of our brands of products from external manufacturers and distributors. Nevertheless, there can be no assurance that we may not face disruption or problems associated with our external manufacturers and distributors that would not have a material adverse impact on our financial performance in the future.

9.1.10 Our business may be affected by outbreaks of epidemics or pandemics that may result in constraint measures reducing economic and community activities that may adversely affect our business operation and financial performance

Our business is focused on the consumer market where purchases of our snack food products, are mainly through retail outlets. In the event of an epidemic or pandemic such as the COVID-19, retail outlets selling our products may be required to close, certain areas subjected to lockdown, entertainment outlets are closed, and social gatherings discouraged we may experience a drop in the sales and consumption of our products. This may adversely affect our financial performance.

As part of the efforts to control the spread of COVID-19 in Thailand, the Government had implemented curfews, lockdowns, and economic and movement restrictions that impacted the economy. Among others this is evident by the fall in real GDP, distributive trade and private consumption expenditure that registered -6.2%, -3.2% and -1.2% respectively in 2020. (Source: IMR Report)

Furthermore, international flights were suspended from 4 April 2020 and only emergency or authorised flights were permitted. This has impacted the tourism industry which normally contributes significantly to the overall GDP of Thailand. Tourism plays an important role in Thailand's economy where between 2015 and 2019, tourism revenue contributed a range from 16.1% to 18.2% of Thailand's GDP. The containment measures imposed in Thailand has affected the tourism revenue significantly, where in 2020 and 2021, tourism revenue accounted for 5.1% and 1.5% of Thailand's GDP respectively. In 2020, tourism revenue declined by 70.9% and continued to decline further by 69.5% in 2021. (Source: IMR Report)

In the event of any prolonged outbreak of an epidemic or pandemic, our business operation may be affected by, among others, disruption in the supply chain, increase in sea freight, drop in demand for our products and disruption in our operation due to constraints placed by the government or if our employees are infected, which may adversely affect our business operation and financial performance.

9.1.11 We may not be able to effectively execute some of our business strategies and plans

Our business strategies and plans include purchase of a warehouse and operating facility, expansion of product range and upgrading of e-commerce platform. Please refer to Section 7.24 of this Prospectus for further information on our business strategies and plans.

The implementation of these business strategies and plans involves capital expenditure as well as other operating expenses such as depreciation charges, machinery and equipment maintenance costs and staff costs.

9. RISK FACTORS (CONT'D)

There is a risk that we may not be able to successfully implement our business strategies and plans promptly nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate and mitigate all the business and operational risks associated with our strategies.

Our financial performance will be adversely affected if we are not able to secure sufficient purchase orders from existing and/or new customers following the implementation of the above business strategies and plans due to the additional costs incurred or unforeseen economic and social conditions and events. Furthermore, any postponements or delays due to the impact of the COVID-19 pandemic or failure in executing our business strategy and plans effectively and promptly may adversely affect our expected financial performance.

As such, there is no assurance that the execution of our business strategies and plans will be successful, nor will we be able to anticipate and mitigate all the risks and uncertainties that may arise during the implementation of these business strategies and plans, which may materially affect our business operations and financial performance.

9.1.12 We are dependent on our Executive Directors and key management personnel

We believe that human capital is one of our key success factors. Over the years, we have built an experienced management and operations team in the business of distribution of consumer packaged snack food, as well as an understanding of our customers' needs and requirements. As such, any loss of our key management personnel, without a suitable and timely replacement, may have a material adverse impact on our business and our continuing ability to compete effectively. The profiles of our Board and key management personnel are set out in Sections 5.1, 5.2 and 5.4 of this Prospectus.

As part of our strategy to retain our employees, we offer competitive remuneration packages to our key management personnel. In addition, we provide a healthy working environment, practise good workplace culture and uphold work ethics to create a sense of belonging and foster good working relationships amongst our employees. We also provide training and career development opportunities for our employees.

Further, in conjunction with our Listing, we have allocated a portion of our IPO Shares to our Eligible Parties, including our key management personnel. Should these employees subscribe to our IPO Shares, they will become shareholders of our Company and may therefore be further motivated to continuously contribute to our success.

In the Financial Years and Period Under Review and up to the LPD, we have not experienced any loss of our key management personnel that has materially impacted our business. Nonetheless, there can be no assurance that the above measures will be successful in attracting and retaining key management personnel or ensuring a smooth transition should changes occur.

9.1.13 We are subject to the risk of potential penalty and/or disruption to our business for the delay in obtaining the necessary licences

We are dependent on our continued operations and any disruptions caused by delays in obtaining or renewing the necessary licences, permits or registrations may affect the continued operations of our business. Among others, these include our business licences issued by the local authority. For details of our major licences, permits and registration, please see Section 7.11 of this Prospectus.

9. RISK FACTORS (CONT'D)

As at the LPD, we have obtained all material licences, permits and registrations for our business operations and have complied with all conditions imposed therein. The laws, regulations and policies of government bodies and agencies are subject to change, and changes in, or new interpretations of, applicable laws, regulations, standards or policies, or non-compliance with any applicable laws, regulations, standards and policies, which could have a material adverse effect on our registrations, licences, accreditations, operations or business costs.

Furthermore, findings of non-compliance with these laws, regulations standards and policies could also result in us being subject to fines, penalties, injunctions, limitations on our operations, termination of our registrations and approvals, revocation of the food-related licences or other censures that could have a material adverse effect on our business, financial condition, results of operations and prospects, apart from product recalls for non-complying products or products being the subject of investigation or claims of non-compliance by the authorities. It may be costly for us to comply with any subsequent modifications of, additions or new restrictions to, these compliance standards. Should there be any subsequent modifications of, or additions or new restrictions to the current compliance standards, we may incur additional costs to comply with the new or modified standards, including possible product recalls which may adversely affect our business and financial performance.

In the Financial Years and Period Under Review and up to the LPD, we have not experienced any fines, penalties, injunctions, limitations on our operations, termination of our registrations and approvals, revocation of the food standard certification or other censures that has materially and adversely affected our business, financial condition and results of operations.

Our premises are also governed by the relevant laws and regulations in Thailand (including land rules and building regulations). As at LPD, we have complied with all the relevant laws and regulations in Thailand (including land rules and building regulations) as well as the conditions set forth in our licences imposed by the relevant authorities.

Whilst we continuously ensure compliance with relevant government regulations, there can be no assurance that any penalties if imposed, will not have a material adverse impact on our financial performance in the future.

9.1.14 Our operations are subjected to tax risks

For the Financial Years and Period Under Review and up to the LPD, our operations are pre-dominantly based in Thailand (i.e., our PAT has been entirely derived from Thailand). Our holding company, Wellspire is incorporated in Malaysia while our subsidiaries are incorporated in Thailand and Singapore, therefore, our business operations are subject to the governing tax laws and regulations of the countries and market (i.e., Thailand) in which they are organised as well as in which they operate.

Over recent years, tax laws, treaties and practices applicable in various countries have become increasingly complex and are subject to continuous change, particularly with respect to cross-border tax transactions in jurisdictions we are less familiar with. In assessing and managing our tax arrangements, we have exercised management judgement and relied on professional advice and market practices. Such judgement, professional advice and market practices may be incorrect or inaccurate. In addition, tax authorities are increasingly scrutinising the allocation of income between associated enterprises belonging to multinational groups (and thus between the different jurisdictions in which such groups operate).

9. RISK FACTORS (CONT'D)

The combination of the above factors means that we have an increased likelihood of experiencing tax audits, possibly leading to challenges and consequential litigation, especially in respect to tax residence, permanent establishment and transfer pricing. In any case, depending on the specific circumstances and contractual arrangements with individual counterparties, tax investigations or audits could result in significant tax liabilities and fines and significant penalties, far in excess of our tax liabilities as stated in our financial statements. In addition, any changes in tax laws, tax regulations or interpretations of such laws or regulations may also have a material adverse effect on our business, financial condition and results of operations.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We operate in a competitive environment

We face competition from other operators that are involved in the distribution of consumer packaged snack food in terms of branding, pricing, quality and range of snack food products including alternative snack foods to our products. According to the IMR Report, in 2021, there were 8,422 wholesalers of foods of which 2,989 were wholesalers of other food products not elsewhere classified which include, among others, snack foods.

The competition we face from existing industry players and potential new market entrants may impact our revenue and profitability as we are required to be more price-competitive in order to secure purchase orders. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effect on our business operations and financial performance.

Although we have our strengths and advantages as a distributor of consumer packaged snack foods, there is no assurance that we will be able to compete effectively against our peers. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

9.2.2 We face the risk of inflation which may reduce demand for our products

We face the risk of inflation which has the impact of increasing our operating costs including product costs, operating expenses as well as labour costs. If we are unable to pass the increase in costs without negatively affecting demand for our products, it may affect our business operations and financial performance.

We operate in a consumer market that is price sensitive caused by among others, inflation rates. An increase in the inflation rate, if not matched with increases in salaries and wages may result in consumers having less discretionary income. As our snack foods are non-essential goods, a reduced discretionary income may cause consumers to buy less of our products.

9.2.3 A sustained high sea freight rate may increase the overall cost of our products

The sea freight rate generally kept increasing from US\$2,032/forty-foot equivalent unit (FEU) on 2 July 2020 to US\$10,377/FEU on 23 September 2021, representing a growth of 410.7%. Following the gradual relaxing of containments in various countries, the rate declined by 76.8% to US\$2,404/FEU on 24 November 2022 despite uncertainties remained high due to the Russia-Ukraine conflict, lockdowns in China and inflationary pressures. (Source: IMR Report)

9. RISK FACTORS (CONT'D)

As some of our products are imported, especially from China, a sustained high sea freight rate will increase the cost of our imported products. The high sea freight cost may cause us to be less competitive compared to similar or alternative snack foods sourced domestically, thus would adversely affect the demand for our products.

While we have been purchasing some of our main product of sunflower seeds from a domestic manufacturer, namely Chacha Thailand, nevertheless the domestic manufacturer imports its raw materials from China. As such, the cost of products that we purchase would likely also include the relevant sea freight rate.

9.2.4 Sunflower seed is a commodity and is affected by global prices

Sunflower seeds are commonly processed for sunflower oil, to be eaten as snacks, and used as birdfeed. The monthly international price of sunflower seeds has been increasing since the beginning of the COVID-19 pandemic. The international price increased by 101.8% from USD390/tonne in August 2020 to USD787/tonne in March 2021, which was mainly driven by lower global production. Subsequently, the international price started to decline to reach USD609/tonne in August 2021. The international price kept rising and reached USD970/tonne in March 2022, mainly due to the Russia-Ukraine conflict. Furthermore, Russia has banned the export of sunflower seeds from 1 April to 31 August 2022 to ease rising domestic prices for agriculture produce. The price has subsequently dropped to USD619/tonne in October 2022 due to improved supplies. (*Source: IMR Report*)

Demand for our sunflower seed may be negatively affected by sustained high prices of sunflower seed, especially in view that as a snack product sunflower seed is a non-essential food item.

9.2.5 We are subject to political, social, economic, regulatory and pandemic risks

Any changes and/or developments in political, social, economic and regulatory conditions as well as any outbreak of diseases including the COVID-19 pandemic in Thailand and Malaysia would adversely affect businesses and financial prospects of operators in the distributive trade industry. These include, but are not limited to, the occurrence of war, civil unrest, rebellion or civil disobedience, changes in political leadership or system of government, changes in economic, interest rate, taxation, trade, corporate ownership or investment policies, nationalisation or expropriation, global, regional or domestic economic recession or slowdown and changes in the regulations that govern the distributive trade industry particularly relating to consumer packaged snack food.

Similarly, any prolonged and/or widespread economic slowdown or any outbreak of diseases would affect our business and consumer confidence. The outbreak of diseases such as the COVID-19 pandemic may cause interruptions in the supply chain of operators in the distributive trade industry which may adversely affect our business operations. Any economic slowdown may cause our Group's customers comprising mainly retailers and wholesalers to defer or reduce their purchase orders. These events are beyond our control, and the occurrence of one or more of these events may harm our business operations and financial performance.

9. RISK FACTORS (CONT'D)

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans and our financial and operating history. Hence, we cannot assure you that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

9.3.2 Our Share price may be volatile, which could result in substantial losses for investors subscribing for our Shares

The market price of our Shares may be highly volatile and could be subject to wide fluctuations in response to, among others, the following factors, some of which are beyond our control:

- (i) variation in our operating results;
- (ii) success or failure of our management in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, general economic conditions or stock market sentiments or other events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia or anywhere else in the world;
- (vi) additions or departures of key management;
- (vii) fluctuations in stock market prices and volume; or
- (viii) involvement in litigation.

9.3.3 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- (i) the Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;
- (ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

9. RISK FACTORS (CONT'D)

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (aa) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or (bb) a solvency statement from our Directors.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our Listing.

9.3.4 Future sale or issuance of our Shares could adversely affect our Share price

Any future sale, issuance or availability of our Shares can have an adverse effect on our Share price. The sale of a significant amount of our Shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to raise funds from the issue of additional equity securities.

If our Promoters sell, or are perceived to sell, substantial amounts of Shares in the public market following the expiry of the moratorium period, this may result in a dampening effect on our Share price.

9.3.5 We are a holding company and, as a result, are dependent on the flow of dividends from our subsidiaries to provide funds for payment of dividends on our Shares

Our ability to pay dividends or make other distributions to our shareholders is not guaranteed. Our Company is a holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, is the amount of dividends and other distributions that our Company receives from our subsidiaries. Consequently, our ability to declare and pay dividends are dependent on the financial performance of our subsidiaries. Please refer to Section 12.4 of this Prospectus for further discussion on dividend policy by our Company and Section 15.4 of this Prospectus for detailed information on the repatriation of capital and the remittance of profit by or to our Group.

9. RISK FACTORS (CONT'D)

9.3.6 Our future fund-raising exercise may result in dilution of your shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our service offering. Thus, we may need additional capital expenditure for future expansions and/or investments. An issue of new shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investments by shareholders.

9.4 OTHER RISKS

9.4.1 Our Promoters control a significant portion of our Shares which may result in our Promoters being able to influence the outcome of certain matters requiring the vote of shareholders

Our Promoters, namely, Mo Guopiao, Silver Line Capital, He Haibin and Saranjit Wang, collectively control approximately 57.85% of our enlarged issued share capital after the IPO. Consequently, our Promoters will generally be expected to, in the foreseeable future, have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

9.4.2 Forward-looking/ prospective statements in this Prospectus may not be achievable

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable.

Whether such statements would ultimately prove to be accurate depends on variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such future prospective statements.

Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will materialise.

As such, such prospective statements or expectations should not be regarded as a representation and warranty by our Group, Principal Adviser and other advisers that the plans and objectives of our Group will be achieved.

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10. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to the exemptions, generally a “related party transaction” is a transaction entered into by a listed corporation or its subsidiaries which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including, a director or major shareholder within the preceding 6 months before the transaction was entered into) as per Rule 10.02 of the Listing Requirements. “Major Shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company as per Rule 1.01 of the Listing Requirements.

Upon our Listing we may be required to seek our shareholders’ approval each time we enter into a material related party transaction in accordance to Rule 10.08 of the Listing Requirements. However, if the related party transaction can be deemed as a recurrent related party transaction, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek a separate shareholders’ approval each time and the interested person shall abstain from voting on resolutions pertaining to the respective transaction.

Under the Listing Requirements, related party transactions may be aggregated to determine the materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities or interests in one corporation/ asset or various parcels of land contiguous to each other.

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition of Vine Growth Holdings and as disclosed below, there are no existing or potential material related party transactions entered or to be entered into by our Group with related parties for the Financial Years and Period Under Review and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
Bai Li Enterprise and SF Express (Thailand) Co., Ltd.	Our Executive Director, Promoter and substantial shareholder, Saranjit Wang was a director and substantial shareholder of SF Express (Thailand) Co., Ltd.	Domestic delivery services provided by SF Express (Thailand) Co., Ltd. to Bai Li Enterprise	-	-	1,518 (9.86% of our Group's PAT for FYE 2021)	581 (27.14% of our Group's PAT for FPE 2022)	107

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
	<p>Saranjit Wang was a director of SF Express (Thailand) Co., Ltd. Enterprise Co., Ltd. from 9 September 2015 to 11 July 2022. She has disposed of her shares to non-related parties i.e., Shichao Li, Narongsak Boonma and Chanatphon Kongkamol on 28 June 2022.</p> <p>Our Executive Director, Promoter and substantial shareholder, Mo Guopiao and our Promoter and substantial shareholder, He Haibin were substantial shareholders of SF Express (Thailand) Co., Ltd.</p> <p>Mo Guopiao and He Haibin have disposed their shares to Chanatphon Kongkamol, a non-related third party on 28 June 2022.</p>	<p>During the Financial Years and Period Under Review, SF Express (Thailand) Co., Ltd. had only provided domestic delivery services to Bai Li Enterprise. SF Express (Thailand) Co., Ltd. has ceased to provide domestic delivery services to our Group since August 2022 as the delivery services are less accommodative with the change in ownership and cessation of Saranjit Wang as a director of SF Express (Thailand) Co., Ltd.</p>					

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
Bai Li Enterprise and Good Partner Holdings Pte. Ltd.	Our Executive Director, Promoter and substantial shareholder, Mo Guopiao and our Promoter and substantial shareholder, He Haibin are substantial shareholders of Good Partner Holdings Pte. Ltd. Mo Guopiao was a director of Good Partner Holdings Pte. Ltd. from 29 December 2017 to 6 May 2021.	Interest charge arising from loan from Good Partner Holdings Pte. Ltd. to Bai Li Enterprise <i>Note: Please refer to Section 10.2.2 of this Prospectus for further details of the loan.</i>	69 (1.66% of our Group's PAT for FYE 2019)	47 (0.30% of our Group's PAT for FYE 2020)	-	-	-
Bai Li Enterprise and S.W. Enterprise Co., Ltd.	Our Executive Director, Promoter and substantial shareholder, Saranjit Wang is director and substantial shareholder of S.W. Enterprise Co., Ltd. Our Executive Director, Promoter and substantial shareholder, Mo Guopiao and our Promoter and substantial shareholder, He Haibin are substantial shareholders of S.W. Enterprise Co., Ltd.	Lease of premises located at 220/3, Moo 4 Tambon Rangsit, Thanyaburi district, Pathum Thani Province, 12110 Thailand from S.W. Enterprise Co., Ltd. as our office, dry warehousing storage and chiller room. ⁽¹⁾ <u>Rented built-up area:</u> FYE 2019: 2,148 sq. m. FYE 2020: 2,887 sq. m. FYE 2021: 4,897 sq. m. FPE 2022: 4,897 sq. m.	393 (9.46% of our Group's PAT for FYE 2019)	828 (5.25% of our Group's PAT for FYE 2020)	1,597 (10.37% of our Group's PAT for FYE 2021)	853 (39.84% of our Group's PAT for FPE 2022)	694

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
Bai Li Enterprise and New Strait Pte. Ltd.	<p>Our Executive Director, Promoter and substantial shareholder, Mo Guopiao and our Promoter and substantial shareholder, He Haibin were directors and substantial shareholders of New Strait Pte. Ltd.</p> <p>Mo Guopiao was a director of New Strait Pte. Ltd. from 21 October 2019 to 10 May 2021. He has disposed of his shares to Song Ming, a non-related third party on 23 December 2021 in order to focus on the business of our Group.</p> <p>He Haibin was a director of New Strait Pte. Ltd. from 21 October 2019 to 14 October 2020. He has disposed of his shares to Song Ming, a non-related third party on 31 August 2020.</p>	Supply of Cundo layer cakes and Mina brand dried fruits by New Strait Pte. Ltd. to Bai Li Enterprise.	210 (0.43% of our Group's cost of sales for FYE 2019)	1,707 (2.06% of our Group's cost of sales for FYE 2020)	3,098 (3.14% of our Group's cost of sales for FYE 2021)	941 (2.01% of our Group's cost of sales for FPE 2022)	778 ⁽²⁾

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
Bai Li Enterprise and Gosstech Pte. Ltd.	Our Executive Director, Promoter and substantial shareholder, Mo Guopiao is a substantial shareholder of Gosstech Pte. Ltd. He was a director of Gosstech Pte. Ltd. from 22 May 2012 to 6 May 2021.	Deposit paid for purchase of integrated software system (i.e., enterprise resource planning software for our Group's distribution business process flow) from Gosstech Pte. Ltd. by Bai Li Enterprise.	-	1,191 (7.56% of our Group's PAT for FYE 2020)	1,148 ⁽³⁾ (7.45% of our Group's PAT for FYE 2021)	-	-
Bai Li Enterprise and Piggy Technology Pte. Ltd.	Our Executive Director, Promoter and substantial shareholder, Mo Guopiao was director and substantial shareholder of Piggy Technology Pte. Ltd. He was a director of Piggy Technology Pte. Ltd. from 9 January 2018 to 24 May 2021 and disposed of his shares to his spouse on 16 September 2021.	Interest charge arising from security deposit paid on behalf by Piggy Technology Pte. Ltd. ⁽⁴⁾	122 (2.94% of our Group's PAT for FYE 2019)	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				1 July 2022 up to the LPD RM'000
			FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	
Bai Li Enterprise and He Haibin	He Haibin is our Promoter and substantial shareholder.	Provision of consultancy services for exploring potential new market in China by He Haibin to Bai Li Enterprise.	-	287 (1.82% of our Group's PAT for FYE 2020)	-	-	-
		Commission paid by Bai Li Enterprise to He Haibin for exploring potential new products and new customers in Singapore.	-	284 (1.80% of our Group's PAT for FYE 2020)	-	-	-
Bai Li Enterprise and He Haibin	He Haibin is our Promoter and substantial shareholder.	Interest charged arising from loan from He Haibin to Bai Li Enterprise. <i>Note: Please refer to Section 10.2.2 of this Prospectus for further details of the loan.</i>	31 (0.75% of our Group's PAT for FYE 2019)	64 (0.41% of our Group's PAT for FYE 2020)	-	-	-

Notes:

- (1) S.W. Enterprise Co., Ltd. was incorporated on 8 December 2014 and its principal activity is asset management, in particular, leasing of the distribution centre located at 220/3, Moo 4 Tambon Rangsit, Thanyaburi district, Pathum Thani Province, 12110 Thailand to our Group. The current distribution centre comprises 2 buildings (namely Building 1 and Building 2) and within the distribution centre, we have 2 dry warehousing storage facilities, chiller room and office areas.

10. RELATED PARTY TRANSACTIONS (CONT'D)

The distribution center was constructed and developed by S.W. Enterprise Co., Ltd. on 4 parcels of land in which 2 parcels of land owned by S.W. Enterprise Co., Ltd and 2 parcels of land owned by Saranjit Wang, the controlling shareholder and sole authorized signatory of the company. In February 2015, the parcel of land where the Building 1 located was acquired from Bangkok Bank Public Company Ltd by Saranjit Wang. In September 2017, 2 parcels of adjoining lands which are Building 2 were acquired by S.W. Enterprise Co., Ltd. from Mr. Torhong Aumpun (3rd party) and in July 2020 another 1 parcel of land was acquired by Saranjit Wang from Mr. Wichai Mongpeangpun (3rd party).

S.W. Enterprise Co., Ltd constructed Building 1 with a built-up area of approximately 2,887 sq.m. The construction of Building 1 was completed in May 2016. Prior to August 2018, Building 1 was occupied by S.W. Enterprise Co., Ltd's related companies which were involved in the selling and distribution of products such as toys, kitchen ware, camping tools and equipment. Subsequently, S.W. Enterprise Co., Ltd proceeded to construct Building 2 with a built-up area of approximately 2,010 sq.m., which was completed in February 2021. Building 2 was rented to our Group in March 2021. As at the LPD, both Building 1 and Building 2 are solely occupied by our Group.

The lease of premises as our office, dry warehousing storage and chiller room as set out in the table above will subsist after our Listing. Save for this, there are no other related party transactions as disclosed in the table above that will subsist after our Listing. Please refer to Section 10.3.2 of this Prospectus for our Group's policy on related party transactions.

- (2) New Strait Pte. Ltd. continues to supply trade products to Bai Li Enterprise notwithstanding it is no longer a related party of our Group.*
- (3) The deposit paid by Bai Li Enterprise has been fully refunded on 31 December 2021 by Gosstech Pte. Ltd. to Bai Li Enterprise as implementation of the integrated software system was unable to be performed by Gosstech Pte. Ltd. due to the border control restriction implemented during the COVID-19 pandemic in Thailand. The difference between the deposit paid by Bai Li Enterprise and the refund subsequently received from Gosstech Pte. Ltd. is mainly attributed to foreign exchange differences applicable at the relevant point in time.*
- (4) The security deposit paid to Jet Voyage of RM1.89 million by Piggy Technology Pte. Ltd on behalf of Bai Li Enterprise was refunded by Bai Li Enterprise to Piggy Technology Pte. Ltd. within the same year in FYE 2019. Nevertheless, the said security deposit represented 44.87% of the Group's NA as at 31 December 2019.*

The transactions with He Haibin was for the provision of specific consultancy services, i.e., exploring potential new market in China and sourcing of new products and developing new customers for the Singapore market. Notwithstanding that he is not an expert in providing consultancy services for China and Singapore markets, the Promoters decided to leverage on his past experiences in providing business consultancy services (i.e., servicing and developing clients from China).

10. RELATED PARTY TRANSACTIONS (CONT'D)

Arising from the services provided by He Haibin, Bai Li Enterprise noticed that the snack foods market in China is very competitive and challenging to breakthrough. However, through this engagement, Bai Li Enterprise discovered certain suppliers for our own brand manufacturing, i.e., Miyu and Mina brands and decided to focus on getting supplies from China, instead of distributing to China. For the Singapore market, it was found to be rather small compared to Thailand and Malaysia for distribution of snack foods. The engagement of He Haibin for the above services was only for a period of 12 months i.e., for the FYE 2020. Thereafter, Bai Li Enterprise ceased engaging He Haibin's services as such efforts are now undertaken by Wang Zheng.

Our Promoters did not seek for alternate quotes for the services provided by He Haibin then, as they were of the view that it was not necessary since he was one of the shareholders of Bai Li Enterprise and Bai Li Enterprise was privately owned. As such, the services were not undertaken on arm's length basis as they were conducted based on negotiated terms that were not at market rates. Our Directors are of the opinion that these transactions were transacted in the best interests of growing our Group's business.

Save for the above, our Directors are of the opinion that the transactions as disclosed above were carried out on arm's length basis and on terms which were not unfavourable to our Group as the transactions were based on market value/ rates.

Our Directors confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to the date of this Prospectus.

Upon our Listing, our Group will put in place strict internal controls and compliance procedures, amongst others, our Directors through our Audit Committee will review the terms of all related party transactions before the transactions are entered into or any renewals relating to the same to ensure that all related party transactions are carried out on terms not more favourable to the related parties than those normally agreed terms with third parties and are also not to our detriment and to the detriment of our minority shareholders.

10.2 OTHER TRANSACTIONS

10.2.1 Transaction which are unusual in their nature or conditions

There are no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the Financial Years and Period Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2.2 Outstanding loans and/or financial assistance from related parties or made to or for the benefit of related parties

Save as set out below, there are no outstanding loans, including guarantees of any kind, or financial assistance from related parties, or made by our Group to or for the benefit of related parties, during the Financial Years and Period Under Review and as at the LPD:

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount					
			As at 31 December			As at 30 June		As at the LPD
			2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	RM'000	
Bai Li Enterprise	Good Partner Holdings Pte. Ltd. Our Executive Director, Promoter and substantial shareholder, Mo Guopiao and our Promoter and substantial shareholder, He Haibin are substantial shareholders of Good Partner Holdings Pte. Ltd. Mo Guopiao was a director of Good Partner Holdings Pte. Ltd. from 29 December 2017 to 6 May 2021.	Loan from Good Partner Holdings Pte. Ltd. to Bai Li Enterprise as working capital	893 (21.11% of our Group's NA as at 31 December 2019)	-	-	-	-	

10. RELATED PARTY TRANSACTIONS (CONT'D)

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount				
			As at 31 December			As at 30 June	As at the LPD
			2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Bai Li Enterprise	Saranjit Wang	Advances from Saranjit Wang to Bai Li Enterprise as working capital	7,366 (174.14% of our Group's NA as at 31 December 2019)	364 (1.86% of our Group's NA as at 31 December 2020)	-	-	-
Bai Li Enterprise	He Haibin	Loan from He Haibin to Bai Li Enterprise as working capital	861 (20.35% of our Group's NA as at 31 December 2019)	-	-	-	-
		Total	9,120 (215.60% of our Group's NA as at 31 December 2019)	364 (1.86% of our Group's NA as at 31 December 2020)	-	-	-

The advances from Saranjit Wang to us were not made on an arm's length basis as they were unsecured, interest-free and repayable on demand. However, these terms were not unfavourable to our Group. All the advances from Saranjit Wang had been fully repaid as at the LPD.

Save for the advances from Saranjit Wang, the loans (including guarantees of any kind) and/or financial assistance from He Haibin, Good Partner Holdings Pte. Ltd. and Piggy Technology Pte. Ltd. to us were made on an arm's length basis as they were based on market rates.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Moving forward, Wellspire has put in place internal control and compliance procedures in relation to loans and/or financial assistance from third parties, and no further loans or financial assistance will be taken from any related parties by the Group unless such loans are permitted under the applicable laws and the Listing Requirements and brought to the Audit Committee and the Board for deliberation and approval. All the loans and/or financial assistance from He Haibin, Good Partner Holdings Pte. Ltd. and Piggy Technology Pte. Ltd. had been fully repaid as at the LPD.

Notwithstanding to the above, our Promoter and Executive Director, Saranjit Wang has extended personal guarantees for banking facilities as follows:

Bank(s)/ Customer	Purpose of Guarantee	Guarantor(s)	Total Guaranteed Amount THB'000
Kasikorn Bank Public Company Limited	To guarantee a loan made to Bai Li Enterprise (as a borrower) and Kasikorn Bank Public Company Limited (as lender) for the purpose of credit facility insurance	Saranjit Wang	531
Kasikorn Bank Public Company Limited	To guarantee a loan made to Bai Li Enterprise (as a borrower) and Kasikorn Bank Public Company Limited (as lender) for the purpose of credit facility insurance	Saranjit Wang	726
Kasikorn Bank Public Company Limited	To guarantee a loan made to Bai Li Enterprise (as a borrower) and Kasikorn Bank Public Company Limited (as lender) for the purpose of invoice financing	Saranjit Wang	50,000
Kasikorn Bank Public Company Limited	To guarantee a loan made to Bai Li Enterprise (as a borrower) and Kasikorn Bank Public Company Limited (as lender) for the purpose of invoice financing	Saranjit Wang	80,000

In respect of the above-mentioned personal guarantees provided to Bai Li Enterprise, Bai Li Enterprise intends to replace these with the corporate guarantees to be provided by Bai Li Holdings and Wellspire. On 28 October 2022, Bai Li Enterprise has obtained the consent from Kasikorn Bank Public Company Limited for discharge of the above-mentioned personal guarantees, with the condition that such personal guarantees can be replaced only when Wellspire presents evidence of being listed on the ACE Market.

Our Group expects the discharge of the above-mentioned personal guarantees to be completed within 6 months upon the listing of our Company.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.3 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.3.1 Audit Committee review

The Audit Committee reviews related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedures or course of conduct that raises questions of management integrity.

The Audit Committee will submit an annual report to the Board summarising the Audit Committee's activities during the financial year and the related significant results and findings.

10.3.2 Our Group's policy on related party transactions

Related party transactions by their nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the Directors of our Group are also Directors and/or shareholders of the related parties of our Group, as disclosed in this Prospectus. Any such related party transactions may individually and in aggregate give rise to potential conflicts of interest. It is the policy of our Group that all related party transactions in the course of business are made at arm's length and on normal commercial terms which are not more favourable to the related party than those available to the public and these terms are not detrimental to the other shareholders of the Company who are not part of the transaction. The related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and voting on resolutions pertaining to the matters and/or transactions where a conflict of interest may arise.

In addition, we have adopted a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation, to comply with the Listing Requirements and adhere to the best extent possible with the guidance principles as set out in MCCG. The procedures which may form part of the framework include, amongst other things, the following:

- (i) Identification process
 - (a) The Accounting & Finance Department shall ensure proper documentation for all the RPT and RRPT. There should be proper segregation of processes for the preparation of documents, verification and approval.
 - (b) The Accounting & Finance Department, overseen by the CFO, to compile a listing of related parties, nature of RPT and RRPT, the estimated value of annual transactions and control(s) put in place, subject to update from time to time.
 - (c) All Directors and major shareholders are required to declare and disclose any transaction in which they are deemed to have an interest and give their undertakings that all business transactions entered between themselves and/or persons connected with them and the group of companies are negotiated and agreed at arm's length basis based on normal commercial terms and are not to the detriment of the minority shareholders and favourable to the related party/parties.
 - (d) The Company shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. Such disclosure includes a settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) Reporting process

The Board shall ensure that there are adequate procedures established by the Group to ensure that a RPT or a RRPT is undertaken on arm's length basis and on the Group's normal commercial terms, consistent with the Group's usual business practices and policies, which are generally available to the public and are not detrimental to the minority shareholders. The procedures are as follows:

- (a) A list of related parties will be circulated to the Board and management of the Company. All related parties of the Company and its subsidiaries are responsible for providing written notice to the Audit Committee of any potential RPT and RRPT involving him/her or Person Connected to him/her, including any additional information about the transaction that the Audit Committee may reasonably request.
- (b) The Audit Committee will determine whether the transaction does, in fact, constitute a RPT or RRPT.
- (c) The Company may be required to engage a professional or third-party opinion on the matter.
- (d) The RPT and RRPT will be reviewed by the Audit Committee of the Company from time to time to ensure compliance with the Listing Requirements and applicable laws.
- (e) The announcement in respect of the RPT and RRPT will be submitted to the Audit Committee and the Board for consideration.
- (f) When it is approved by the Audit Committee and the Board, the announcement in respect of the RPT and RRPT will be submitted to Bursa Securities.
- (g) The RPT and RRPT listing/document will be updated by the Company.
- (h) The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the proposed shareholders' mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to.
- (i) The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RPT and RRPT have been complied with and the review shall be done at every quarter together with a review of the quarterly results.
- (j) All RRPT shall be disclosed in the annual report of the Company and a breakdown of the transactions pursuant to the proposed shareholders' mandate during the financial year and for the subsequent financial year in the following manner:
 - Aggregate value;
 - Nature / type;
 - Names of the related party/parties involved in each type of the RRPT; and
 - Relationship of the related party/parties with the Company.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) Authority of Audit Committee

As the Audit Committee is entrusted by the Board with the task of executing and managing this policy, the Audit Committee is vested with the following authority:

- (a) have the adequate resources which it needs to perform its duties;
- (b) have full access to any information which it requires in the course of performing its duties;
- (c) have direct communication channels with the Directors, executive officer(s) and major shareholder(s), the employees and any persons, as the case may be, to obtain information and feedback in performing its duties; and
- (d) to obtain the services of the external professional at the expense of the Company in carrying out its duties.

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11. CONFLICT OF INTEREST**11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS**

As at the LPD, none of our Directors or substantial shareholders have any interests, direct or indirect, in businesses and corporations carrying on a similar trade as our Group, or which are the customers or suppliers of our Group.

For the Financial Years and Period Under Review and up to July 2022, our Directors or substantial shareholders had interest in SF Express (Thailand) Co., Ltd. as follows:

Name	Company	Nature of relationship	Nature of interest	Principal activities
Mo Guopiao	SF Express (Thailand) Co., Ltd.	Supplier	Shareholder (24.00%)	Provision of domestic courier services
He Haibin	SF Express (Thailand) Co., Ltd.	Supplier	Shareholder (24.00%)	Provision of domestic courier services
Saranjit Wang	SF Express (Thailand) Co., Ltd.	Supplier	Non-Executive Director and Shareholder (52.00%)	Provision of domestic courier services

On 28 June 2022, Mo Guopiao, He Haibin and Saranjit Wang had disposed their entire interest in SF Express (Thailand) Co., Ltd. to non-related third parties, i.e., Chanatphon Kongkamol, Shichao Li and Narongsak Boonma, for a total cash consideration of THB1,000,000. Saranjit Wang had resigned as a director of SF Express (Thailand) Co., Ltd. on 11 July 2022.

Our Board is of the view that involvement of the above-mentioned Directors and substantial shareholders in the above-mentioned company do not give rise to a conflict-of-interest situation with our Group's business as the abovementioned company was our supplier. As disclosed in Section 10.1 of this Prospectus, SF Express (Thailand) Co., Ltd. had only provided domestic delivery services to Bai Li Enterprise.

We are also not dependent on SF Express (Thailand) Co., Ltd. for the supply of services to our Group as we are able to find substitutes for the services. Furthermore, SF Express (Thailand) Co., Ltd. has ceased to provide domestic delivery services to our Group since August 2022 as the delivery services are less accommodative with the change in ownership and cessation of Saranjit Wang as a director of SF Express (Thailand) Co., Ltd..

Further all the transactions entered into by our Group which involve the interests of our Directors and substantial shareholders have been entered into on arm's length basis and on normal commercial terms which are no less favourable to our Group. Moving forward, our Directors and substantial shareholders who are interested in any transaction with our Group, will abstain from all deliberations with regards to such transactions.

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11. CONFLICT OF INTEREST (CONT'D)

11.2 DECLARATION BY THE ADVISERS

- (i) TA Securities has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent in respect of our IPO;
- (ii) BDO PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO;
- (iii) Chooi & Company + Cheang & Ariff has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO, to our Company as to laws of Malaysia;
- (iv) Baker & McKenzie Ltd has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO, to our Company as to laws of Thailand;
- (v) Baker & McKenzie.Wong & Leow has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO, to our Company as to laws of Singapore; and
- (vi) Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants in respect of our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Group's historical audited financial information which comprises the combined statements of financial position, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the financial period ended 30 June 2022.

12.1.1 Combined Statements of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of our Group's audited Combined Statements of Profit or Loss and Other Comprehensive Income for the Financial Years and Period Under Review which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	58,799	119,706	136,707	79,511	60,509
Cost of sales	(48,637)	(83,000)	(98,535)	(54,025)	(46,839)
GP	10,162	36,706	38,172	25,486	13,670
Other operating income	210	516	1,397	387	666
Net (loss)/gain on impairment on financial instruments	-	(229)	18	63	59
Selling and administrative expenses	(4,313)	(14,815)	(20,219)	(10,393)	(10,334)
Finance costs	(337)	(200)	(267)	(122)	(175)
PBT	5,722	21,978	19,101	15,421	3,886
Tax expense	(1,568)	(6,219)	(3,698)	(3,047)	(1,745)
PAT	4,154	15,759	15,403	12,374	2,141
Other comprehensive income/(loss)	30	(89)	(813)	(724)	(50)
Total comprehensive income for the financial year/ period	4,184	15,670	14,590	11,650	2,091
PAT attributable to:					
Common controlling shareholders of the combining entities	3,116	11,830	11,120	9,279	1,072
Non-controlling interests	1,038	3,929	4,283	3,095	1,069
	4,154	15,759	15,403	12,374	2,141
Total comprehensive income attributable to:					
Common controlling shareholders of the combining entities	3,138	11,763	10,510	8,736	1,035
Non-controlling interests	1,046	3,907	4,080	2,914	1,056
	4,184	15,670	14,590	11,650	2,091

12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
EBITDA ⁽¹⁾	7,100	23,458	20,707	16,223	4,813
GP margin (%) ⁽²⁾	17.28	30.66	27.92	32.05	22.59
PBT margin (%) ⁽³⁾	9.73	18.36	13.97	19.39	6.42
PAT margin (%) ⁽⁴⁾	7.06	13.16	11.27	15.56	3.54
Number of Shares assumed in issue ('000) ⁽⁵⁾	712,125	712,125	712,125	712,125	712,125
Basic/ Diluted EPS (sen) ⁽⁶⁾	0.44	1.66	1.56	1.30	0.15

Notes:

(1) The table below sets forth a reconciliation of our PBT to EBITDA:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	5,722	21,978	19,101	15,421	3,886
Finance costs	337	200	267	122	176
Finance income	(2)	(2)	(2)	(1)	(1)
Depreciation	1,043	1,282	1,341	681	752
EBITDA	7,100	23,458	20,707	16,223	4,813

(2) GP margin is computed based on our GP over revenue.

(3) PBT margin is computed based on our PBT over revenue

(4) PAT margin is computed based on our PAT over revenue.

(5) Assumed number of ordinary shares in issue in Wellspire after the IPO.

(6) Computed based on PAT attributable to common controlling shareholders of the combining entities over the enlarged number of Shares in issue upon the Listing. The diluted EPS is equal to the basic EPS as the Company does not have any outstanding convertible securities.

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12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Combined Statements of Financial Position**

The following table sets out a summary of our Group's audited Combined Statements of Financial Position for the Financial Years and Period Under Review which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	239	445	504	916
Right-of-use assets	3,626	3,081	1,805	1,708
Other investments	-	282	-	-
	3,865	3,808	2,309	2,624
Current assets				
Inventories	1,368	2,658	6,251	6,197
Trade and other receivables	15,079	24,510	18,451	16,368
Cash and bank balances	758	4,024	5,882	12,885
	17,205	31,192	30,584	35,450
TOTAL ASSETS	21,070	35,000	32,893	38,074
EQUITY AND LIABILITIES				
Equity attributable to common controlling shareholders of the combining entities				
Invested equity ⁽¹⁾	11,501	11,501	11,501	11,501
Share capital	-	-	2,000	12,000
Reserves	(11,098)	(11,149)	(11,281)	(11,319)
Retained earnings	2,770	14,346	8,311	9,384
	3,173	14,698	10,531	21,566
Non-controlling interests	1,057	4,899	3,941	5,016
TOTAL EQUITY	4,230	19,597	14,472	26,582
LIABILITIES				
Non-current liabilities				
Lease liabilities	3,912	2,500	405	541
Deferred tax liabilities	190	1,799	1,297	1,834
Borrowings	-	376	308	261
	4,102	4,675	2,010	2,636
Current liabilities				
Lease liabilities	828	1,851	1,973	1,351
Borrowings	3,157	2,772	9,815	5,200
Trade and other payables	7,661	2,300	2,734	1,117
Current tax liabilities	1,092	3,805	1,889	1,188
	12,738	10,728	16,411	8,856
TOTAL LIABILITIES	16,840	15,403	18,421	11,492
TOTAL EQUITY AND LIABILITIES	21,070	35,000	32,893	38,074

12. FINANCIAL INFORMATION (CONT'D)**Note:**

(1) Deemed as invested equity based on number of shares on combined basis.

12.1.3 Combined Statements of Cash Flows

The following table sets out a summary of our Group's audited Combined Statements of Cash Flows for the Financial Years and Period Under Review, which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
PBT	5,722	21,978	19,101	15,421	3,886
Adjustments for:					
Depreciation of:					
- property, plant and equipment	50	110	175	84	101
- right-of-use assets	993	1,172	1,166	597	651
Dividend income from a former associate	-	(402)	(313)	(322)	-
Gain on disposal of other investments	-	-	(971)	-	-
Impairment loss on trade receivables	-	229	-	-	-
Interest expense on:					
- borrowings	182	116	205	87	146
- lease liabilities	282	311	222	129	71
- others	122	-	-	-	-
Interest income	(2)	(2)	(2)	(1)	(1)
Inventories written down	-	-	189	-	200
Inventories written off	-	544	-	-	-
Reversal of impairment loss on trade receivables	-	-	(18)	(63)	(59)
Unrealised gain on foreign exchange	-	-	-	-	(585)
Operating profit before changes in working capital	7,349	24,056	19,754	15,932	4,410

12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in working capital:					
Inventories	(199)	(1,862)	(4,116)	(335)	(130)
Trade and other receivables	(9,520)	(9,972)	4,539	5,471	2,230
Trade and other payables	2,574	(5,214)	594	(662)	(1,653)
Cash generated from operations	204	7,008	20,771	20,406	4,857
Interest received	2	2	2	1	1
Tax paid	(240)	(1,877)	(5,930)	(3,771)	(1,922)
Net cash (used in)/from operating activities	(34)	5,133	14,843	16,636	2,936
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of:					
- other investments	-	(282)	-	-	-
- property, plant and equipment	(113)	(312)	(284)	(219)	(514)
- right-of-use assets	-	(120)	(16)	-	(4)
Disposal of other investments	-	-	1,242	199	-
Dividend received from a former associate	-	403	313	322	-
Acquisition of subsidiary, net of cash	-	14	-	-	-
Net cash (used in)/from investing activities	(113)	(297)	1,255	302	(518)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	-	(316)	(22,822)	(13,194)	-
Drawdowns of borrowings	16,876	16,076	62,348	2,590	-
Payments of lease liabilities	(542)	(1,195)	(2,002)	(957)	(1,116)
Proceeds from issuance of shares	-	-	3,107	-	10,000
Proceeds from issuance of shares to non-controlling interests	-	-	-	-	19
Repayments of borrowings	(15,597)	(16,138)	(55,079)	-	(4,900)
Net cash from/(used in) financing activities	737	(1,573)	(14,448)	(11,561)	4,003

12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'00 0	RM'000	RM'000	RM'000	RM'000
Net increase in cash and cash equivalents	590	3,263	1,650	5,377	6,421
Effects of exchange rate changes on cash and cash equivalents	(59)	3	208	(277)	582
Cash and cash equivalents at beginning of financial year/ period	227	758	4,024	4,024	5,882
Cash and cash equivalents at end of financial year/ period	758	4,024	5,882	9,126	12,885

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness based on our unaudited management accounts as at 31 October 2022 and pro forma after taking into account, our Public Issue and utilisation of proceeds from our Public Issue.

The pro forma financial information below does not represent our capitalisation and indebtedness as at 31 October 2022 and is provided for illustrative purpose only.

	Unaudited as at 31 October 2022 RM'000	Pro Forma after Public Issue and utilisation of proceeds RM'000
Indebtedness		
Short-term indebtedness		
Secured and guaranteed:		
- Lease liabilities on motor vehicles	233	233
- Borrowings	159	159
	392	392
Long-term indebtedness		
Secured and guaranteed:		
- Lease liabilities on motor vehicles	309	309
- Borrowings	2,582	2,582
	2,891	2,891
Total indebtedness	3,283	3,283
Capitalisation		
Total equity	28,623	54,781
Total capitalisation and indebtedness	31,906	54,781
Gearing ratio (times) ⁽¹⁾	0.11	0.06

Note:

(1) Computed based on total indebtedness divided by total equity.

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12. FINANCIAL INFORMATION (CONT'D)

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

The following discussion and analysis should be read together with the Accountants' Report and related notes as set out in Section 13 of this Prospectus.

12.3.1 Overview of our business operations

We are involved in the distribution of consumer packaged foods focusing on snack foods. Our main product is sunflower seeds where we are the exclusive distributor of "ChaCha" brand products including sunflower seeds and nuts for the Thailand market.

We also distribute other snack foods such as other seeds and nuts, baked and confectionery products comprising third-party brands as well as our brands. Our snack foods are sourced domestically in Thailand as well as imported from China.

We have one (1) distribution centre comprising two (2) warehouse buildings with a combined built-up area of approximately 4,897 sq. m located in the province of Pathum Thani, Thailand to serve our customers throughout the Central, Northeast, Northern and Southern regions of Thailand.

Please refer to Section 7 of this Prospectus for further information about our business activities.

12.3.2 Segmental analysis by revenue

Our revenue stream is derived from the distribution of consumer packaged foods namely snack foods. For the Financial Years and Period Under Review, all of our revenue was transacted in THB.

Revenue from the sales of consumer packaged foods are recognised at a point in time when control of goods is transferred to the customers.

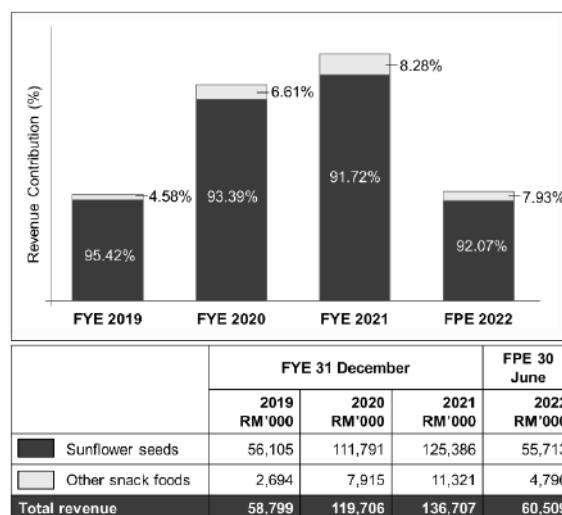
Between FYE 2019 and FYE 2021, our revenue increased at a CAGR of 52.48%, from RM58.80 million in FYE 2019 to RM136.71 million in FYE 2021. The growth was mainly contributed by our sales of sunflower seeds. In FPE 2022, we recorded revenue of RM60.51 million.

Revenue from sales of sunflower seeds accounted for 95.42% (RM56.11 million), 93.39% (RM111.79 million), 91.72% (RM125.39 million) and 92.07% (RM55.71 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Revenue from sales of other snack foods accounted for 4.58% (RM2.69 million), 6.61% (RM7.92 million), 8.28% (RM11.32 million) and 7.93% (RM4.80 million) of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

In FYE 2019, the majority of the revenue from sales of other snack foods was contributed by sales of other seeds and nuts representing 4.17% of our total revenue in FYE 2019.

Revenue from distribution of consumer packaged foods



12. FINANCIAL INFORMATION (CONT'D)

In FYE 2020, the majority of the revenue from sales of other snack foods was contributed by sales of baked and confectionery products, followed by other seeds and nuts representing 3.64% and 2.29% of our total revenue respectively.

In FYE 2021, the majority of the revenue from sales of other snack foods was contributed by sales of baked and confectionery products, followed by other seeds and nuts representing 5.45% and 1.47% of our total revenue respectively.

In FPE 2022, the majority of the revenue from sales of other snack foods was contributed by sales of baked and confectionery products, followed by other seeds and nuts representing 6.11% and 1.37% of our total revenue respectively.

Please refer to Section 12.3.2 (i) of this Prospectus for the analysis of revenue by business activities and products.

(i) Revenue by business activities and products

The table below sets out the breakdown of our total revenue by business activities and products:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Distribution of consumer packaged foods						
- Sunflower seeds	56,105	95.42	111,791	93.39	125,386	91.72
- Other snack foods	2,694	4.58	7,915	6.61	11,321	8.28
Group revenue	58,799	100.00	119,706	100.00	136,707	100.00
	Unaudited		Audited			
	FPE 2021		FPE 2022			
	RM'000	%	RM'000	%		
Distribution of consumer packaged foods						
- Sunflower seeds	74,429	93.61	55,713	92.07		
- Other snack foods	5,082	6.39	4,796	7.93		
Group revenue	79,511	100.00	60,509	100.00		

(a) FYE 2020 compared to FYE 2019

Our total revenue for the distribution of consumer packaged snack foods increased by RM60.91 million or 103.59% from RM58.80 million in FYE 2019 to RM119.71 million in FYE 2020. This was due to the following:

12. FINANCIAL INFORMATION (CONT'D)

Sunflower seeds

In FYE 2020, revenue from sales of sunflower seeds grew by 99.25% or RM55.69 million. This was mainly due to the following:

- Increase in sales of ChaCha coconut flavour sunflower seeds by RM52.46 million mainly contributed by the increase in sales from four SKU out of a total of five SKU of the ChaCha coconut flavour sunflower seeds with 18g, 35g, 95g and 180g packaging including new packaging introduced in FYE 2020. This provides more selection in terms of packaging sizes for the same coconut flavour to our customers despite the introduction of the coconut flavour sunflower seeds to customers including CP All (45g packaging) and Siam Makro (18g packaging) in 2018. In FYE 2019, we have a total of four SKU of the ChaCha coconut flavour sunflower seeds namely 18g, 35g, 45g, and 95g packaging. The 180g packaging was a new introduction in FYE 2020 and contributed sales of RM9.27 million during the year.

The increase in sales of ChaCha coconut flavour sunflower seeds in FYE 2020 was mainly driven by the following types of packaging to Siam Makro, CP All and Mega Alliance:

- Increased sales of 18g and 35g to Siam Makro where 35g packaging was introduced to Siam Makro in December 2019. The sales of coconut flavour sunflower seeds to Siam Makro increased by RM20.19 million in FYE 2020;
- Increased sales of 95g and 180g to CP All where 180g packaging was introduced to CP All in April 2020. The sales of coconut flavour sunflower seeds to CP All increased by RM13.43 million in FYE 2020; and
- Increased sales of 18g, 35g and 95g to Mega Alliance where all three packaging was introduced to Mega Alliance in November 2019. The sales of coconut flavour sunflower seeds to Mega Alliance increased by RM16.76 million in FYE 2020.
- Increase in revenue from the sales of ChaCha 5-flavour sunflower seeds by RM2.36 million mainly contributed by three SKU of the ChaCha 5-flavour sunflower seeds with the 18g, 35g and 95g packaging. In FYE 2019 and FYE 2020, we have a total of four SKU of the ChaCha 5-flavour sunflower seeds namely 18g, 35g, 45g and 95g packaging. The increase in sales was mainly contributed by our major customers, Mega Alliance and Siam Makro.
- Increase in revenue from ChaCha Hickory nut flavour and caramel flavour sunflower seeds cumulatively by RM0.70 million. In FYE 2019, we have one SKU each of the ChaCha Hickory nut flavour and caramel flavour sunflower seeds namely 58g packaging. The increase in sales of the ChaCha Hickory nut flavour sunflower seeds was due to the introduction of a new 40g packaging SKU in FYE 2020 which contributed sales of RM0.63 million during the year.

12. FINANCIAL INFORMATION (CONT'D)

Other snack foods

In FYE 2020, revenue from sales of other snack foods grew by 193.80% or RM5.22 million. This was mainly due to the following:

- Increase in revenue from sales of new baked and confectionery products by RM4.18 million mainly due to the commencement of Cundo layer cakes and Miyu chocolate snack which recorded revenue of RM3.74 million derived from our major customer, namely CP All, as well as increase in sales of King Kong mixed nuts and dried fruit bar by RM0.44 million.
- Introduction sales of new snack foods such as crispy fish snacks, rice puffs and pretzels with revenue of RM0.67 million. The new snack foods were selected by CP All for exclusive sale at their 7-Eleven stores. As at the LPD, we no longer sell these crispy fish snacks, rice puffs and pretzels to CP All, as there was low demand. However, as we currently have small quantity of crispy fish snacks in our inventory, we are still selling crispy fish snacks to our non-major customers until the inventory is fully depleted.

The significant increase in revenue in FYE 2020 was mainly due to the increase in sales to retailers by RM44.23 million mainly attributed to sales to owners of large retail convenience stores such as 7-Eleven, Mini Big C and Lotus's Go Fresh minimarkets, cash and carry stores such as Makro, hypermarkets such as Lotus's and Big C, and supermarkets such as Lotus's Go Fresh supermarket and Big C Market. The increase in revenue was also attributed to sales to wholesalers by RM16.36 million mainly contributed by sales to Mega Alliance.

(b) FYE 2021 compared to FYE 2020

Our total revenue increased by RM17.00 million or 14.20% from RM119.71 million in FYE 2020 to RM136.71 million in FYE 2021. This was due to the following:

Sunflower seeds

In FYE 2021, revenue from sales of sunflower seeds grew by 12.16% or RM13.60 million. This was mainly due to the following:

- Increase in revenue of ChaCha coconut flavour sunflower seeds by RM18.64 million mainly attributed to four SKU out of a total of six SKU of the ChaCha coconut flavour sunflower seeds namely the 18g, 35g, 80g and 180g packaging. The 80g packaging was a new introduction.

The increase in revenue from the 18g, 35g and 180g packaging was mainly contributed by higher sales of these products to retailers particularly CP All, Big C and Siam Makro, and a wholesaler, Valueplus. The revenue from 80g was largely contributed by sales to Siam Makro and Valueplus.

- Increase in revenue from ChaCha Hickory nut flavour sunflower seeds by RM0.68 million mainly due to the increase in sales of the 40g packaging mainly to CP All.

The increase in revenue of sunflower seeds was partially offset by the decrease in revenue from the sales of ChaCha 5-flavour sunflower seeds by RM6.03 million. This was mainly due to the decrease in revenue and sales volume of four SKU of the ChaCha 5-flavour sunflower seeds namely the 18g, 35g, 45g and 95g packaging. The decrease in revenue and sales volume of four SKU of the ChaCha 5-flavour sunflower seeds was mainly due to lower orders from CP All and Siam Makro. The lower orders from CP All and Siam Makro was mainly due to the shift in the end consumer's preferences to coconut flavour.

12. FINANCIAL INFORMATION (CONT'D)**Other snack foods**

In FYE 2021, revenue from sales of other snack foods grew by 43.03% or RM3.41 million. This was mainly due to the following:

- Increase in revenue from the sales of baked and confectionery products by 70.82% or RM3.09 million. This was mainly due to the increase in revenue from the sales of Miyu chocolate snacks and biscuits by RM3.38 million derived mainly from sales to CP All.
- Commencement of sales of dried fruits namely Mina prunes and plums which recorded revenue of RM1.58 million derived mainly from sales to CP All.

The increase in revenue from sales of other snack foods was partially offset by the decrease in sales of other seeds and nuts by RM0.73 million mainly due to the decrease in sales of Pee Ree watermelon seeds and ChaCha daily mixed nuts.

(c) FPE 2022 compared to FPE 2021

Our total revenue decreased by RM19.00 million or 23.90% from RM79.51 million in FPE 2021 to RM60.51 million in FPE 2022. This was mainly due to the decrease in sales to Siam Makro, Big C, Mega Alliance and CP All by a total of RM25.36 million or 39.40%. The decrease was mainly due to the gradual easing of restrictions and upliftment of curfews from September 2021 up to June 2022 which led to our customers being cautious on their purchases from us in FPE 2022.. In contrast in FPE 2021, most COVID-19 restrictions in Thailand were implemented for 3 months which only commenced in April 2021 onwards when COVID-19 cases in Thailand started to rise. This included, among others, inter-provincial travel restrictions, implementation of curfews, as well as closure of non-essential retails and entertainment venues. The decrease in the above revenue was partly offset by the increase of sales to Valueplus by RM5.54 million or 55.47% compared to the corresponding period in 2021.

For further details of our revenue performance on a quarterly basis, please refer to Section 7.17.4 of this Prospectus.

Sunflower seeds

In FPE 2022, revenue from sales of sunflower seeds decreased by 25.15% or RM18.72 million. This was mainly due to the following:

- Decrease in revenue of ChaCha coconut flavour sunflower seeds by RM16.81 million mainly attributed to decrease in sales of three of these SKUs namely 18g, 35g and 95g packaging. The decrease was mainly due to lower sales to Siam Makro, Big C, CP All and Mega Alliance;
- Decrease in revenue from ChaCha 5-flavour sunflower seeds by RM2.64 million mainly due to decrease in sales of four of these SKUs namely 18g, 35g, 45g and 95g packaging. The decrease was mainly due to lower sales to CP All, Siam Makro, Big C, Mega Alliance and Valueplus; and
- Decrease in revenue from ChaCha Hickory nut flavour sunflower seeds by RM0.39 million mainly due to the decrease in sales of the 40g packaging.

The above-mentioned decrease in revenue of sunflower seeds was partially offset by the increase in revenue from sales of new flavours introduced in October 2021 such as coffee and red date flavour which contributed RM0.48 million and RM0.50 million in FPE 2022 respectively. There was no revenue from ChaCha coffee and red date flavour sunflower seeds in FPE 2021.

12. FINANCIAL INFORMATION (CONT'D)

Other snack foods

In FPE 2022, revenue from sales of other snack foods decreased by 5.63% or RM0.29 million. This was mainly due to the following:

- Decrease in revenue from sales of dried fruits namely our brand of Mina prunes and plums by RM0.58 million due to the discontinuation of the distribution of this product since March 2022 as we were in the midst of rebranding the product; and
- Decrease in revenue from sales of other seeds and nuts by RM0.35 million mainly due to decrease in sales of our brand of Pee Ree watermelon seeds and green peas, and ChaCha daily mixed nuts.

The decrease in revenue from sales of other snack foods was partially offset by the increase in sales of baked and confectionery products by 28.34% or RM0.82 million. This was mainly due to the increase from the sales of our brand of Miyu chocolate snacks and biscuits by RM0.76 million, and Cundo layer cakes by RM0.18 million derived mainly by sales to Valueplus that were offset by the decrease in revenue from sales of King Kong mixed nuts and dried fruit bar of RM0.12 million.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Segmental analysis by cost of sales****(i) Cost of sales by compositions**

The table below sets out the breakdown of our cost of sales:

Cost of sales	FYE 2019		Audited			
	FYE 2020		FYE 2021		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Material costs	40,590	83.45	79,429	95.70	96,365	97.80
Freight and forwarding costs	1,405	2.89	1,257	1.51	1,022	1.04
Depreciation of rights-of-use assets ("ROUA")	884	1.82	890	1.07	858	0.87
Packaging and paper material costs ⁽¹⁾	4,925	10.13	632	0.76	88	0.09
Others ⁽²⁾	833	1.71	792	0.96	202	0.20
Total	48,637	100.00	83,000	100.00	98,535	100.00

Cost of sales	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Material costs	52,964	98.04	45,644	97.45
Freight and forwarding costs	447	0.82	680	1.45
Depreciation of ROUA	441	0.82	420	0.90
Packaging and paper material costs ⁽¹⁾	62	0.11	23	0.05
Others ⁽²⁾	111	0.21	72	0.15
Total	54,025	100.00	46,839	100.00

All cost components above are direct cost related to cost of goods sold of our Group.

Notes:

- (1) Packaging and paper material costs include materials used at our warehouse for storage and delivery, and materials used for repackaging of damaged packaging, as well as paper and stationery used for promotional and administrative purposes;
- (2) Includes interest on lease liabilities, cost of cleaning materials, safety gear and warehouse fittings and wages for casual workers for loading and unloading. In FYE 2020, it also includes inventory written off.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Cost of sales by business activities and products**

The table below sets out the breakdown of our cost of sales by business activities and products:

Cost of sales	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Distribution of consumer packaged snack foods						
- Sunflower seeds	46,210	95.01	77,781	93.71	90,494	91.84
- Other snack foods	2,427	4.99	5,219	6.29	8,041	8.16
Total	48,637	100.00	83,000	100.00	98,535	100.00
Cost of sales	Unaudited		Audited			
	FPE 2021		FPE 2022			
	RM'000	%	RM'000	%		
Distribution of consumer packaged snack foods						
- Sunflower seeds	50,871	94.16	43,666	93.23		
- Other snack foods	3,154	5.84	3,173	6.77		
Total	54,025	100.00	46,839	100.00		

(a) Material costs

Material costs constituted the largest component in our cost of sales which accounted for 83.45% (RM40.59 million), 95.70% (RM79.43 million), 97.80% (RM96.37 million), 98.04% (RM52.96 million, and 97.45% (RM45.64 million) of our total cost of sales for the FYE 2019, FYE 2020, FYE 2021, FPE 2021 and FPE 2022 respectively. Material cost consists of the cost of consumer packaged snack food purchased.

For FYE 2020, our material costs increased by 95.69% or RM38.84 million which was in line with the increase in our revenue by 103.59% or RM60.91 million, mainly as a result of the increased sales of our consumer packaged snack foods to our major customers in FYE 2020 by RM64.54 million. For further information on the analysis of our revenue, please refer to Section 12.3.2 (i) (a) of this Prospectus.

For FYE 2021, our material costs increased by 21.32% or RM16.94 million which was in line with the increase in our revenue by 14.20% or RM17.00 million, mainly as a result of the increased sales of our sunflower seeds by RM13.60 million, and baked and confectionery products by RM3.09 million in FYE 2021. The increase in material costs is also partially due to the increase in our average purchase price of the majority of our consumer packaged snack foods including sunflower seeds by 2.15% arising from the upward price revision by our supplier, ChaCha Thailand. The reason for the upward price revision by ChaCha Thailand was due to increase in cost of raw materials, packaging materials and power. Generally, there is no fixed schedule for price revision, nevertheless, for the Financial Years and Period Under Review, there was a price revision by ChaCha in FYE 2021 and in FPE 2022, respectively.

12. FINANCIAL INFORMATION (CONT'D)

For FPE 2022, our material costs decreased by 13.82% or RM7.32 million mainly due to the decrease in our purchases of sunflower seeds by 15.60% or RM7.85 million. The decrease in purchases of sunflower seeds was attributed to lower sales of sunflower seeds in FPE 2022. For further information on the analysis of our revenue, please refer to Section 12.3.2 (i) (c) of this Prospectus.

(b) Freight and forwarding costs

Freight and forwarding costs refer to overseas freight costs and custom clearance charges relating to our import purchases of consumer packaged foods from China.

For FYE 2020, our freight and forwarding costs decreased by 10.53% or RM0.15 million mainly due to the decrease in freight and forwarding costs for imported ChaCha sunflower seeds by 50.67% or RM0.60 million. Our import purchases of ChaCha sunflower seeds from Jet Voyage in FYE 2020 decreased by 56.32% or RM20.28 million. Since August 2019, we shifted some of our purchases of ChaCha sunflower seed products from QiaQia's factory in China to domestic purchases directly from QiaQia's factory in Thailand.

In addition, the decrease in total freight and forwarding costs was partially offset by the increase in freight and forwarding cost for other imported snack foods by 214.03% or RM0.46 million. This was mainly due to the increase in purchases of other imported snack foods by 150.69% or RM3.07 million. This was mainly attributed to the new purchases of Cundo layer cakes and Miyu chocolate snacks, as well as increase purchases of Pee Ree watermelon seeds and green peas from China. The increase in freight and forwarding cost for other imported snack foods was also partially due to the increase in sea freight rates in FYE 2020 caused by the COVID-19 pandemic.

For FYE 2021, our freight and forwarding costs decreased by 18.70% or RM0.24 million mainly due to the decrease in freight and forwarding costs for imported ChaCha sunflower seeds by 49.95% or RM0.29 million. Our import purchases of ChaCha sunflower seeds from Jet Voyage in FYE 2021 decreased by 64.43% or RM10.14 million as we sourced more SKU of sunflower seeds from the QiaQia's factory in Thailand.

In addition, the decrease in total freight and forwarding costs was partially offset by the increase in freight and forwarding costs for other imported snack foods by 8.88% or RM0.06 million. This was mainly due to the increase in purchases of other imported snack foods by 59.99% or RM3.07 million mainly attributed to the purchases of Mina dried fruits, and Miyu chocolate snacks and biscuits. The increase in freight and forwarding cost for other imported snack foods was also partially due to the increase in sea freight rates in FYE 2021 caused by the COVID-19 pandemic.

For FPE 2022, our freight and forwarding costs increased by 52.13% or RM0.23 million mainly due to the higher sea freight rates incurred in FPE 2022 compared to FPE 2021 due to the Russia-Ukraine conflict, lockdowns in China and the threat of inflation (Source: *IMR Report*). Please refer to IMR Report in Section 8 of the Prospectus for further details on sea freight rates.

(c) Depreciation of ROUA

Depreciation of ROUA refers to the depreciation on our distribution facility and motor vehicles. The depreciation of ROUA was RM0.88 million (1.82%), RM0.89 million (1.07%), RM0.86 million (0.87%), RM0.44 million (0.82%) and RM0.42 million (0.90%) of our total cost of sales for the FYE 2019, FYE 2020, FYE 2021, FPE 2021 and FPE 2022 respectively.

12. FINANCIAL INFORMATION (CONT'D)**(d) Packaging and paper material costs**

Packaging and paper material costs include materials used at our warehouse for storage and delivery, and materials used for repackaging of damaged packaging, as well as paper and stationery materials used for promotional and administrative purposes.

Packaging materials include paper cartons, plastic wraps for pallets, plastic and air bubble bags, clear tape, and pallets.

Paper and stationery materials include marketing brochures for promotional purposes.

In FYE 2020, the packaging and paper material costs decreased by 87.17% or RM4.29 million mainly due to the lesser rectification works on the damaged packaging cartons of ChaCha sunflower seeds imported from China. In FYE 2019, we incurred a cost of RM4.93 million mainly to purchase packaging materials to rectify all the palletised cartons that were damaged during shipment from China to Thailand. It also includes paper and stationery materials such as marketing brochures for promotional purposes.

In FYE 2021, the packaging and paper material costs decreased by 86.08% or RM0.54 million mainly due to the lesser rectification works on the packaging of imported snack foods. In addition, our imports of ChaCha's products from China has been decreasing as we started to source the bulk of the SKU of sunflower seeds from the QiaQia's factory in Thailand.

In FPE 2022, the packaging and paper material costs decreased by 62.90% or RM0.04 million mainly due to less rectification works on the packaging of imported snack foods due to lower imports of ChaCha sunflower seeds from China. Our imports from China were replaced by purchases from QiaQia's factory in Thailand.

(e) Other costs

Other costs consist of interest on lease liabilities, cost of cleaning materials and services, safety gear and warehouse fittings and wages for casual workers for loading and unloading. In FYE 2020, it also includes inventory written off.

In FYE 2020, other costs decreased by 4.92% or RM0.04 million mainly due to the decrease in expenses on cleaning materials and services from RM0.48 million in FYE 2019 to approximately RM1,000 in FYE 2020. The cleaning materials and services in FYE 2019 was mainly due to cost incurred for cleaning and preparation works for our cleanroom with the initial intention to undertake break bulking and repackaging of sunflower seeds, however it was subsequently not materialised. This includes floor epoxy coating and cleaning of our packing machine. We also carried out pest control works in FYE 2019 as we recently moved into our distribution centre in 2018. This was partially offset by the recognition of cost for inventory written off in FYE 2020 amounting to RM0.54 million arising from the destruction of expired snack foods including PeeRee salted pumpkin seeds and salted peanuts, PeeRee watermelon seeds, PeeRee sunflower kernels and ChaCha sunflower seeds.

In FYE 2021, other costs decreased by 74.49% or RM0.59 million as there was no inventory written off during the financial year. The decrease was also attributed to lower interest on lease liabilities by RM0.07 million.

In FPE 2022, other costs decreased by 35.14% or RM0.04 million mainly due to the decrease in interest on lease liabilities by RM0.05 million.

12. FINANCIAL INFORMATION (CONT'D)

12.3.4 Segmental analysis by GP and GP margin

(i) GP and GP margin by business activities and products

	FYE 2019			Audited FYE 2020			FYE 2021		
	GP	% of	GP	GP	% of	GP	GP	% of	GP
	RM'000	total GP	margin (%)	RM'000	total GP	margin (%)	RM'000	total GP	margin (%)
GP and GP margin									
Distribution of consumer packaged foods									
- Sunflower seeds	9,895	97.37	17.64	34,010	92.66	30.42	34,892	91.41	27.83
- Other snack foods	267	2.63	9.91	2,696	7.34	34.06	3,280	8.59	28.97
Total	10,162	100.00	17.28	36,706	100.00	30.66	38,172	100.00	27.92
	Unaudited FPE 2021			Audited FPE 2022					
GP and GP margin	GP	% of	GP	GP	% of	GP			
	RM'000	total GP	margin (%)	RM'000	total GP	margin (%)			
Distribution of consumer packaged foods									
- Sunflower seeds	23,558	92.44	31.65	12,047	88.13	21.62			
- Other snack foods	1,928	7.56	37.94	1,623	11.87	33.84			
Total	25,486	100.00	32.05	13,670	100.00	22.59			

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12. FINANCIAL INFORMATION (CONT'D)

(a) FYE 2020 compared to FYE 2019

Our total GP increased by 261.21% or RM26.54 million to RM36.71 million in FYE 2020. Our total GP margin also increased from 17.28% in FYE 2019 to 30.66% in FYE 2020. This was mainly due to the following:

Sunflower seeds

Our GP from the sales of sunflower seeds increased by 243.71% or RM24.12 million while GP margin improved from 17.64% in FYE 2019 to 30.42% in FYE 2020. The increase in GP which is in tandem with the increase in our revenue from sunflower seeds by 99.25% in FYE 2020 mainly contributed by higher sales of the ChaCha coconut flavour and 5-flavour sunflower seeds. Please refer to Section 12.3.2(i)(a) of this Prospectus for further details on our revenue performance.

The improvement in the GP margin from 17.64% in FYE 2019 to 30.42% in FYE 2020 was mainly due to the following:

- higher sales volume enabled us to achieve lower unit fixed cost and unit packaging cost for FYE 2020 where the sales volume of sunflower seeds increased by 92.32% while the fixed costs, such as depreciation on ROUA and interest on lease liabilities under cost of sales, decreased by 1.41%.
- packaging and paper material costs decreased by 87.17% or RM4.29 million in FYE 2020 mainly due to lesser rectification works on the damaged packaging cartons of ChaCha sunflower seeds imported from China as we increased its domestic purchases from the factory in Thailand. As a result, this contributed to the improvement in our GP margin.
- also partly contributed by GP margin derived from sales of new high margin SKU of 180g packaging of ChaCha coconut flavour sunflower seeds to CP All.

Other snack foods

Our GP from other snack foods increased by 909.74% or RM2.43 million in FYE 2020 and GP margin improved from 9.91% in FYE 2019 to 34.06% in FYE 2020.

The increase in GP was in line with the increase in our revenue from the sales of other snack foods by 193.80% arising from the commencement of sales of new baked and confectionery products, crispy fish snacks, rice puffs and pretzels, as mentioned above.

There was an improvement in the GP margin for other snack foods from 9.91% in FYE 2019 to 34.06% in FYE 2020. This was mainly contributed by the commencement of sales of high margin baked and confectionery products and other snack foods such as crispy fish snacks, rice puffs and pretzels. In addition, the improvement in GP margin was partly attributed to a higher sales volume which enabled us to achieve lower unit fixed cost and unit packaging cost for FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**(b) FYE 2021 compared to FYE 2020**

Our total GP increased by 3.99% or RM1.47 million to RM38.17 million in FYE 2021. Meanwhile, our total GP margin decreased from 30.66% in FYE 2020 to 27.92% in FYE 2021. This was mainly due to the following:

Sunflower seeds

Our GP from the sales of sunflower seeds increased by 2.59% or RM0.88 million while GP margin decreased from 30.42% in FYE 2020 to 27.83% in FYE 2021. The increase in GP was in tandem with the increase in our revenue from sunflower seeds by 12.16% arising particularly from the 'ChaCha' coconut flavour sunflower seeds. Please refer to Section 12.3.2(i)(b) of this Prospectus for further details on our revenue performance.

The decrease in the GP margin from 30.42% in FYE 2020 to 27.83% in FYE 2021 was mainly due to the increase in the average unit purchase price of ChaCha sunflower seeds by approximately 2.15% where the price of products was revised upward by our supplier, ChaCha Thailand.

Consequently, we managed to pass some of the increase in cost to all wholesaler customers. However, for the major retailer customers which has a pre-determined profit margin for themselves, we continued to maintain our selling prices of the ChaCha sunflower seeds in FYE 2021 as well as continue to maintain the final retail selling prices to the Thailand market (which are determined by us under the guidance of QiaQia) to maintain our competitiveness. As such, this affected our GP margin in FYE 2021.

Other snack foods

Our GP from other snack foods increased by 21.66% or RM0.58 million in FYE 2021 and GP margin decreased from 34.06% in FYE 2020 to 28.97% in FYE 2021. The increase in GP was in tandem with the increase in our revenue from the sales of other snack foods by 43.03% arising from the increase in sales of baked and confectionery products, as well as the sales of dried fruits in FYE 2021.

The decrease in the GP margin from 34.06% in FYE 2020 to 28.97% in FYE 2021 was mainly due to the increase in the average unit purchase price of some of the other snack products such as ChaCha mixed nuts by 11.39%, Cundo chocolate by 11.08% and milk flavour layer cake by 6.78%, Miyu strawberry chocolate cone by 13.79%, Pee Ree green peas by 10.59% and watermelon seeds by 23.72%.

The increase in the unit purchase price of some of the other snack products was due to the upward price revision by our suppliers. However, we continued to maintain our selling prices of these snack foods to our customers in FYE 2021 as well as the final retail selling prices to the Thailand market (which are determined by us), thus affecting our GP margin for other snack foods.

(c) FPE 2022 compared to FPE 2021

Our total GP decreased by 46.36% or RM11.82 million from RM25.49 million in FPE 2021 to RM13.67 million in FPE 2022. Our total GP margin also decreased from 32.05% in FPE 2021 to 22.59% in FPE 2022. This was mainly due to the following:

12. FINANCIAL INFORMATION (CONT'D)**Sunflower seeds**

Our GP from the sales of sunflower seeds decreased by 48.86% or RM11.51 million while GP margin decreased from 31.65% in FPE 2021 to 21.62% in FPE 2022. The decrease in GP was mainly due to the decrease in revenue from sunflower seeds by 25.15% or RM18.72 million attributed to the lower sales to certain major customers. Please refer to Section 12.3.2(i)(c) of this Prospectus for further details on our revenue performance. In addition, the decrease in GP was also contributed by higher material costs arising from an increase in purchase price of ChaCha sunflower seeds. This was reflected in the proportion of the cost of sales of sunflower seeds against revenue of 78.38% for FPE 2022 compared to 68.35% for FPE 2021. Our supplier, ChaCha Thailand increased the price of ChaCha sunflower seeds in the second half of 2021 by approximately 11%, as well as another price hike in the first half of 2022 in April 2022 by approximately 4%. ChaCha Thailand also informed that the reason for the upward price revision by ChaCha Thailand was mainly due to increases in cost of raw materials, packaging materials and energy cost.

As a result of the increase in the purchase price of ChaCha sunflower seeds, our GP margin for sunflower seeds decreased from 31.65% in FPE 2021 to 21.62% in FPE 2022. Our Group decided to absorb the increase in cost and maintained the selling prices of ChaCha sunflower seeds to customers, as well as the final retail selling prices to the Thailand market to maintain competitiveness. As such, this affected our GP margin in FPE 2022.

Other snack foods

Our GP from sales of other snack foods decreased by 15.82% or RM0.31 million in FPE 2022 while our GP margin decreased from 37.94% in FPE 2021 to 33.84% in FPE 2022. The decrease in GP was attributed to the decrease in revenue by 5.63% or RM0.29 million in FPE 2022 arising from lower sales of our brands of Mina dried fruits, Pee Ree watermelon seeds and Pee Ree green peas in FPE 2022.

The decrease in the GP margin from 37.94% in FPE 2021 to 33.84% in FPE 2022 was mainly due to the increase in the average unit purchase price of the other snack products in FPE 2022 such as Miyu chocolate cone original flavour by 58% and strawberry flavour by 7%, Miyu biscuit cream chocolate and milk flavour by 7%, Pee Ree watermelon seeds by 45% and green peas by 9%, and Cundo layer cakes milk flavour by 16% and double berry flavour by 23%.

The increase in the unit purchase price of other snack products was mainly due to weakening of THB against USD coupled with the upward price revision by some of our suppliers between April 2021 and June 2022. All our purchases of other snack products are imported from China and denominated in USD and as such, the weakening of THB against USD in FPE 2022 by approximately 9% compared to FPE 2021 resulted to a higher purchase cost in FPE 2022. Consequently, our Group decided to absorb the increase in cost and maintained the selling prices of other snack foods to customers, as well as the final retail selling prices to the Thailand market to maintain competitiveness. As such, this affected our GP margin in FPE 2022.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.5 Other operating income**

The table below presents the breakdown of our other operating income:

Other operating income	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of other investments	-	-	-	-	971	69.51
Dividend income	-	-	403	78.10	314 ⁽⁴⁾	22.48
Realised gain on foreign exchange	208	99.05	94	18.22	16	1.14
Others	2 ⁽¹⁾	0.95	19 ⁽²⁾	3.68	96 ⁽³⁾	6.87
Total	210	100.00	516	100.00	1,397	100.00

Other operating income	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Realised and unrealised gain on foreign exchange	63	16.28	633	95.05
Dividend income	322 ⁽⁴⁾	83.20	-	-
Others	2 ⁽⁵⁾	0.52	33 ⁽⁶⁾	4.95
Total	387	100.00	666	100.00

Notes:

- (1) Comprised interest income
(2) Comprised sundry income and interest income
(3) Comprised reimbursement from the Government on cost incurred on COVID-19 related expenses, interest income and one-off motor vehicle rental income from our customer.
(4) Dividend income received from Mega Alliance totalling THB2.42 million converted at an average exchange rate of THB100 = RM12.9491 for FYE 2021 and THB100 = RM13.2929 for FPE 2021, respectively.
(5) Comprised interest income and one-off motor vehicle rental income.
(6) Comprised reimbursement from the Government on cost incurred on COVID-19 related expenses and interest income.

FYE 2020 compared to FYE 2019

In FYE 2020, other operating income increased by 145.71% or RM0.31 million mainly due to the dividend income received of RM0.40 million from a former associate company namely Mega Alliance in March 2020.

The increase in other operating income was partially offset by the decrease in realised gain on foreign exchange by RM0.11 million in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

In FYE 2021, other operating income increased by 170.74% or RM0.88 million mainly due to the gain on the disposal of other investments mainly from the disposal of Valueplus of RM0.97 million, as well as dividend income received from Mega Alliance of RM0.31 million in April 2021.

In FYE 2021, we also received a reimbursement from the Government on cost incurred on COVID-19 related expenses which amounted to RM0.09 million.

FPE 2022 compared to FPE 2021

In FPE 2022, other operating income increased by 72.09% or RM0.28 million mainly due to the increase in realised and unrealised gain on foreign exchange by RM0.57 million.

The increase in other operating income was partially offset by the decrease in dividend income received. In FPE 2021, we received dividend income from Mega Alliance of RM0.32 million while in FPE 2022, there were no dividend income received as we divested our equity interest in Mega Alliance in February 2021.

12.3.6 Selling and administrative expenses and net (loss)/gain on impairment of financial instruments

The table below presents the breakdown of our selling and distribution expenses and net (loss)/gain on impairment of financial instruments:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
<u>Selling and administrative expenses</u>						
Advertising and promotional expenses	1,755	40.69	7,760	52.38	9,148	45.24
Staff related costs ⁽¹⁾	1,108	25.69	2,114	14.27	3,906	19.32
Travelling and transportation costs	816	18.92	1,528	10.31	2,438	12.06
Professional fees	27	0.63	2,044	13.80	2,218	10.97
Sales commission	234	5.43	621	4.19	564	2.79
Depreciation expenses	158	3.66	392	2.65	483	2.39
Others ⁽²⁾	215	4.98	356	2.40	1,462	7.23
Total selling and administrative expenses	4,313	100.00	14,815	100.00	20,219	100.00
Net (loss)/gain on impairment of financial instruments	-		(229)		18	

12. FINANCIAL INFORMATION (CONT'D)

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Selling and administrative expenses				
Advertising and promotional expenses	5,732	55.15	3,352	32.44
Staff related costs ⁽¹⁾	1,538	14.80	2,290	22.16
Travelling and transportation costs	1,313	12.63	1,055	10.21
Professional fees	186	1.79	2,507	24.26
Sales commission	358	3.45	283	2.74
Depreciation expenses	240	2.31	332	3.21
Others ⁽²⁾	1,026	9.87	515	4.98
Total selling and administrative expenses	10,393	100.00	10,334	100.00
Net gain/(loss) on impairment of financial instruments	63		(59)	

Notes:

- (1) Includes staff salaries and allowances, overtime, bonuses, employee contributions and other related expenses.
- (2) Includes mainly expenses for a charitable donation, bank charges, insurance, food and beverage, printing and stationery, stamp duty and withholding tax, rental and utilities. In FYE 2021 and FPE 2021, it includes settlement fees paid to Mega Alliance, a former associate company.

FYE 2020 compared to FYE 2019

In FYE 2020, our selling and administrative expenses increased by 243.50% or RM10.50 million which was mainly due to the following:

- increase in advertising and promotional expenses by 342.17% or RM6.01 million. This was mainly attributed to the increase in advertisement and promotion expenses paid to Siam Makro, CP All and Big C from RM1.74 million in FYE 2019 to RM7.41 million in FYE 2020. This included expenses in participating sales and promotion periods, stamp redemption programme and loyalty programme, as well as entrance fees for introduction of new SKU in these customers stores.
- increase in professional fee by RM2.02 million mainly a one-off consulting fee of RM1.43 million paid to a Malaysian consulting company to advise Bai Li Enterprise of a potential listing on Bursa Securities, as well as fees totalling RM0.57 million paid to He Haibin, our Promoter and Specified Shareholder, for the provision of consultancy services for exploring potential new market in China and commission for exploring potential new products and new customers in Singapore. For further details, please refer to Section 10.1 of the Prospectus.
- increase in staff-related costs by 90.79% or RM1.01 million mainly due to the increase in salaries attributed to the increase in the number of employees from 39 in FYE 2019 to 51 in FYE 2020, as well as the commencement of accommodation and mobilisation allowances paid to employees from September 2020.
- increase in travelling and transportation costs by 87.25% or RM0.71 million in line with the increase in our sales volume and delivery of goods to customers.

12. FINANCIAL INFORMATION (CONT'D)

- increase in sales commission paid to our sales & marketing employees by 165.38% or RM0.39 million in line with the increase in our revenue.

In FYE 2020, there was net loss on the impairment loss on financial instruments namely trade receivables of RM0.23 million based on the expected credit loss (“ECL”) computation under MFRS 9. The amount of ECL was assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables. No expected credit loss allowance is recognised arising from trade receivables as at 31 December 2019 as the amount was negligible.

FYE 2021 compared to FYE 2020

In FYE 2021, our selling and administrative expenses increased by 36.49% or RM5.41 million which was mainly due to the following:

- increase in advertising and promotional expenses by 17.89% or RM1.39 million. This was mainly attributed to the increase in advertisement and promotion expenses paid to Big C from RM1.14 million in FYE 2020 to RM2.76 million in FYE 2021. The increase in advertisement and promotion expenses paid to Big C was in line with the increase in revenue derived from Big C from RM5.72 million in FYE 2020 to RM 13.65 million in FYE 2021.
- increase in staff-related costs by 84.77% or RM1.79 million mainly due to the increase in salaries attributed to the increase in the number of employees from 51 in FYE 2020 to 65 in FYE 2021, as well as an increase in accommodation and mobilisation allowances paid to employees in FYE 2021.
- increase in travelling and transportation costs by 59.55% or RM0.91 million mainly due to the increase in our sales volume and delivery of goods to customers.
- increase in professional fees to RM2.22 million mainly due to fees incurred amounting to RM1.43 million to professionals for our IPO corporate exercise.
- increase in other selling and administrative expenses by RM1.11 million mainly due to settlement fees paid to Mega Alliance totalling RM0.45 million which was initiated by us for the efforts undertaken in the past for the establishment of the traditional market channel for the Group’s products. The increase was also attributed to increase in charitable donations by RM0.26 million for our snack foods to government agencies, hospitals and schools.

FPE 2022 compared to FPE 2021

In FPE 2022, our selling and administrative expenses increased by 0.57% or RM0.06 million mainly due to the following:

- increase in professional fees by RM2.32 million mainly due to fees incurred amounting to RM2.50 million to professionals for our IPO corporate exercise.
- increase in staff related costs by RM0.75 million mainly due to the increase in directors’ and key senior management’s salaries by RM0.21 million, commencement of salaries paid to certain key senior management totalling RM0.68 million as well as increase in the number of employees from 63 in FPE 2021 to 72 in FPE 2022. This was partially offset by the decrease in mobilisation allowances paid to employees in FPE 2022.

12. FINANCIAL INFORMATION (CONT'D)

The increase in the selling and administrative expenses was partially offset mainly by the decrease in the following expenses:

- decrease in advertising and promotional expenses by RM2.38 million. This was mainly due to the decrease in advertisement and promotion expenses paid to Siam Makro by RM1.53 million and Big C by RM1.21 million which was in line with the decrease in revenue derived from Siam Makro and Big C by RM10.69 million and RM7.01 million, respectively;
- decrease in other selling and administrative expenses by RM0.51 million mainly due to the absence of one-off settlement fees paid to Mega Alliance. In FPE 2021, we paid RM0.45 million to Mega Alliance for efforts undertaken in the past for the establishment of the traditional market channel for our Group's products, while there were no fees paid in FPE 2022; and
- decrease in travelling and transportation costs by RM0.26 million in line with the decrease in our sales volume and delivery of goods to customers.

12.3.7 Finance costs

The table below presents the breakdown of our finance costs:

Finance costs	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- Borrowings ⁽¹⁾	182	54.01	116	58.00	206	77.15
- Lease liabilities	33	9.79	84	42.00	61	22.85
- Others ⁽²⁾	122	36.20	-	-	-	-
Total	337	100.00	200	100.00	267	100.00

Finance costs	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Interest expenses on:				
- Borrowings ⁽¹⁾	87	71.31	145	82.86
- Lease liabilities	35	28.69	30	17.14
- Others	-	-	-	-
Total	122	100.00	175	100.00

Notes:

- (1) Interest charge arising from loans from banks and related parties namely Good Partner Holdings Pte. Ltd. and He Haibin. Please refer to Section 10.1 of this Prospectus for details of related party transactions.
- (2) Interest charge arising from the security deposit paid on behalf by Piggy Technology Pte. Ltd. The security deposit was paid to Jet Voyage Enterprise Limited in FYE 2019 due to outstanding amounts owing to QiaQia. The security deposit paid to Jet Voyage of RM1.89 million was paid and refunded by Bai Li Enterprise to Piggy Technology Pte. Ltd. within the same year in FYE 2019. Please refer to Section 10.1 of this Prospectus for details of related party transaction.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2020 compared to FYE 2019**

For FYE 2020, our finance costs decreased by 40.65% or RM0.14 million mainly due to the decrease in interest charge on security deposit paid on behalf by Piggy Technology Pte. Ltd. by RM0.12 million as well as interest charge on loans from Good Partner Holdings Pte. Ltd. and He Haibin by RM0.05 million as the security deposit and loans, respectively, has been fully repaid in FYE 2020.

Additionally, we incurred lower interest on our loans from banks due to utilisation of banking facilities with lower interest rates.

FYE 2021 compared to FYE 2020

For FYE 2021, our finance costs increased by 33.50% or RM0.07 million mainly due to the increase in the utilisation of our revolving credit for working capital purposes.

FPE 2022 compared to FPE 2021

For FPE 2022, our finance costs increased by 43.44% or RM0.05 million mainly due to the increase in the utilisation of our invoice financing and revolving credit for working capital purposes.

12.3.8 PBT, PAT and Taxation

The table below presents our PBT, PAT and effective tax rate:

	<u>Audited</u>			<u>Unaudited</u>	<u>Audited</u>
	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2021</u>	<u>FPE 2022</u>
PBT (RM'000)	5,722	21,978	19,101	15,421	3,886
PBT margin (%)	9.73	18.36	13.97	19.39	6.42
Tax expense (RM'000)	1,567	6,219	3,697	3,047	1,745
Effective tax rate (%)	27.39	28.30	19.36	19.76	44.90
Statutory tax rate (%)	20.00	20.00	20.00	20.00	20.00
PAT (RM'000)	4,154	15,759	15,403	12,374	2,141
PAT margin (%)	7.06	13.16	11.27	15.56	3.54

FYE 2020 compared to FYE 2019

Our PBT increased by 284.10% or RM16.26 million in FYE 2020, which was in line with the increase in our revenue and GP for the FYE 2020. This was mainly contributed by the increase in customer orders from major retailer customers, as well as the introduction of new product range and new SKU. For further information on the analysis of our revenue, please refer to Section 12.3.2 (a) of this Prospectus.

Our PBT margin increased from 9.73% in FYE 2019 to 18.36% in FYE 2020 which was in line with the improvement in GP margin from 17.28% in FYE 2019 to 30.66% in FYE 2020, as mentioned above.

For the FYE 2020, our tax expenses were RM6.22 million which was higher compared to the previous financial year. This was a result of the overall increase in our revenue and PBT.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2019 and FYE 2020, our effective tax rate is 27.39% and 28.30% respectively, which was higher than the statutory tax rate in Thailand of 20%. The higher effective tax rates were mainly due to tax effects of origination of temporary differences on undistributed retained earnings of combined entities of RM0.41 million for FYE 2019 and RM1.75 million for FYE 2020. In accordance with Section 70 of Thai Revenue Code, dividends paid to holding companies incorporated under foreign laws and not carrying on business in Thailand are subject to a withholding tax at the rate of 10% of the distributed amount. For further details, please refer Note 6.15(b) of the Accountants' Report set out in Section 13 of this Prospectus.

FYE 2021 compared to FYE 2020

Our PBT decreased by 13.09% or RM2.88 million in FYE 2021 which was mainly due to the higher rate of increase in selling and administrative expenses by 36.49% or RM5.41 million compared to the increase in GP by 3.99% or RM1.47 million.

The higher rate of increase in selling and administrative expenses was mainly due to the increase in staff-related costs by RM1.79 million, advertising and promotional expenses by RM1.39 million, travelling and transportation costs by RM0.91 million, as well as professional fees and expenses incurred in relation to the Listing amounting to RM1.43 million, which is non-recurring in nature.

The lower rate of increase in the GP was largely due to the increase in our purchase price of sunflower seeds and other snack foods from our suppliers which was not passed on to our customers.

Our PBT margin decreased from 18.36% in FYE 2020 to 13.97% in FYE 2021 which was in line with the decrease in GP margin from 30.66% in FYE 2020 to 27.92% in FYE 2021 as well as the reasoning as explained above. The decrease in GP margin was mainly due to the increase in purchase prices of sunflower seeds and other snack foods, as mentioned above.

For the FYE 2021, our tax expenses were RM3.70 million which was lower compared to the previous financial year, due to the decrease in our PBT.

For FYE 2021, our effective tax rate is 19.36%, which was lower than the statutory tax rate in Thailand of 20%. The lower effective tax rate for FYE 2021 was mainly due to tax effects of (i) origination of temporary differences on undistributed retained earnings of combined entities of RM1.65 million and (ii) crystallisation of withholding tax on dividends paid of RM2.82 million. The said crystallisation of withholding tax on dividends paid arose due to dividends totalling RM22.82 million paid in FYE 2021 by Bai Li Enterprise. For further details, please refer Note 6.15(b) of the Accountants' Report set out in Section 13 of this Prospectus.

FPE 2022 compared to FPE 2021

Our PBT decreased by 74.80% or RM11.54 million in FPE 2022 which was due to the decrease in our revenue by 23.90% or RM19.00 million and GP by 46.36% or RM11.82 million for the FPE 2022. Please refer to Section 12.3.2(i)(a) and Section 12.3.4(i)(c) of this Prospectus for further details on our revenue and GP performance in FPE 2022, respectively.

Our PBT margin decreased from 19.39% in FPE 2021 to 6.42% in FPE 2022 which was mainly due to the decrease in GP margin from 32.05% in FPE 2021 to 22.59% in FPE 2022, attributed to the increase in purchase price of our sunflower seeds and other snack foods in FPE 2022. The lower PBT margin in FPE 2022 was also due to the higher percentage of selling and administrative expenses of 17.08% against total revenue in FPE 2022 compared to 13.07% against total revenue in FPE 2021, due to the increase in professional fees mainly for our IPO corporate exercise by RM2.32 million in FPE 2022.

For the FPE 2022, our tax expenses were RM1.75 million which was lower compared to the previous financial period, due to the decrease in our PBT.

12. FINANCIAL INFORMATION (CONT'D)

For FPE 2022, our effective tax rate is 44.90%, which is higher than the statutory tax rate in Thailand of 20%. The higher effective tax rate for FPE 2022 was mainly due to origination of temporary differences on undistributed retained earnings of combined entities of RM0.48 million and higher non-allowable expenses of RM0.47 million as there was no taxable income for our investment holding company (i.e., Wellspire), therefore the expenses incurred at Wellspire company level are not allowed for tax deduction.

12.3.9 Significant factors materially affecting our operations and financial results

Significant factors affecting our business include, but are not limited to, the following:

(i) We are dependent on our distributor agreement for ChaCha sunflower seeds and nuts

We are dependent on our principal namely QiaQia for the distribution of ChaCha sunflower seeds and nuts in Thailand. Our revenue derived from the sales of ChaCha sunflower seeds and nuts accounted for RM56.11 million (96.11%), RM112.24 million (93.76%), RM125.57 million (91.86%) and RM55.80 million (92.21%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

As at the LPD, our subsidiary, Bai Li Enterprise, has an exclusive Distributor Agreement with QiaQia which is valid for 1 year, commencing from 1 January 2022 to 31 December 2022, and renewable yearly by QiaQia. A Distributor Supplementary Agreement has also been entered into with QiaQia in respect of the sales incentive plan on 13 May 2022. We have a long-standing relationship with QiaQia Group for the past 10 years (i.e., since year 2012) and have been an exclusive distributor of QiaQia since 1 January 2013. However, there is no assurance that we would be able to maintain our business relationships if we are unable to fulfil our obligations as an exclusive distributor.

If we are unable to meet our obligations under the Distributor Agreement and Distributor Supplementary Agreement, there is a risk that we would lose our distributorship of ChaCha sunflower seeds and nuts. Please refer to Section 7.20.1 of this Prospectus for the salient terms of the Distributor Agreement and Distributor Supplementary Agreement. Any termination or non-renewal of our Distributor Agreement will adversely affect our business and financial performance. In addition, there is no assurance that our Distributorship Agreement will be renewed even if we meet all our distributorship requirements.

For further details on risk factors, please refer to Section 9.1.1 of this Prospectus.

(ii) We are dependent on a group of major customers and any disruption or loss of these customers may affect our financial performance

We are and continue to be dependent on a group of major customers, namely CP All, Siam Makro and Ek-Chai Distribution (“CP All Group”) as well as Valueplus. CP All have shareholdings in Siam Makro and Ek-Chai Distribution. Collectively, the CP All Group accounted for 82.98%, 75.26%, 66.31% and 63.76% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. CP All was our largest customer having accounted for 71.40%, 49.79%, 40.97% and 44.55% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

Valueplus accounted for 17.46% and 25.61% of our total revenue for FYE 2021 and FPE 2022, respectively. Our access to traditional market is through sales to our customer Valueplus that mainly serves the traditional market. If we were to lose Valueplus it would affect our access to the traditional market until such time we secure customers that serve the traditional market. As such, any material reduction or disruption in purchases or termination of business relationship from Valueplus will adversely affect our business and financial performance.

12. FINANCIAL INFORMATION (CONT'D)

As we operate based on purchase orders which are typically issued by our customers at their discretion, there can be no assurance that purchase orders will continue to be issued. As such, any reduction or disruption in purchases or termination of business relationship from CP All Group will adversely affect our business and financial performance.

For further details on risk factors, please refer to Section 9.1.2 of this Prospectus.

(iii) **Our Group is dependent on a single product, sunflower seeds, and QiaQia Group as a single supplier for the sunflower seeds**

As stated in Section 7.5.2 of this Prospectus, our Group's revenue derived from the sales of ChaCha sunflower seeds accounted for RM56.11 million (95.42%), RM111.79 million (93.39%), RM125.39 million (91.72%) and RM55.71 million (92.07%) for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

Sunflower seeds is a snack product and a non-essential food item. As such, any reduction in the demand for snack foods particularly sunflower seeds may adversely affect our business and financial conditions. Some of the factors that may affect the demand of sunflower seeds as a snack food include, reduction in discretionary income, increase in inflation rate which reduces consumer spending on non-essential food items, changes in consumer tastes and preferences, and increased popularity of other snack foods as substitutes.

Furthermore, as stated in Sections 7.19, 7.20 and 9.1.1 of this Prospectus, we are dependent on our principal, QiaQia, for the supply of and exclusive distributorship we have for the ChaCha brand sunflower seeds and nuts in Thailand. Please refer to Section 7.20.1 of this Prospectus for the salient terms of the Distributor Agreement and Distributor Supplementary Agreement.

Notwithstanding our long track record and relationship with QiaQia Group for approximately 10 years since 2012, there is no assurance that QiaQia Group will continue to appoint us as its exclusive distributor or supply the ChaCha brand sunflower seeds and nuts to our Group.

As at the LPD, our subsidiary, Bai Li Enterprise, has an exclusive Distributor Agreement with QiaQia which is valid for 1 year, commencing from 1 January 2022 to 31 December 2022, and renewable yearly by QiaQia.

In the event that our Distributor Agreement is not renewed, our revenue derived from the sales of ChaCha sunflower seeds which accounted for 95.42%, 93.39%, 91.72% and 92.07% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively will be adversely affected. As our dependency on our exclusive Distributor Agreement with QiaQia affects at least 90% of our total revenue for the Financial Years and Period Under Review, we may not be able to promptly replace a substantial portion of our revenue derived from our Distributor Agreement with QiaQia.

Although we have plans to expand our range of products to include other types and brands of snack foods to reduce our reliance on ChaCha brand of sunflower seeds, however, in the event we are unable to reduce the reliance on ChaCha brand of sunflower seeds and unable to expand our product range, we will continue to be dependent on sunflower seeds as a single product for our Group.

In the event we are unable to continue the sale of the ChaCha brand sunflower seeds or unable to procure supply of the ChaCha brand sunflower seeds from QiaQia Group, it would have a material adverse effect on our Group's financial performance and profitability.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Impact of increases in the costs for the supply of our consumer packaged foods**

We face risks in increases in our cost for the supply of our consumer packaged foods which may adversely affect our financial performance. The increase in our cost may arise from price increases of consumer packaged foods from our suppliers as well as costs of transportation.

Cost increases will eventually require us to increase our selling prices, which may reduce our competitiveness. This would affect our ability to secure new orders from our customers which may affect our revenue and business growth. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

In FYE 2021 and FPE 2022, we experienced an increase in our purchase price of most of our consumer packaged foods from our suppliers including ChaCha sunflower seeds and mixed nuts, Cundo layer cake, Miyu chocolate cone, Pee Ree green peas and watermelon seed. Consequently, we managed to pass some of the increase in cost to wholesaler customers. However, for our major retailer customers, we continued to maintain the selling prices of most of our consumer packaged foods, including ChaCha sunflower seeds. As such, this affected our profitability in FYE 2021 and FPE 2022 where our Group's GP margin decreased from 30.66% in FYE 2020 to 27.92% in FYE 2021 and 22.59% in FPE 2022. Correspondingly, this affected our PBT margin where it decreased from 18.36% in FYE 2020 to 13.97% in FYE 2021 and 6.42% in FPE 2022. Please refer to Section 12.3.4 and Section 12.3.8 of this Prospectus for further details on our GP and PBT margins.

In the event we are unable to pass on any of the future cost increases to our customers or if we are unable to do so in a timely manner where we have to absorb the increase in the cost of our consumer packaged foods, this would adversely affect our profitability and financial performance.

For further details on risk factors, please refer to Section 9.1.3 of this Prospectus.

(v) Outbreaks of epidemics or pandemics

Our business is focused on the consumer market where purchases of our snack food products, are mainly through retail outlets. In the event of an epidemic or pandemic such as the COVID-19, retail outlets selling our products may be required to close, certain areas subjected to lockdown, entertainment outlets such as cinemas where our products are consumed are closed, and social gatherings discouraged we may experience dropped in the sales and consumption of our products. This will adversely affect our financial performance.

For further details on the risk factors, please refer to Section 7.17 and Section 9.1.9 of this Prospectus.

(vi) Impact on foreign currency exchange rate fluctuations

Our Company's reporting currency is in RM whilst the reporting currency of our Group's subsidiaries, namely Vine Growth Holdings, Bai Li Holdings, Bai Li Enterprise and Keymall Retail are prepared in THB. If the THB depreciates against the RM, our Group's reported financial results may be affected.

In addition, some of our purchases of snack foods are imported and denominated in foreign currency, namely USD. For the Financial Years and Period Under Review, approximately 93.09%, 25.63%, 13.74% and 8.23% of our purchases in FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively, was denominated in USD. As all our revenue is transacted in THB, our business is subject to risks relating to any unfavourable foreign currency exchange rate fluctuations which may materially affect our financial performance.

12. FINANCIAL INFORMATION (CONT'D)

The breakdown of our purchases transacted in THB and USD for the Financial Years and Period Under Review is summarised in the following table:

Currency	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
THB	2,823	6.91	60,477	74.37	86,481	86.26	41,839	91.77
USD	38,056	93.09	20,845	25.63	13,777	13.74	3,750	8.23
Total	40,879	100.00	81,322	100.00	100,258	100.00	45,589	100.00

(vii) Impact on interest rate fluctuations

As at 30 June 2022, our total borrowings were RM6.05 million which were all interest bearing, and was based on floating and fixed interest rates. Our finance cost decreased from RM0.34 million for the FYE 2019 to RM0.20 million for the FYE 2020 and subsequently increased to RM0.27 million for the FYE 2021. Our finance cost also increased from RM0.12 million for the FPE 2021 to RM0.18 million for the FPE 2022. In this respect, any increase in interest rates may negatively affect our financial performance. For the FYE 2019 and FYE 2020, our finance costs mainly comprised interest charges on loans from our related parties. In FYE 2021 and FPE 2022, our finance cost mainly comprised interest charges on banking facilities including term loans, finance lease liabilities, invoice financing and revolving credit, that were granted by banks and financial institutions.

Except for finance lease liabilities, all our borrowings were based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. Meanwhile, our finance lease liabilities and revolving credit were charged based on fixed rates.

In this respect, we face financial risks relating to the increase in interest rates that may impact our financial performance including profitability and margins. For the Financial Years and Period Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(viii) Impact of inflation

Our financial performances for the Financial Years and Period Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to pass on all future increases in costs of materials and services of our operations to our customers.

An increase in the inflation rate, if not matched with increase in salaries and wages may result in consumers having less discretionary income. As our snack foods are non-essential goods, a reduced discretionary income may cause consumers to buy less of our products.

Accordingly, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(ix) Government/economic/fiscal/monetary policies

For the Financial Years and Period Under Review and up to the LPD, our operations are pre-dominantly based in Thailand (i.e., our PAT has been entirely derived from Thailand). Therefore, our business operations is subject to risks relating to government, economic, fiscal or monetary policies in Thailand. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Thailand. For further details on risk factors, please refer to Section 9.2.5 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

12.3.10 Liquidity and capital resources

(i) Working Capital

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly banking facilities from financial institutions. These funds were used for our business operations and growth.

As at 30 June 2022, our cash and bank balances amounted to RM12.89 million and our total borrowings were RM6.05 million. As at 30 June 2022, our gearing ratio is 0.23 times and the current ratio is 4.00 times. As at the LPD, we have banking facilities of RM18.61 million including revolving credit and invoicing financing, of which RM16.13 million has yet to be utilised.

Based on the above and taking into consideration of our funding requirements for our committed capital expenditure, expected cash flow to be generated from our operations and the impact of the COVID-19 pandemic on our business, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for 12 months from the date of this Prospectus.

(ii) Cash Flows

The following is the summary of our combined statements of cash flows for the Financial Years and Period Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/ from operating activities	(34)	5,133	14,843	2,936
Net cash (used in)/from investing activities	(113)	(297)	1,255	(518)
Net cash from/(used in) financing activities	737	(1,573)	(14,448)	4,003
Net increase in cash and cash equivalents	590	3,263	1,650	6,421
Effects of exchange rate changes on cash and cash equivalents	(59)	3	208	582
Cash and cash equivalents at the beginning of the financial year/ period	227	758	4,024	5,882
Cash and cash equivalents at the end of the financial year/ period ^(a)	758	4,024	5,882	12,885

Note:

(a) The components of our cash and cash equivalents are set out as below:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	758	4,024	5,882	12,885
Total	758	4,024	5,882	12,885

(a) Net cash (used in)/ from operating activities

FYE 2019

For the FYE 2019, our operating cash flow before working capital changes were RM7.35 million. Our net cash used in operating activities was RM0.03 million after adjusting for the following key items for working capital changes:

12. FINANCIAL INFORMATION (CONT'D)

- Increase in trade and other receivables of RM9.52 million mainly due to the increase in trade receivables due to slower repayment by most of our retailer customers. We subsequently collected the majority of the trade receivables within the first quarter of FYE 2020.
- Increase in trade and other payables of RM2.57 million mainly due to the increase in other payables arising from advances from a director namely Saranjit Wang amounting to RM2.53 million in FYE 2019 for working capital purposes;
- Increase in inventories of RM0.20 million mainly due to increase in purchases to meet customer orders at the last quarter of FYE 2019; and
- Income tax paid of RM0.24 million.

For FYE 2019, we recorded a negative operating cash flow of RM0.03 million which was mainly attributed to the increase in trade and other receivables by RM9.52 million contributed by slower repayment by most of our retailer customers (the trade receivables turnover period was 94 days compared to the normal credit term granted its customers of 30 days to 60 days). We subsequently collected 98.88% of the trade receivables within the first quarter of FYE 2020.

FYE 2020

For the FYE 2020, our operating cash flow before working capital changes were RM24.06 million. Our net cash from operating activities was RM5.13 million after adjusting for the following key items for working capital changes:

- Increase in trade and other receivables of RM9.97 million mainly due to the increase in trade receivables by RM7.98 million arising from an increase in sales to major customers namely CP All and Siam Makro in the last quarter of FYE 2020;
- Decrease in trade and other payables of RM5.21 million mainly due to the repayment of advances from a director, namely Saranjit Wang amounting to RM6.86 million. This was partially offset by an increase in accruals by RM1.06 million arising from cost incurred on advertisement and promotional expenses and professional fees, as well as other payables by RM0.51 million arising from withholding tax payable and amount owing to Thai Revenue Department; and
- Increase in inventories of RM1.86 million mainly due to the increase in purchases to meet customers' orders during the last month of FYE 2020;
- Income tax paid of RM1.88 million.

FYE 2021

For the FYE 2021, our operating cash flow before working capital changes were RM19.75 million. Our net cash from operating activities was RM14.84 million after adjusting for the following key items for working capital changes:

- Decrease in trade and other receivables of RM4.54 million mainly due to the decrease in trade receivables by RM4.87 million due to prompt repayment by certain major retailer customers, as well as decrease in prepayments by RM1.35 million arising from refund from Gosstech for cancellation of software implementation of RM1.15 million.

12. FINANCIAL INFORMATION (CONT'D)

- Increase in trade and other payables of RM0.59 million mainly due to the increase in trade amount due to a related party, namely New Straits Pte Ltd, by RM0.80 million due to the commencement of purchase of Mina dried fruits;
- Increase in inventories of RM4.12 million was mainly due to the increase holding of inventories in line with the overall increase in customers' orders during the FYE 2021; and
- Income tax paid of RM5.93 million.

FPE 2022

For the FPE 2022, our operating cash flow before working capital changes were RM4.41 million. Our net cash flow from operating activities was RM2.94 million after adjusting for the following key items for working capital changes:

- Decrease in trade and other receivables of RM2.23 million mainly due to the decrease in trade receivables by RM2.87 million due to decrease in sales at the end of FPE 2022 compared to sales at the end of FYE 2021. This was partially offset by the increase in other receivables by RM0.72 million attributed mainly by accrued income of RM1.01 million in FPE 2022. The accrued income was pertaining to sales incentive rebates billed to QiaQia for our total purchases of ChaCha sunflower seeds in FYE 2021. The said rebates were subsequently paid in July 2022;
- Decrease in trade and other payables of RM1.65 million mainly due to the decrease in other payables by RM1.38 million mainly due to payments of accrued professional fees of RM0.62 million, payment of bonus of RM0.35 million, payment of accrued promotional expenses of RM0.23 million and payment of accrued freight and forwarding expenses of RM0.10 million;
- Increase in inventories of RM0.13 million mainly due to the increase in the purchase price of ChaCha sunflower seeds in FPE 2022; and
- income tax paid of RM1.92 million.

(b) Net cash (used in)/from investing activities

FYE 2019

For the FYE 2019, our net cash used in investing activities was RM0.11 million which was used to fund the acquisition of 3 units of second-hand motor vehicles, 1 unit of forklift, as well as office equipment and computers.

FYE 2020

For the FYE 2020, our net cash used in investing activities was RM0.30 million mainly due to the following:

- RM0.31 million of cash used to purchase 2 units of motor vehicles, renovation of our distribution centre, as well as the purchase of furniture and fittings, office equipment and computers;
- RM0.28 million of cash was used to fund the cash injection for the setting up and acquisition of equity interests in our former associate companies, namely, Mega Alliance and Valueplus, for RM0.20 million and RM0.08 million, respectively; and

12. FINANCIAL INFORMATION (CONT'D)

- RM0.12 million of cash used to partially fund the purchase of ROUA including 3 units of motor vehicles totalling RM0.71 million where the remaining RM0.59 million was financed by hire purchase.

This was partially offset by the cash inflow of RM0.40 million arising from dividend income received from a former associate company, Mega Alliance.

FYE 2021

For the FYE 2021, our net cash from investing activities was RM1.26 million, mainly attributed to proceeds from the disposal of other investments of RM1.24 million, namely our former associate companies. We disposed of the entire equity interest of Mega Alliance and Valueplus on 28 February 2021 and 19 July 2021 respectively, for consideration of approximately RM0.20 million and RM1.04 million respectively.

In FYE 2021, we also received dividend income from a former associate company, Mega Alliance, totalling RM0.31 million.

This was partially offset by the cash outflow of RM0.30 million mainly from the purchase of PPE of RM0.28 million including motor vehicles, furniture and fittings, computer, and office equipment, as well as the cash used to partially fund the purchase of ROUA, namely motor vehicles, of RM0.02 million.

FPE 2022

For the FPE 2022, our net cash used in investing activities was RM0.52 million which was mainly used to fund the renovation works on Wellspire's office in Kuala Lumpur, Malaysia of RM0.20 million, purchase of 1 unit of forklift of RM0.11 million, purchase of machinery and tools of RM0.10 million as well as purchase of office equipment, furniture and fittings and computers, totalling RM0.10 million.

(c) Net cash from/(used in) financing activities

FYE 2019

For the FYE 2019, our net cash from financing activities was RM0.74 million. This was mainly attributed to the drawdown of borrowings of RM16.88 million mainly comprising loans from banks namely invoice financing, revolving credit and term loans totalling RM16.04 million, and loan from a related party, He Haibin of RM0.86 million.

This was partially offset by the following:

- repayment of borrowings of RM15.60 million mainly comprises repayment of loans from banks of RM15.50 million and partial repayment of loans from related parties namely Good Partner Holdings Pte. Ltd. and He Haibin of RM0.07 million and RM0.03 million, respectively; and
- payments of lease liabilities totalling RM0.54 million for our distribution facilities leases (RM0.39 million) and our hire purchases on motor vehicles (RM0.15 million).

12. FINANCIAL INFORMATION (CONT'D)

FYE 2020

For the FYE 2020, our net cash used in financing activities was RM1.57 million. This was mainly attributed to the following:

- repayment of borrowings of RM16.14 million mainly comprises repayments of loans from banks of RM14.37 million, as well as full repayment of loans from related parties namely Good Partner Holdings Pte. Ltd. and He Haibin of RM0.92 million and RM0.85 million, respectively;
- payments of lease liabilities totalling RM 1.20 million for our distribution facilities leases (RM0.83 million) and our hire purchases on motor vehicles (RM0.37 million); and
- payments of dividends by Bai Li Enterprise to its shareholders of RM0.32 million.

This was partially offset by cash inflow from the drawdown of borrowings from banks namely invoice financing, revolving credit and term loans totalling RM16.08 million for the financing of our working capital.

FYE 2021

For the FYE 2021, our net cash used in financing activities was RM14.45 million. This was mainly due to the following:

- repayment of borrowings from banks of RM55.08 million which was drawdown for the financing of working capital;
- payment of dividends by Bai Li Enterprise to its shareholders of RM22.82 million; and
- payments of lease liabilities of RM2.00 million for our distribution facilities leases (RM1.60 million) and our hire purchases on motor vehicles (RM0.41 million).

This was offset by cash inflow from the drawdown of borrowings from banks namely invoice financing, revolving credit and term loans totalling RM62.35 million for mainly for the financing of our working capital.

FPE 2022

For the FPE 2022, our net cash from financing activities was RM4.00 million. This was mainly attributed to the increase in share capital of Wellspire by RM10.00 million.

This was partially offset by cash outflow from the repayment of borrowings and lease liabilities as follows:

- repayment of borrowings from banks of RM4.90 million which was mainly drawdown for the financing of working capital; and
- payments of lease liabilities totalling RM1.12 million for our distribution facilities and office leases of RM0.92 million and our hire purchases on motor vehicles of RM0.20 million.

12. FINANCIAL INFORMATION (CONT'D)

(iii) Borrowings

As at 30 June 2022, our Group's borrowings and lease liabilities on motor vehicles were RM6.05 million, all of which were interest-bearing and denominated in THB. The details of our bank borrowings are set out below:

Type of borrowings	Weighted average effective interest rates (%)	As at 30 June 2022		
		Payable within 12 months	Payable after 12 months	Total
		RM'000	RM'000	RM'000
Invoice financing	3.97	2,602	-	2,602
Revolving credit	2.00	2,499	-	2,499
Term loans	3.29	99	261	360
Lease liabilities on motor vehicles	6.03	347	240	587
Total		5,547	501	6,048

Gearing ratio⁽¹⁾ **0.23**

Note:

(1) Computed based on borrowings and lease liabilities on motor vehicles over total equity.

As at 30 June 2022, our Group's floating and fixed-rate borrowings are set out below:

	RM'000
Floating rate borrowings ⁽¹⁾	2,921
Fixed-rate borrowings ⁽²⁾	3,127
Total borrowings	6,048

Notes:

(1) Include invoice financing and term loans.

(2) Include revolving credit and lease liabilities on motor vehicles.

As at the LPD, we have banking facilities of RM18.61 million including revolving credit and invoicing financing, of which RM 16.13 million has yet to be utilised, as follows:

Type of banking facilities	Credit limit THB'000	Credit limit* RM'000	Balance unutilised as at the LPD RM'000
Invoice financing	130,000	16,126	16,126
Revolving credit	20,000	2,481	-
Total	150,000	18,607	16,126

Note:

* Based on conversion rate THB100 = RM12.4045 as at the LPD.

12. FINANCIAL INFORMATION (CONT'D)

As at the LPD, we do not have any borrowings which are non-interest bearing. Our Group has not defaulted on payments of principal sums and/or interests concerning any borrowings for the Financial Years and Period Under Review and up to the LPD.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders or securities in our Company.

As at the LPD, save as disclosed above, our Group did not use any other financial instruments.

12.3.11 Treasury policies and objectives

Our Group's operations have been funded through shareholder's equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers is 30 days to 120 days for 2 suppliers while we make payment in advance for 2 suppliers, namely ChaCha Thailand and Jet Voyage.

As at the LPD, our Group's banking facilities from financial institutions mainly consist of the following:

- invoice financing and revolving credit for working capital purposes;
- term loans for mainly working capital purposes; and
- lease liabilities for the purchase of motor vehicles.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transactions. As at the LPD, our Group has available banking facilities amounting to RM18.61 million including revolving credit and invoice financing, of which RM16.13 million has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholder's equity to ensure our ability to support and grow our business to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.3.12 Financial instruments for hedging purposes

For the Financial Years and Period Under Review and up to the LPD, we do not use any financial instrument for hedging purposes. Moving forward, if our purchases transacted in foreign currencies exceed 20% of our total annual purchases for 3 months, we may consider utilising financial instruments for hedging purposes.

12.3.13 Material litigation, contingent liabilities and commitment for capital expenditure

(i) Material litigation

As at the LPD, neither our Company nor our subsidiaries are involved in any material litigation, claim or arbitration either as plaintiff or defendant and we are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Material contingent liabilities

As at the LPD, our Group do not have any contingent liabilities.

(iii) Material commitment for capital expenditures

As at the LPD, our Group's material capital commitments are summarised as follows:

	<u>Source of funds</u>		
	<u>Capital commitment RM'000</u>	<u>Internally generated funds/bank borrowings RM'000</u>	<u>IPO proceeds RM'000</u>
Approved but not contracted for:			
- Acquisition of a warehouse and operational facility in Thailand	16,000	-	16,000
Total	16,000	-	16,000

Note:

(1) We plan to allocate up to RM16.00 million of the IPO proceeds to acquire a warehouse and operational facility in Thailand.

Please refer to Section 4.7.1 and 7.24.1 of this Prospectus for further details of our business strategy and plans.

12.3.14 Key financial ratios

The following table provides the key financial ratios for the Financial Years and Period Under Review:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
Trade receivables turnover period (days) ⁽¹⁾	94	70	48	45
Trade payables turnover period (days) ⁽²⁾	-	Less than 1	3	2
Inventory turnover period (days) ⁽³⁾	10	12	23	24
Current ratio (times) ⁽⁴⁾	1.35	2.91	1.86	4.00
Gearing ratio (times) ⁽⁵⁾	0.94	0.22	0.75	0.23

Notes:

(1) Computed based on closing trade receivables of the respective financial years/ period over total revenue of the respective financial years/ period and multiplied by 365 days and 181 days, respectively.

(2) Computed based on closing trade payables of the respective financial years/ period over the total cost of sales of the respective financial years/ period and multiplied by 365 days and 181 days, respectively.

(3) Computed based on closing inventory of the respective financial years/ period over the total cost of sales of the respective financial years/ period and multiplied by 365 days and 181 days, respectively.

(4) Computed based on current assets over current liabilities.

(5) Computed based on borrowings and lease liabilities on motor vehicles over total equity.

12. FINANCIAL INFORMATION (CONT'D)**(i) Trade receivables**

The breakdown of our Group's trade receivables is as set out below:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade receivables	15,065	23,045	18,140	15,274
Less:				
Impairment loss	-	(229)	(195)	(137)
Net trade receivables	<u>15,065</u>	<u>22,816</u>	<u>17,945</u>	<u>15,137</u>
Revenue	58,799	119,706	136,707	60,509
Trade receivables turnover period (days) ^(a)	94	70	48	45

Note:

- (a) *Computed based on closing trade receivables of the respective financial years/ period over total revenue of the respective financial years/ period and multiplied by 365 days and 181 days, respectively.*

We deal with our customers either on cash or credit terms. For retailer customers, the normal credit term that we generally grant ranges from 30 days to 60 days. For wholesale customers, we deal with them on cash terms.

As part of our credit control process, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

In FYE 2019, our trade receivable turnover period was 94 days which is higher than the normal credit terms granted to our customers of 30 days to 60 days. This was mainly due to the slow repayment by most of our major retailer customers caused by delays in the validation of invoices by the said customers for payment as a result of higher billings towards the end of FYE 2019.

For the FYE 2020, our trade receivable turnover period improved from 94 days in FYE 2019 to 70 days in FYE 2020. This was mainly due to prompt repayment by certain major retailer customers. Nevertheless, the trade receivables turnover period was still higher than the normal credit terms granted to customers as there was slow repayment by some of our major retailer customers.

For the FYE 2021, our trade receivables turnover period improved from 70 days in FYE 2020 to 48 days in FYE 2021. This was mainly due to prompt repayment by certain major retailer customers.

For the FPE 2022, our average trade receivables turnover period improved from 48 days in FYE 2021 to 45 days in FPE 2022. This was due mainly to improvements in collections from sales made in FPE 2022.

12. FINANCIAL INFORMATION (CONT'D)

Our trade receivables ageing analysis as at 31 December 2021 is as follows:

	Not past due	Past due (days)			Total
		1 – 30	31 – 120	>120	
Trade receivables (RM'000)	16,864	1,061	39	176	18,140
Less: Impairment loss (RM'000)	(10)	(7)	(22)	(156)	(195) ⁽¹⁾
Net trade receivables (RM'000)	16,854	1,054	17	20	17,945
<i>Proportion of net trade receivables (%)</i>	93.92	5.87	0.09	0.11	100.00
Subsequent collections as at the LPD (RM'000)	16,854	1,054	17	20	17,945
Net trade receivables after subsequent collections (RM'000)	-	-	-	-	-
<i>Proportion of net trade receivables after subsequent collections (%)</i>	-	-	-	-	-

Note:

- (1) *Approximately RM80,000 of the trade receivables impaired has also been collected from our customers as at the LPD. The said collections are not from our major customers.*

As at the LPD, all our net trade receivables outstanding as at 31 December 2021 has been collected from our customers.

Our trade receivable ageing analysis as at 30 June 2022 is as follows:

	Not past due	Past due (days)			Total
		1 – 30	31 – 120	>120	
Trade receivables (RM'000)	14,177	962	2	133	15,274
Less: Impairment loss (RM'000)	(2)	(8)	(3)	(124)	(137) ⁽¹⁾
Net trade receivables (RM'000)	14,175	954	-	9	15,138
<i>Proportion of net trade receivables (%)</i>	93.64	6.30	-	0.06	100.00
Subsequent collections as at the LPD (RM'000)	14,178	951	-	9	15,138
Net trade receivables after subsequent collections (RM'000)	-	-	-	-	-
<i>Proportion of net trade receivables after subsequent collections (%)</i>	-	-	-	-	-

Note:

- (1) *Approximately RM23,000 of the trade receivables that were impaired has also been collected from our customers as at LPD. The said collections are not from our major customers.*

As at the LPD, all our net trade receivables outstanding as at 30 June 2022 of RM15.14 million had been collected.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Trade payables**

The breakdown of our Group's trade payables is as set out below:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade payables	-	75	871	631
Cost of sales	48,637	83,000	98,535	46,839
Trade payables turnover period (days) ^(a)	-	Less than 1	3	2

Note:

- (a) Computed based on closing trade payables of the respective financial years/ period over the total cost of sales of the respective financial years/ period and multiplied by 365 days and 181 days, *respectively*.

We deal with QiaQia Group and one supplier on a full advance payment basis upon placement of orders. Meanwhile, two other suppliers grant us credit terms of 30 days to 120 days.

As the majority of our purchases are mainly paid in advance, our trade payables turnover period is between less than 1 day and 3 days.

Our trade payables ageing analysis as at 31 December 2021 is as follows:

	<u>Not past due</u>	<u>Past due (days)</u>			<u>Total</u>
		<u>1 – 30</u>	<u>31 – 120</u>	<u>> 120</u>	
Trade payables (RM'000)	871	-	-	-	871
<i>Proportion of trade payables (%)</i>	<i>100.00</i>	-	-	-	<i>100.00</i>
Subsequent payments as at the LPD (RM'000)	871	-	-	-	871
Net trade payables after subsequent payments (RM'000)	-	-	-	-	-
<i>Proportion of trade payables after subsequent payments (%)</i>	-	-	-	-	-

As at the LPD, all trade payables as at 31 December 2021 has been paid to our suppliers.

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12. FINANCIAL INFORMATION (CONT'D)

Our trade payables ageing analysis as at 30 June 2022 is as follows:

	Not past due	Past due (days)			Total
		1 – 30	31 – 120	> 120	
Trade payables (RM'000)	631	-	-	-	631
<i>Proportion of trade payables (%)</i>	<i>100.00</i>	-	-	-	<i>100.00</i>
Subsequent payments as at LPD (RM'000)	631	-	-	-	631
Net trade payables after subsequent payments (RM'000)	-	-	-	-	-
<i>Proportion of trade payables after subsequent payments (%)</i>	-	-	-	-	-

As at the LPD, all trade payables as at 30 June 2022 has been paid to our suppliers.

(iii) Inventory turnover

The breakdown of our Group's inventory is as set out below:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Total inventory	1,368	2,658	6,252	6,197
Consisting of:				
- Finished goods	1,368	2,658	6,252	6,197
• Third-party brand	1,321	1,796	5,111	5,461
• Own brand	47	862	1,141	736
Cost of Sales	48,637	83,000	98,535	46,839
Inventory turnover period (days) ⁽¹⁾	10	12	23	24

Note:

(1) *Computed based on the closing inventory of the respective financial years/ period over the total cost of sales of the respective financial years/ period and multiplied by 365 days and 181 days, respectively.*

Our inventory comprises finished goods namely consumer packaged snack foods such as sunflower seeds, other seeds and nuts, baked and confectionery products, and dried fruits. These finished goods are stored as stock in our dry warehouse storage and chiller room.

For the FYE 2020, our inventory turnover period increased from 10 days in FYE 2019 to 12 days in FYE 2020. This was mainly due to the increase in purchases to meet the increase in customer orders in the last quarter of FYE 2020.

For the FYE 2021, our inventory turnover period increased from 12 days in FYE 2020 to 23 days in FYE 2021. This was mainly due to the increased holding of inventories in line with the overall increase in customers' orders during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

For the FPE 2022, our inventory turnover period increased slightly from 23 days in FYE 2021 to 24 days in FPE 2022. This was mainly due to the lower revenue and in turn, lower cost of sales in FPE 2022.

(iv) Current ratio

The table below sets out a summary of our current ratio for the financial years and period indicated:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Current assets (RM'000)	17,205	31,193	30,584	35,450
Current liabilities (RM'000)	12,738	10,728	16,411	8,856
Current ratio (times) ^(a)	1.35	2.91	1.86	4.00

Note:

(a) *Computed based on current assets over current liabilities*

As at 31 December 2020, our current ratio was 2.91 times, which was higher compared to 1.35 times as at 31 December 2019. This was mainly due to higher trade receivables as at 31 December 2020 at RM22.82 million compared to RM15.07 million as at 31 December 2019 due to higher sales in FYE 2020. In addition, the decrease in current liabilities was mainly due to a decrease in the amount due to a Director by RM7.00 million to RM0.36 million as a result of repayments made during the financial year.

As at 31 December 2021, our current ratio was 1.86 times, which was lower compared to 2.91 times as at 31 December 2020. This was mainly due to the increase in borrowings from banks by RM6.98 million mainly for the financing of working capital.

As at 30 June 2022, our current ratio was higher at 4.00 times compared to 1.86 times as at 31 December 2022. This was mainly due to the decrease in overall current liabilities including borrowings by RM 4.61 million, trade and other payables by RM1.62 million, current tax liabilities by RM0.70 million and lease liabilities by RM0.62 million. The increase in current ratio was also due to the increase in current assets attributed mainly from higher cash and bank balances by RM7.00 million as at 30 June 2022.

(v) Gearing ratio

The table below sets out a summary of our gearing ratio for the financial years and period indicated:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Total borrowings ^(a) (RM'000)	3,985	4,265	10,880	6,048
Total equity (RM'000)	4,230	19,597	14,472	26,582
Gearing ratio (times) ^(b)	0.94	0.22	0.75	0.23

Notes:

(a) *Includes borrowings and lease liabilities on motor vehicles*

(b) *Computed based on borrowings and lease liabilities on motor vehicles over total equity.*

12. FINANCIAL INFORMATION (CONT'D)

As at 31 December 2020, our gearing ratio was 0.22 times, which was lower compared to 0.94 times as at 31 December 2019. This was mainly due to the increase in retained earnings and increase in non-controlling interest by RM11.58 million and RM3.84 million respectively.

As at 31 December 2021, our gearing ratio was 0.75 times, which was higher compared to 0.22 times as at 31 December 2020. This was mainly due to an increase in total borrowings by RM6.62 million mainly due to the drawdown of loans for financing of working capital. Additionally, this was partly due to a decrease in retained earnings from RM14.35 million in FYE 2020 to RM8.31 million in FYE 2021 which is attributed to dividends paid to common controlling shareholders of the combining entities of RM17.12 million in FYE 2021.

As at 30 June 2022, our gearing ratio decreased to 0.23 times from 0.75 times as at 31 December 2021. This was due to the increase in total equity by RM12.11 million mainly attributed from the increase in share capital of Wellspire by RM10.00 million as at 30 June 2022 coupled with the increase in retained earnings by RM1.07 million. The decrease in gearing ratio was also due to the decrease in total borrowings by RM4.83 million as at 30 June 2022 mainly due to the lower utilisation of bank borrowings namely invoice financing for financing of working capital.

12.3.15 Trend analysis

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.3.13(iii) of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits as well as our liquidity and capital resources, save as disclosed in this section and Sections 7, 8 and 9 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 7 and 9 of this Prospectus.

Our Board is optimistic about the prospects of our Group after taking into consideration our Group's competitive advantages and key strengths, as well as business strategies as set out in Section 7 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

12.3.16 Order book

We do not maintain an order book as we are involved mainly in the distribution of consumer packaged snack foods whereby our sales are carried out based on purchase orders received from our customers on an ongoing basis.

12.3.17 Significant changes

Save as disclosed in Sections 3.11 and 7.17 of this Prospectus in relation to interruptions to our business and operations pursuant to the COVID-19 pandemic, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FPE 2022 and up to the LPD.

12.3.18 Accounting policies which are peculiar to our Group

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report included in Section 13 of this Prospectus.

12.4 DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present and future. The payment of dividends by our Subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant.

In addition to the factors above which may affect the ability of our Subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance and working capital needs;
- (iii) our capital expenditure and other investment plans;
- (iv) any material impact on tax laws and other regulatory requirements;
- (v) any restrictive covenants contained in our current and future financial arrangements; and
- (vi) the general economic and business conditions and other factors deemed relevant by our Board.

We target a payout ratio of up to 30% of Wellspire's profit attributable to common controlling shareholders of the combining entities of each financial year on a consolidated basis after taking into account working capital and maintenance of capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

There are no dividend restrictions imposed on our subsidiaries as at the LPD.

12. FINANCIAL INFORMATION (CONT'D)

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modifications (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 9.3 of this Prospectus for risk relating to investment in our shares.

The dividends declared and paid to Wellspire's common controlling shareholders of the combining entities for the Financial Years and Period Under Review are as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividend declared and paid	-	237	17,119	-
PAT attributable to common controlling shareholders of the combining entities	3,116	11,830	11,120	1,072
Dividend payout ratio (%)	-	2.00	153.95	-

For the FYE 2020 and FYE 2021, all the dividend declared and paid then was funded entirely by internally generated funds. For the FYE 2019, FPE 2022 and from 1 July 2022 up to the LPD, there was no dividend declared and paid. Further, there is no dividend paid or declared subsequent to the LPD but prior to our Listing. Such dividend paid is not expect to affect the execution and implementation of our business strategies and plans as set out in Section 7.24 of this Prospectus.

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13. ACCOUNTANTS' REPORT



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Malaysia

The Board of Directors
Wellspire Holdings Berhad
Lot D/E, Level 12
Tower 1, Etiqa Twins
11 Jalan Pinang
50450 Kuala Lumpur.

Date: 12 December 2022

Our Ref: BDO/KSL/AMY

Dear Sirs

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Wellspire Holdings Berhad ("Wellspire" or "the Company")

Opinion

We have audited the combined financial statements of Wellspire Holdings Berhad and its combining entities (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 of the Group, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years/period ended 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and notes to the combined financial statements, including a summary of significant accounting policies as set out in this report.

The historical combined financial statements have been prepared for inclusion in the prospectus of the Company (the "Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the ACE Market listing requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad and the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and of their financial performance and their cash flows for each of the financial years/period ended 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

13. ACCOUNTANTS' REPORT (CONT'D)

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Wellspire Holdings Berhad ("Wellspire" or "the Company") (continued)

Directors' Responsibility for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements of the Group that gives a true and fair view in accordance with MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

Reporting Accountants' Responsibility for the Audit of Combined Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- (e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieve fair presentation; and
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

13. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Wellspire Holdings Berhad ("Wellspire" or "the Company") (continued)

Reporting Accountants' Responsibility for the Audit of Combined Financial Statements (continued)

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

Other Matters

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 30 June 2021 has not been audited.

Restriction on Distribution and Use

This report has been prepared solely to comply with Appendix 3B, Part A of the Listing Requirements and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'BDO PLT'.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Koo Swee Lin'.

Koo Swee Lin
03281/08/2024 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

1. GENERAL INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 6 August 2021 as a private limited company under the name Wellspire Holdings Sdn. Bhd. ("the Company" or "Wellspire"). Subsequently on 25 March 2022, the Company was converted to a public limited company to embark on the Listing on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan (KL).

The principal place of business of the Company is located at Lot D/E, Level 12, Tower 1, Etiqa Twins, 11 Jalan Pinang, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Group is located at 220/3, Moo 4 Tambon Rangsit, Thanyaburi District, Pathum Thani Province 12110, Thailand.

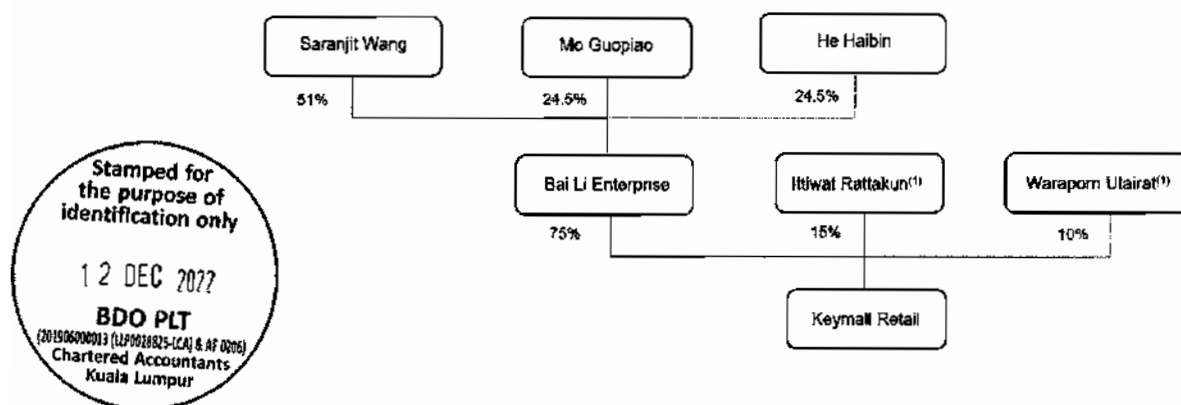
The Company is principally engaged in investment holding activities. The principal activities of the Group are set out in Note 6.21 to the combined financial statements.

The functional currency of the Group is Thai Baht ("THB"). The combined financial statements are presented in Ringgit Malaysia ("RM").

1.1 Details of the Listing**1.1.1 Internal reorganisation exercise**

In 2021 and in conjunction with the Listing, the Group carried out a pre-IPO internal reorganisation exercise, which involved the following steps:

- (i) The shareholding structure of Bai Li Enterprise Co., Ltd. ("Bai Li Enterprise") prior to the pre-IPO internal reorganisation exercise:

**Note:**

- (1) He/She has no relationship with the Company other than as shareholder of Keymall Retail Co., Ltd. ("Keymall Retail").
- (ii) Incorporation of Bai Li Holdings Co. Ltd ("Bai Li Holdings") and transfer of Saranjit Wang's 51% shareholding of Bai Li Enterprise to Bai Li Holdings.
- (iii) Incorporation of Vine Growth Holdings Pte., Ltd. ("Vine Growth Holdings") and transfer of Mo Guopiao and He Haibin's 49% shareholdings in Bai Li Enterprise to Vine Growth Holdings.

13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

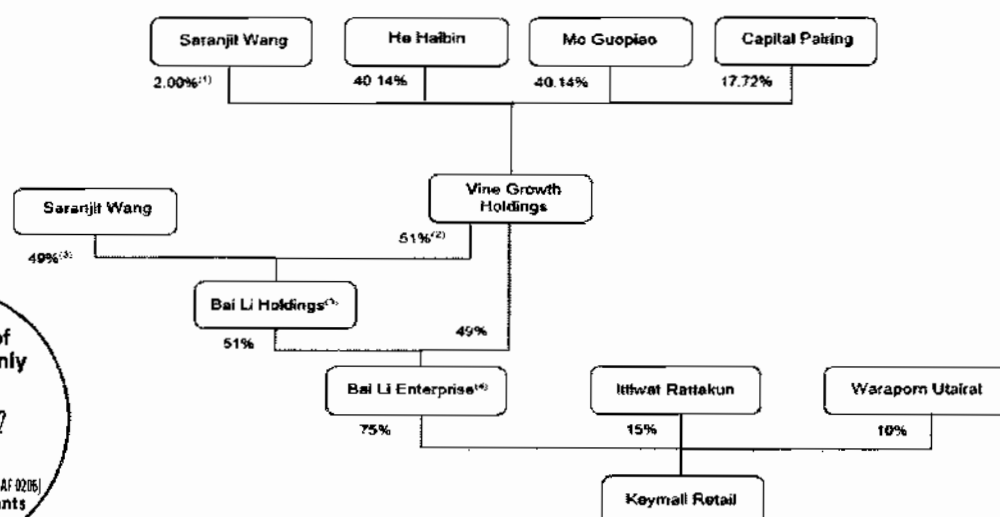
1. GENERAL INFORMATION (continued)**1.1 Details of the Listing (continued)****1.1.1 Internal reorganisation exercise (continued)**

In 2021 and in conjunction with the Listing, the Group carried out a pre-IPO internal reorganisation exercise, which involved the following steps: (continued)

- (iv) Issuance of 42,700 preference shares in Bai Li Holdings to Saranjit Wang and acquisition of Bai Li Holdings' 479,270 ordinary shares by Mo Guopiao, He Haibin and Capital Pairing Pte., Ltd. ("Capital Pairing") from Saranjit Wang; and
- (v) Acquisition of 479,270 ordinary shares in Bai Li Holdings by Vine Growth Holdings from Mo Guopiao, He Haibin and Capital Pairing.

The purchase consideration for each step of the pre-IPO internal reorganisation exercise stated above was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets of Bai Li Enterprise as at 31 December 2020 of THB179,292,089 equivalent to approximately SGD7,906,781 (based on the exchange rate of THB100: SGD4.41).

The pre-IPO internal reorganisation exercise was completed on 31 December 2021 and is illustrated below:

**Notes:**

- (1) Saranjit Wang acquired 1% shareholding each in Vine Growth Holdings from each of Mo Guopiao and He Haibin, respectively, to enable Saranjit Wang to participate in the Listing as a shareholder of Wellspire upon completion of the Acquisition of Vine Growth Holdings for the purpose of the Listing.
- (2) The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.
- (3) The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Further, 10 preference shares shall be entitled to 1 dividend right. There are no other terms to the preference shares.
- (4) Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.

13. ACCOUNTANTS' REPORT (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report*

1. GENERAL INFORMATION (continued)

1.1 Details of the Listing (continued)

1.1.2 Listing scheme

In conjunction with, and as an integral part of the Listing, the details of the listing scheme are as follows:

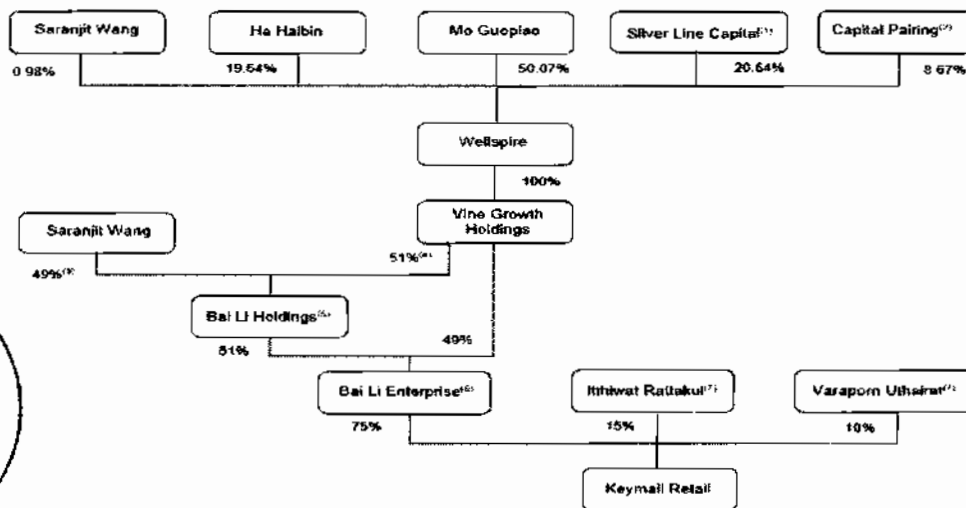
(a) Acquisition of Vine Growth Holdings

By a conditional share sale agreement dated 11 March 2022, the Company acquired the entire issued share capital of Vine Growth Holdings from the vendors of Vine Growth Holdings, namely Saranjit Wang, Mo Guopiao, He Haibin and Capital Pairing for a total purchase consideration of RM11,501,000, which was satisfied entirely by the issuance of 11,501,000 new Wellspire ordinary shares ("Wellspire Shares" or "Shares"), credited as fully paid-up at an issue price of RM1.00 per Share.

The purchase consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the 75.01% effective interest of the combined net asset value of Vine Growth Holdings and its combining entities based on the management accounts as at 31 December 2021, equivalent to approximately RM11,501,000 (based on the exchange rate of THB100: RM12.5540).

The Group was formed when the Company acquired the entire issued share capital of Vine Growth Holdings. Thereafter, Bai Li Holdings, Bai Li Enterprise and Keymall Retail became its subsidiaries.

The corporate structure of Wellspire Group after the Acquisition of Vine Growth Holdings is as follows:



Notes:

- (1) The sole shareholder of Silver Line Capital Sdn. Bhd. ("Silver Line Capital") is Mo Guopiao, Wellspire's Promoter, substantial shareholder, Chief Executive Officer and Executive Director.
- (2) The sole shareholder of Capital Pairing is Besanger Serge Pierre, a French citizen.

13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**1. GENERAL INFORMATION (continued)****1.1 Details of the Listing (continued)****1.1.2 Listing scheme (continued)****(a) Acquisition of Vine Growth Holdings (continued)****Notes:**

(3) *The share capital of Bai Li Holdings consists of 935,500 ordinary shares and 42,700 preference shares. In accordance with the provisions under the Articles of Association of Bai Li Holdings, a shareholder of ordinary shares has 1 vote for each ordinary share while a shareholder of preference shares has 1 vote for every 10 preference shares.*

Saranjit Wang holds 51% shareholding in Bai Li Holdings comprising 456,229 ordinary shares (46.64% shareholding) and 42,700 preference shares (4.36% shareholding). However, Saranjit Wang is entitled to exercise 49% of the voting rights in Bai Li Holdings based on the 456,229 ordinary shares and 42,700 preference shares held.

The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.

(4) *Vine Growth Holdings holds 479,270 ordinary shares (49% shareholding) in Bai Li Holdings. However, Vine Growth Holdings is entitled to exercise 51% of the voting rights in Bai Li Holdings based on the 479,270 ordinary shares held. The percentage of Bai Li Holdings in the above diagram is representing the voting rights in Bai Li Holdings.*

(5) *Under the Thai Relevant Laws, a company registered in Thailand will be deemed a foreigner if more than half of its registered capital is held by foreigners. Based on the shareholding structure of Bai Li Holdings as at the date of this Accountants' Report, Bai Li Holdings is not considered a foreigner under the Thai Relevant Laws as Vine Growth Holdings does not hold more than half of the registered capital of Bai Li Holdings. The Solicitors in respect of the IPO, to the Company as to laws of Thailand has confirmed that the shareholding structure is in compliance with the Thai Relevant Laws. Wanchai Wanichkulthumrong holds 1 ordinary share in Bai Li Holdings. Wanchai Wanichkulthumrong has no relationship with the Company other than as a shareholder of Bai Li Holdings and key senior management of Wellspire Group.*

(6) *Saranjit Wang holds 1 ordinary share in Bai Li Enterprise.*

(7) *He / She has no relationship with the Company other than as a shareholder of Keymall Retail.*

(b) Share split

The Company undertook a subdivision of all the existing Wellspire Shares in issue of 23,501,000 Wellspire Shares into 587,525,000 Wellspire Shares (i.e., subdivision of every one existing Wellspire Share held into 25 subdivided Wellspire Shares). Upon completion of the Share Split on 30 November 2022, the Company has 587,525,000 Wellspire Shares in issue.

(c) Public Issue and Offer for Sale

As part of the Listing, the Company will be undertaking a public issue of new Wellspire Shares. Concurrently with the Listing, the Offerors will also be undertaking an offer of sale of their existing Wellspire Shares.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

2. BASIS OF PREPARATION

The combined financial statements of the Group consist of the combined financial statements of Wellspire Holdings Berhad and its combining entities as disclosed in Note 6.21 of this Report, which are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and based on the Guidance Note on Combined Financial Statements issued by the Malaysian Institute of Accountants in relation to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

These are the first combined financial statements of the Group prepared in accordance with MFRS and IFRS, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the separate financial statements of the entities in the Group were prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities including accounting practice guidelines announced by the Federation of Accounting Professions of Thailand ("Thailand GAAP").

The Group has consistently applied the same accounting policies in its opening MFRS combined financial statements of financial position as at 1 January 2019 and throughout all financial years and periods presented, as if these policies had always been in effect.

The combined financial statements of the Group for the relevant period are prepared under historical cost convention except as otherwise stated in the combined financial statements. The combined financial statements are prepared for the relevant period in a manner similar to the "pooling of interest" method of accounting, as if the combining entities were operating as a single economic enterprise from beginning of the earliest comparative period covered for the relevant period. Such manner of presentation reflects the economic substance of the combined entities, which are under common control throughout the relevant period.

The preparation of these combined financial statements in conformity with MFRS and IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in the combined financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

The Group's historical audited combined financial information for the purpose stated above were prepared in accordance with MFRS and IFRS while the audited separate statutory financial statements of Bai Li Enterprise and Keymall Retail Co., Ltd. ("Keymall Retail") for the financial years ended ("FYE(s)") 31 December 2019, FYE 31 December 2020 and FYE 31 December 2021 have been prepared in accordance with Thailand GAAP.

The Combined Statements of Financial Position were translated into Ringgit Malaysia using financial year end/period's closing exchange rates. The Combined Statements of Profit or Loss and Other Comprehensive Income were translated into Ringgit Malaysia using the respective financial year/period end's average exchange rates for each financial year/period, unless otherwise stated.

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

2. BASIS OF PREPARATION (continued)

The statutory auditors of the combining entities of the Group are as follows:

Company	Relevant financial years/period	Auditors
Wellspire	Not applicable	BDO PLT
Vine Growth Holdings	Financial Period Ended 31 December 2021	NLA DFK Assurance PCA
Bai Li Holdings	Financial Period Ended 31 December 2021	BDO Audit Company Limited ("BDO Thailand")
Bai Li Enterprise	FYE 31 December 2019 * FYE 31 December 2020 * FYE 31 December 2021	PM Audit Group Co., Ltd. PM Audit Group Co., Ltd. BDO Thailand
Keymall Retail	Financial Period Ended 31 December 2020 ** FYE 31 December 2021	Inflow Accounting Co., Ltd. BDO Thailand

* BDO Thailand has re-audited these financial statements for the purpose of the Listing.

There was no audited financial statements for Keymall Retail FYE 31 December 2019 as the entity was incorporated on 25 May 2020.

There were no audited financial statements for Bai Li Holdings for the FYEs 31 December 2019 and 31 December 2020 as the entity was incorporated on 25 October 2021.

There were no audited financial statements for Wellspire for the FYEs 31 December 2019, 31 December 2020 and 31 December 2021 as the entity was incorporated on 6 August 2021.

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applies the accounting policies set out below consistently throughout the financial years presented in these combined financial statements, unless otherwise stated.

3.1 Basis of consolidation

The combined financial statements of the Group incorporate the combined financial statements of the Company and all its combined entities as disclosed in Note 6.21 of the combined financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statement. Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment. The combined financial statements reflect external transactions only.

The combined financial statements of the combined entities are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, appropriate adjustments are made to its combined financial statements in preparing the combined financial statements.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the common controlling shareholders, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to the common controlling shareholders of the Company. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the common controlling shareholders' interests in a combining entity that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the common controlling shareholders of the combining entities.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.1 Basis of consolidation (continued)**

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the combining entities are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former combining entities at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) right of use assets and lease liabilities for leases are recognised and measured in accordance with MFRS 16 *Leases*;
- (c) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (d) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as equity shall not be re-measured and its subsequent settlement shall be accounted for within equity.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 Business combinations (continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows: (continued)

(b) Other contingent consideration that:

- (i) is within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 *Financial Instruments* for the relevant period.
- (ii) is not within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRS. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

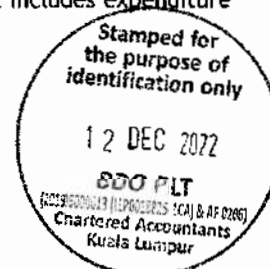
Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the Group. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The combined financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

3.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Property, plant and equipment and depreciation (continued)**

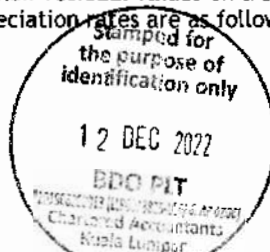
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of an item of property, plant and equipment are recognised in profit or loss in the period in which the costs are incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Renovation	20% - 33%
Office equipment	20%
Office computers	20% - 33%
Furniture and fittings	20%
Machinery and tools	20%
Motor vehicles	20%



At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.7 to the combined financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method of previous estimates shall be reviewed if there is indication of impairment to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If current expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 Leases**The Group as lessee**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease is reasonably certain not to exercise that option.

13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.4 Leases (continued)****The Group as lessee (continued)**

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

Distribution facility	53 months
Motor vehicles	36 - 60 months
Office	36 months

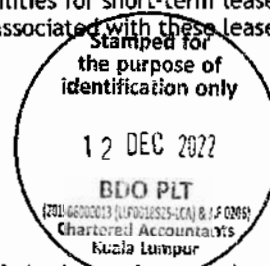
Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

3.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

Investments in subsidiaries, which is eliminated on consolidation, is stated in the separate combined financial statements of the Company at cost less any accumulated impairment losses, if any.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.5 Investments in subsidiaries (continued)**

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise the carrying amount of the investment and recognise the consideration received. The resulting difference is recognised as a gain or loss on disposal of the subsidiary in profit or loss.

3.6 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined on a first-in, first-out basis and comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

Inventories are assessed for impairment at the end of each reporting period by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, deferred tax assets and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Financial instruments****(a) Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. Any gains or losses arising from the changes in fair value are recognised in profit or loss.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group has an option to elect an irrevocable option to designate its equity instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss for equity instruments measured at FVTPL. As for equity instruments measured at FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Financial instruments (continued)****(a) Financial assets (continued)**

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below: (continued)

(ii) Financial assets measured at fair value (continued)

Dividend on equity instruments are recognised in profit or loss when the right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

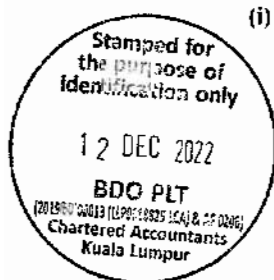
Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Financial instruments (continued)****(b) Financial liabilities (continued)**

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.9 Equity

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

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholder in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the asset distributed and the carrying amount of the liability in profit or loss.

3.10 Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group recognises allowance for impairment loss for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

Impairment for other receivables and amounts owing by related companies are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. The Group determined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays and past due information.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.10 Impairment of financial assets (continued)**

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions i.e. unemployment rate, to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

3.11 Borrowing costs

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

3.12 Income tax

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary on distributions to the Group and Company, and real property gain taxes payable on disposal of properties.

(b) Deferred tax

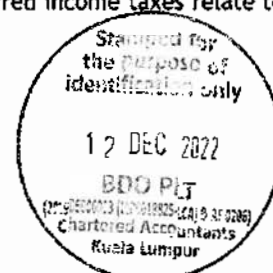
Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.12 Income tax (continued)****(b) Deferred tax (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either: (continued)

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

3.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

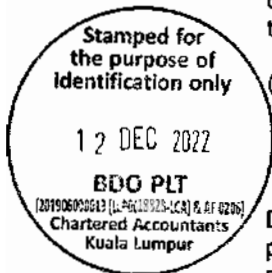
Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the combined financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.



13. ACCOUNTANTS' REPORT (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.15 Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

Sales of goods

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the performance of the Group:

- (i) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or
- (ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

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

Revenue recognition not in relation to performance obligations is described below:

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.16 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as a current liability when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate of the obligation can be made.

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any amount already paid and as an expense in the period in which the employees render their services.

3.17 Foreign currencies**(a) Functional and presentation currency**

Items included in the combined financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Group is Thai Baht. The combined financial statements are presented in Ringgit Malaysia ("RM").

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3.18 Fair value measurement

The fair value of an asset or a liability except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Fair value measurement (continued)**

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

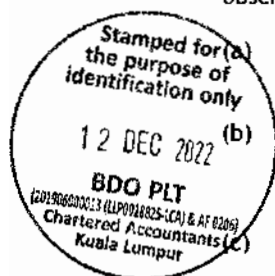
The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3.19 Operating segments

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.19 Operating segments (continued)**

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the consolidated revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the consolidated reported profit of all operating segments that did not report a loss; and
 - (ii) the consolidated reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the consolidated assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the combined financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group.

3.20 Earnings per share**(a) Basic**

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**4.1 Changes in estimates**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

4.2 Critical judgements made in applying accounting policies

There are no significant judgements made by the management in the process of applying the accounting policies of the Group that have a significant effect on the amounts recognised in the combined financial statements.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of trade and other receivables

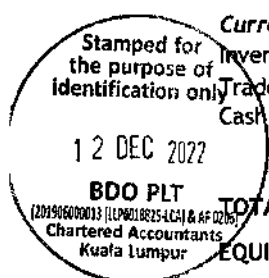
The impairment allowances for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward looking estimates i.e. unemployment rate, at end of the reporting period.

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13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION****5.1 COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

	Note	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
ASSETS					
Non-current assets					
Property, plant and equipment	6.2	239,468	444,988	504,574	916,167
Right-of-use assets	6.3	3,625,597	3,081,064	1,804,944	1,708,263
Other investments	6.4	-	281,660	-	-
		3,865,065	3,807,712	2,309,518	2,624,430
Current assets					
Inventories	6.5	1,368,442	2,657,611	6,251,546	6,197,045
Trade and other receivables	6.6	15,078,524	24,510,600	18,450,577	16,367,182
Cash and bank balances	6.7	757,924	4,024,289	5,881,610	12,885,066
		17,204,890	31,192,500	30,583,733	35,449,293
TOTAL ASSETS		21,069,955	35,000,212	32,893,251	38,073,723
EQUITY AND LIABILITIES					
Equity attributable to common controlling shareholders of the combining entities					
Invested equity *		11,501,000	11,501,000	11,501,000	11,501,000
Share capital	6.8	-	-	2,000,000	12,000,000
Reserves	6.9	(11,098,330)	(11,149,469)	(11,281,050)	(11,318,915)
Retained earnings		2,770,095	14,346,960	8,311,203	9,383,670
		3,172,765	14,698,491	10,531,153	21,565,755
Non-controlling interests		1,057,025	4,898,733	3,940,560	5,015,992
TOTAL EQUITY		4,229,790	19,597,224	14,471,713	26,581,747
LIABILITIES					
Non-current liabilities					
Lease liabilities	6.3	3,912,378	2,500,609	404,874	540,754
Deferred tax liabilities	6.10	190,004	1,798,626	1,296,745	1,834,261
Borrowings	6.11	-	375,689	308,662	260,916
		4,102,382	4,674,924	2,010,281	2,635,931
Current liabilities					
Lease liabilities	6.3	827,483	1,850,366	1,972,778	1,350,662
Borrowings	6.11	3,156,780	2,772,271	9,815,017	5,200,207
Trade and other payables	6.12	7,661,081	2,300,168	2,734,089	1,116,900
Current tax liabilities		1,092,439	3,805,259	1,889,373	1,188,276
		12,737,783	10,728,064	16,411,257	8,856,045
TOTAL LIABILITIES		16,840,165	15,402,988	18,421,538	11,491,976
TOTAL EQUITY AND LIABILITIES		21,069,955	35,000,212	32,893,251	38,073,723
* Deemed as invested equity based on number of shares on combined basis		11,501,000	11,501,000	11,501,000	11,501,000



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.2 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP**

	Note	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Revenue	6.13	58,799,010	119,706,408	136,707,293	60,508,834	79,511,362
Cost of sales		<u>(48,636,812)</u>	<u>(83,000,864)</u>	<u>(98,535,287)</u>	<u>(46,838,571)</u>	<u>(54,024,633)</u>
Gross profit		10,162,198	36,705,544	38,172,006	13,670,263	25,486,729
Other operating income		210,232	516,418	1,396,846	665,892	386,268
Net (loss)/gain on impairment of financial instruments		-	(228,962)	18,045	59,077	63,267
Selling and administrative expenses		(4,313,371)	(14,814,564)	(20,219,164)	(10,333,696)	(10,392,907)
Finance costs		<u>(337,235)</u>	<u>(200,110)</u>	<u>(267,082)</u>	<u>(175,696)</u>	<u>(121,919)</u>
Profit before tax	6.14	5,721,824	21,978,326	19,100,651	3,885,840	15,421,438
Tax expense	6.15	<u>(1,567,307)</u>	<u>(6,219,279)</u>	<u>(3,697,426)</u>	<u>(1,744,641)</u>	<u>(3,047,737)</u>
Profit for the financial year/period		4,154,517	15,759,047	15,403,225	2,141,199	12,373,701
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation, net of tax		29,101	(89,242)	(813,240)	(50,480)	(723,470)
Total comprehensive income for the financial year/period		<u>4,183,618</u>	<u>15,669,805</u>	<u>14,589,985</u>	<u>2,090,719</u>	<u>11,650,231</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.2 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (continued)**

	Note	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Attributable to:						
Common controlling shareholders of the combining entities						
Profit for the financial year/period		3,116,303	11,829,720	11,120,068	1,072,467	9,279,141
Other comprehensive income/(loss), net of tax		21,829	(66,940)	(610,011)	(37,865)	(542,675)
		<u>3,138,132</u>	<u>11,762,780</u>	<u>10,510,057</u>	<u>1,034,602</u>	<u>8,736,466</u>
Non-controlling interests						
Profit for the financial year/period		1,038,214	3,929,327	4,283,157	1,068,732	3,094,560
Other comprehensive income/(loss), net of tax		7,272	(22,302)	(203,229)	(12,615)	(180,795)
		<u>1,045,486</u>	<u>3,907,025</u>	<u>4,079,928</u>	<u>1,056,117</u>	<u>2,913,765</u>
Earnings per share						
Basic and diluted (Sen)	6.16	<u>0.44</u>	<u>1.66</u>	<u>1.56</u>	<u>0.15</u>	<u>1.30</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP

	Note	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Merger reserve RM	Distributable Retained earnings/ (Accumulated losses) RM	Equity attributable to common controlling shareholders of the combining entities RM	Non-controlling interests RM	Total equity RM
Audited Balance as at 1 January 2019, as restated	6.24	-	11,501,000	42,616	(11,162,775)	(346,208)	34,633	11,539	46,172
Profit for the financial year		-	-	-	-	3,116,303	3,116,303	1,038,214	4,154,517
Other comprehensive loss, net of tax		-	-	21,829	-	-	21,829	7,272	29,101
Total comprehensive income		-	-	21,829	-	3,116,303	3,138,132	1,045,486	4,183,618
Balance as at 31 December 2019		-	11,501,000	64,445	(11,162,775)	2,770,095	3,172,765	1,057,025	4,229,790



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

	Note	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Merger reserve RM	Legal reserve RM	Distributable Retained earnings RM	Equity attributable to common controlling shareholders of the combining entities RM	Non-controlling interests RM	Total equity RM
Audited										
Balance as at 1 January 2020		-	11,501,000	64,445	(11,162,775)	-	2,770,095	3,172,765	1,057,025	4,229,790
Acquisition of a subsidiary		-	-	-	-	-	-	-	13,659	13,659
Appropriation in lieu of dividend distributed		-	-	-	-	15,801	(15,801)	-	-	-
Profit for the financial year		-	-	-	-	-	11,829,720	11,829,720	3,929,327	15,759,047
Other comprehensive income, net of tax		-	-	(66,940)	-	-	-	(66,940)	(22,302)	(89,242)
Total comprehensive income		-	-	(66,940)	-	-	11,829,720	11,762,780	3,907,025	15,669,805
Transactions with owners:										
Dividends paid	6.17	-	-	-	-	-	(237,054)	(237,054)	(78,976)	(316,030)
Balance as at 31 December 2020		-	11,501,000	(2,495)	(11,162,775)	15,801	14,346,960	14,698,491	4,898,733	19,597,224



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

	Note	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Merger reserve RM	Legal reserve RM	Distributable Retained earnings RM	Equity attributable to common controlling shareholders of the combining entities RM	Non-controlling Interests RM	Total equity RM
Audited										
Balance as at 1 January 2021		-	11,501,000	(2,495)	(11,162,775)	15,801	14,346,960	14,698,491	4,898,733	19,597,224
Issuance of:										
- ordinary shares	6.8	2,000,000	-	-	441,488	-	-	2,441,488	129,014	2,570,502
- preference shares	6.8	-	-	-	-	-	-	-	536,137	536,137
Appropriation in lieu of dividend distributed		-	-	-	-	36,942	(36,942)	-	-	-
Profit for the financial year		-	-	-	-	-	11,120,068	11,120,068	4,283,157	15,403,225
Other comprehensive loss, net of tax		-	-	(610,011)	-	-	-	(610,011)	(203,229)	(813,240)
Total comprehensive income		-	-	(610,011)	-	-	11,120,068	10,510,057	4,079,928	14,589,985
Transactions with owners:										
Dividends paid	6.17	-	-	-	-	-	(17,118,883)	(17,118,883)	(5,703,252)	(22,822,135)
Balance as at 31 December 2021		2,000,000	11,501,000	(612,506)	(10,721,287)	52,743	8,311,203	10,531,153	3,940,560	14,471,713



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

	Note	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Merger reserve RM	Legal reserve RM	Distributable Retained earnings RM	Equity attributable to common controlling shareholders of the combining entities RM	Non-controlling interests RM	Total equity RM
Audited										
Balance as at 1 January 2022		2,000,000	11,501,000	(612,506)	(10,721,287)	52,743	8,311,203	10,531,153	3,940,560	14,471,713
Issuance of:										
- ordinary shares	6.8	10,000,000	-	-	-	-	-	10,000,000	19,315	10,019,315
Profit for the financial period		-	-	-	-	-	1,072,467	1,072,467	1,068,732	2,141,199
Other comprehensive loss, net of tax				(37,865)	-	-	-	(37,865)	(12,615)	(50,480)
Total comprehensive income		-	-	(37,865)	-	-	1,072,467	1,034,602	1,056,117	2,090,719
Balance as at 30 June 2022		12,000,000	11,501,000	(650,371)	(10,721,287)	52,743	9,383,670	21,565,755	5,015,992	26,581,747



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 COMBINED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP (continued)

	Note	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Merger reserve RM	Legal reserve RM	Distributable Retained earnings RM	Equity attributable to common controlling shareholders of the combining entities RM	Non-controlling interests RM	Total equity RM
Unaudited										
Balance as at 1 January 2021		-	11,501,000	(2,495)	(11,162,775)	15,801	14,346,960	14,698,491	4,898,733	19,597,224
Appropriation in lieu of dividend distributed		-	-	-	-	36,262	(36,262)	-	-	-
Profit for the financial period		-	-	-	-	-	9,279,141	9,279,141	3,094,560	12,373,701
Other comprehensive loss, net of tax		-	-	(542,675)	-	-	-	(542,675)	(180,795)	(723,470)
Total comprehensive income		-	-	(542,675)	-	-	9,279,141	8,736,466	2,913,765	11,650,231
Transactions with owners:										
Dividends paid	6.17	-	-	-	-	-	(9,896,594)	(9,896,594)	(3,297,106)	(13,193,700)
Balance as at 30 June 2021		-	11,501,000	(545,170)	(11,162,775)	52,063	13,693,245	13,538,363	4,515,392	18,053,755



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP**

	Note	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		5,721,824	21,978,326	19,100,651	3,885,840	15,421,438
Adjustments for:						
Depreciation of:						
- property, plant and equipment	6.2	50,002	110,384	175,333	101,185	83,657
- right-of-use assets	6.3	992,844	1,172,067	1,166,271	651,400	597,154
Dividend income from a former associate		-	(402,822)	(313,531)	-	(321,856)
Gain on disposal of other investments		-	-	(971,180)	-	-
Impairment loss on trade receivables	6.6	-	228,962	-	-	-
Interest expense on:						
- borrowings		181,611	115,734	205,539	145,643	87,104
- lease liabilities	6.3	282,477	311,535	221,525	71,556	129,136
- others		122,249	-	-	-	-
Interest income		(1,790)	(1,805)	(1,957)	(810)	(1,219)
Inventories written down	6.5	-	-	189,051	199,084	-
Inventories written off	6.5	-	544,049	-	-	-
Reversal of impairment loss on trade receivables	6.6	-	-	(18,045)	(59,077)	(63,267)
Unrealised gain on foreign exchange		-	-	-	(584,773)	-
Operating profit before changes in working capital		7,349,217	24,056,430	19,753,657	4,410,048	15,932,147
Changes in working capital						
Inventories		(199,329)	(1,861,891)	(4,115,901)	(129,582)	(335,304)
Trade and other receivables		(9,520,051)	(9,971,641)	4,539,550	2,229,624	5,471,670
Trade and other payables		2,574,244	(5,214,466)	593,699	(1,653,191)	(662,035)
Cash generated from operations		204,081	7,008,432	20,771,005	4,856,899	20,406,478
Interest received		1,790	1,805	1,957	810	1,219
Tax paid		(240,151)	(1,877,569)	(5,930,070)	(1,921,574)	(3,771,351)
Net cash (used in)/from operating activities		(34,280)	5,132,668	14,842,892	2,936,135	16,636,346



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)**

	Note	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of:						
- other investments		-	(281,976)	-	-	-
- property, plant and equipment	6.2	(113,031)	(311,468)	(284,032)	(514,297)	(219,228)
- right-of-use assets	6.3(a)	-	(120,031)	(16,550)	(3,493)	-
Proceeds from disposal of other investments	6.4	-	-	1,242,376	-	199,393
Dividend received from a former associate		-	402,822	313,531	-	321,856
Acquisition of subsidiary, net of cash	6.21	-	13,659	-	-	-
Net cash (used in)/from investing activities		(113,031)	(296,994)	1,255,325	(517,790)	302,021
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	6.17	-	(316,030)	(22,822,135)	-	(13,193,700)
Drawdowns of borrowings		16,876,059	16,076,253	62,348,094	-	2,589,531
Payments of lease liabilities	6.3	(541,580)	(1,195,008)	(2,002,492)	(1,116,255)	(956,825)
Proceeds from issuance of shares		-	-	3,106,639	10,000,000	-
Proceeds from issuance of shares to NCI		-	-	-	19,021	-
Repayments of borrowings		(15,597,152)	16,137,999)	(55,078,721)	(4,900,067)	-
Net cash from/(used in) financing activities		737,327	(1,572,784)	(14,448,615)	4,002,699	(11,560,994)
Net increase in cash and cash equivalents		590,016	3,262,890	1,649,602	6,421,044	5,377,373
Effects of exchange rate changes on cash and cash equivalents		(58,880)	3,475	207,719	582,412	(276,046)
Cash and cash equivalents at beginning of financial year/period		226,788	757,924	4,024,289	5,881,610	4,024,289
Cash and cash equivalents at end of financial year/period	6.7	757,924	4,024,289	5,881,610	12,885,066	9,125,616

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Chartered Accountants
Kuala Lumpur

13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.4 COMBINED STATEMENTS OF CASH FLOWS OF THE GROUP (continued)****RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Note	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.20201 to 30.6.2021 Unaudited RM
Lease liabilities	6.3					
At 1 January		3,805,238	4,739,861	4,350,975	2,377,652	4,350,975
Cash flows		(541,580)	(1,195,008)	(2,002,492)	(1,116,255)	(956,825)
Non-cash flows						
- Addition		880,555	588,470	49,648	538,801	-
- Exchange differences		313,171	(93,883)	(242,004)	19,662	(128,468)
- Unwinding of interest		282,477	311,535	221,525	71,556	129,136
At 31 December/30 June		<u>4,739,861</u>	<u>4,350,975</u>	<u>2,377,652</u>	<u>1,891,416</u>	<u>3,394,818</u>
Borrowings	6.11					
At 1 January		1,538,580	3,156,780	3,147,960	10,123,679	3,147,960
Cash flows		1,278,907	(61,746)	7,269,373	(4,900,067)	2,589,531
Non-cash flows						
- Exchange differences		157,682	(62,808)	(499,193)	91,868	(177,264)
- Unwinding of interest		181,611	115,734	205,539	145,643	87,104
At 31 December/30 June		<u>3,156,780</u>	<u>3,147,960</u>	<u>10,123,679</u>	<u>5,461,123</u>	<u>5,647,331</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS

6.1 OPERATING SEGMENTS

(a) Business segment

The primary activities of the Group are in a single industry segment of distribution of consumer packaged foods. Other reporting segment include online retailer of consumer packaged foods and investment holding, which are not of a sufficient size to be reported separately.

Management monitors the operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, the Group has only one (1) reportable segment.

(b) The Group evaluates performance on the basis of profit or loss for the financial year/period.

(c) Geographical information

The business activities of the Group are predominantly located in Thailand and as such segment reporting by geographical location is not presented.

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13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS****6.1 OPERATING SEGMENTS (continued)**

(d) Major customer

The following are major customers with revenue equal to or more than ten per centum (10%) of Group revenue:

	1.1.2019 to 31.12.2019 Audited RM		1.1.2020 to 31.12.2020 Audited RM		1.1.2020 to 31.12.2021 Audited RM		1.1.2022 to 30.6.2022 Audited RM		1.1.2021 to 30.6.2021 Unaudited RM	
		%		%		%		%		%
CP All Company Limited	41,982,591	71	59,597,872	50	56,006,656	41	26,957,200	44	30,008,030	38
Siam Makro Public Company Limited	*	*	27,495,258	23	28,914,643	21	8,582,304	14	19,271,644	24
Mega Alliance Co. Ltd.	*	*	20,908,063	17	*	*	*	*	10,469,171	13
Bfg C Supercenter Public Company Limited	*	*	*	*	13,649,297	10	*	*	9,957,463	13
Valueplus Worldwide Co. Ltd	*	*	*	*	23,864,650	17	15,493,558	26	*	*
	41,982,591	71	108,001,193	90	122,435,246	89	51,033,062	84	69,706,308	88

* Represents less than 10% of Group revenue in respective financial years/periods.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.2 PROPERTY, PLANT AND EQUIPMENT**

Audited 31.12.2019 At cost	Balance as at 1.1.2019 RM	Additions RM	Reclassificat- ion (Note 6.3) RM	Exchange differences RM	Balance as at 31.12.2019 RM
Office equipment	34,386	18,363	-	3,158	55,907
Office computers	14,100	4,878	-	1,225	20,203
Furniture and fittings	8,844	-	-	691	9,535
Machinery and tools	42,458	42,827	-	4,416	89,701
Motor vehicles	152,543	46,963	64,942	14,789	279,237
	252,331	113,031	64,942	24,279	454,583
Audited 31.12.2019 Accumulated depreciation	Balance as at 1.1.2019 RM	Depreciation charge for the financial year RM	Reclassificat -ion (Note 6.3) RM	Exchange differences RM	Balance as at 31.12.2019 RM
Office equipment	13,630	7,174	-	1,249	22,053
Office computers	8,799	4,456	-	801	14,056
Furniture and fittings	3,847	1,859	-	348	6,054
Machinery and tools	18,340	10,676	-	1,707	30,723
Motor vehicles	69,193	25,837	40,101	7,098	142,229
	113,809	50,002	40,101	11,203	215,115
Audited 31.12.2020 At cost	Balance as at 1.1.2020 RM	Additions RM	Reclassificat -ion (Note 6.3) RM	Exchange differences RM	Balance as at 31.12.2020 RM
Renovation	-	32,012	-	(36)	31,976
Office equipment	55,907	17,007	-	(1,130)	71,784
Office computers	20,203	8,119	-	(410)	27,912
Furniture and fittings	9,535	13,308	-	(204)	22,639
Machinery and tools	89,701	-	-	(1,783)	87,918
Motor vehicles	279,237	241,022	33,882	(5,857)	548,284
	454,583	311,468	33,882	(9,420)	790,513



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.2 PROPERTY, PLANT AND EQUIPMENT (continued)**

Audited 31.12.2020 Accumulated depreciation	Balance as at 1.1.2020 RM	Depreciation charge for the financial year RM	Reclassificat -ion (Note 6.3) RM	Exchange differences RM	Balance as at 31.12.2020 RM
Renovation	-	1,627	-	(2)	1,625
Office equipment	22,053	11,544	-	(451)	33,146
Office computers	14,056	3,731	-	(284)	17,503
Furniture and fittings	6,054	2,521	-	(124)	8,451
Machinery and tools	30,723	17,603	-	(628)	47,698
Motor vehicles	142,229	73,358	24,451	(2,936)	237,102
	<u>215,115</u>	<u>110,384</u>	<u>24,451</u>	<u>(4,425)</u>	<u>345,525</u>

Audited 31.12.2021 At cost	Balance as at 1.1.2021 RM	Additions RM	Disposal RM	Exchange differences RM	Balance as at 31.12.2021 RM
Renovation	31,976	-	-	(2,251)	29,725
Office equipment	71,784	14,427	-	(5,589)	80,622
Office computers	27,912	83,223	-	(5,056)	106,079
Furniture and fittings	22,639	121,316	-	(6,099)	137,856
Machinery and tools	87,918	7,980	-	(6,485)	89,413
Motor vehicles	548,284	57,086	(26,157)	(39,747)	539,466
	<u>790,513</u>	<u>284,032</u>	<u>(26,157)</u>	<u>(65,227)</u>	<u>983,161</u>

Audited 31.12.2021 Accumulated depreciation	Balance as at 1.1.2021 RM	Depreciation charge for the financial year RM	Disposal RM	Exchange differences RM	Balance as at 31.12.2021 RM
Renovation	1,625	6,174	-	(344)	7,455
Office equipment	33,146	14,833	-	(2,884)	45,095
Office computers	17,503	18,086	-	(1,904)	33,685
Furniture and fittings	8,451	18,988	-	(1,300)	26,139
Machinery and tools	47,698	15,512	-	(3,935)	59,275
Motor vehicles	237,102	101,740	(11,875)	(20,029)	306,938
	<u>345,525</u>	<u>175,333</u>	<u>(11,875)</u>	<u>(30,396)</u>	<u>478,587</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Wellsfire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.2 PROPERTY, PLANT AND EQUIPMENT (continued)**

Audited 30.6.2022 At cost	Balance as at 1.1.2022 RM	Additions RM	Exchange differences RM	Balance as at 30.06.2022 RM
Renovation	29,725	204,854	67	234,646
Office equipment	80,622	27,004	(214)	107,412
Office computers	106,079	25,138	(128)	131,089
Furniture and fittings	137,856	45,469	208	183,533
Machinery and tools	89,413	103,440	(1,306)	191,547
Motor vehicles	539,466	108,392	(370)	647,488
	<u>983,161</u>	<u>514,297</u>	<u>(1,743)</u>	<u>1,495,715</u>

Audited 30.6.2022 Accumulated depreciation	Balance as at 1.1.2022 RM	Depreciation charge for the financial period RM	Exchange differences RM	Balance as at 30.06.2022 RM
Renovation	7,455	14,379	(26)	21,808
Office equipment	45,095	8,295	(20)	53,370
Office computers	33,685	16,218	(161)	49,742
Furniture and fittings	26,139	14,299	(139)	40,299
Machinery and tools	59,275	6,819	33	66,127
Motor vehicles	306,938	41,175	89	348,202
	<u>478,587</u>	<u>101,185</u>	<u>(224)</u>	<u>579,548</u>

Net carrying amounts	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Renovation	-	30,351	22,270	212,838
Office equipment	33,854	38,638	35,527	54,042
Office computers	6,147	10,409	72,394	81,347
Furniture and fittings	3,481	14,188	111,717	143,234
Machinery and tools	58,978	40,220	30,138	125,420
Motor vehicles	137,008	311,182	232,528	299,286
	<u>239,468</u>	<u>444,988</u>	<u>504,574</u>	<u>916,167</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Group as lessee

Right-of-use assets

Audited 31.12.2019 Cost	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2019	-	-	-
Effects of adoption of MFRS 16 (Note 6.24)	3,716,140	93,813	3,809,953
Addition	-	880,555	880,555
Reclassification (Note 6.2)	-	(64,942)	(64,942)
Exchange differences	290,253	28,275	318,528
As at 31 December 2019	4,006,393	937,701	4,944,094

Audited 31.12.2019 Accumulated depreciation	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2019	-	-	-
Effects of adoption of MFRS 16 (Note 6.24)	280,463	36,096	316,559
Depreciation charged for the year	884,394	108,450	992,844
Reclassification (Note 6.2)	-	(40,101)	(40,101)
Exchange differences	44,620	4,575	49,195
As at 31 December 2019	1,209,477	109,020	1,318,497

Audited 31.12.2020 Cost	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2020	4,006,393	937,701	4,944,094
Addition	-	708,501	708,501
Reclassification (Note 6.2)	-	(33,882)	(33,882)
Exchange differences	(79,633)	(19,393)	(99,026)
As at 31 December 2020	3,926,760	1,592,927	5,519,687



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

The Group as lessee (continued)

Right-of-use assets (continued)

	Distribution facility RM	Motor vehicles RM	Total RM	
Audited 31.12.2020				
Accumulated depreciation				
As at 1 January 2020	1,209,477	109,020	1,318,497	
Depreciation charged for the year	890,073	281,994	1,172,067	
Reclassification (Note 6.2)	-	(24,451)	(24,451)	
Exchange differences	(25,035)	(2,455)	(27,490)	
As at 31 December 2020	2,074,515	364,108	2,438,623	
	Distribution facility RM	Motor vehicles RM	Total RM	
Audited 31.12.2021				
Cost				
As at 1 January 2021	3,926,760	1,592,927	5,519,687	
Addition	-	66,198	66,198	
Exchange differences	(276,435)	(114,597)	(391,032)	
As at 31 December 2021	3,650,325	1,544,528	5,194,853	
	Distribution facility RM	Motor vehicles RM	Total RM	
Audited 31.12.2021				
Accumulated depreciation				
As at 1 January 2021	2,074,515	364,108	2,438,623	
Depreciation charged for the year	858,365	307,906	1,166,271	
Exchange differences	(177,917)	(37,068)	(214,985)	
As at 31 December 2021	2,754,963	634,946	3,389,909	
	Distribution facility RM	Motor vehicles RM	Office RM	Total RM
Audited 30.6.2022				
Cost				
As at 1 January 2022	3,650,325	1,544,528	-	5,194,853
Addition	-	-	542,294	542,294
Exchange differences	8,169	3,456	-	11,625
As at 30 June 2022	3,658,494	1,547,984	542,294	5,748,772



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

The Group as lessee (continued)

Right-of-use assets (continued)

Audited 30.6.2022	Distribution facility RM	Motor vehicles RM	Office RM	Total RM
Accumulated depreciation				
As at 1 January 2022	2,754,963	634,946	-	3,389,909
Depreciation charged for the period	420,288	155,794	75,318	651,400
Exchange differences	45	(845)	-	(800)
As at 30 June 2022	3,175,296	789,895	75,318	4,040,509

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Net carrying amounts				
Distribution facility	2,796,916	1,852,245	895,362	483,198
Motor vehicles	828,681	1,228,819	909,582	758,089
Office	-	-	-	466,976
	<u>3,625,597</u>	<u>3,081,064</u>	<u>1,804,944</u>	<u>1,708,263</u>

Lease liabilities

Audited 31.12.2019	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2019	-	40,160	40,160
Effects of adoption of MFRS 16 (Note 6.24)	3,765,077	-	3,765,077
Additions	-	880,555	880,555
Lease payments	(392,771)	(148,809)	(541,580)
Interest expenses	249,102	33,375	282,477
Exchange differences	290,385	22,787	313,172
As at 31 December 2019	3,911,793	828,068	4,739,861

Audited 31.12.2020	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2020	3,911,793	828,068	4,739,861
Addition	-	588,470	588,470
Lease payments	(828,233)	(366,775)	(1,195,008)
Interest expenses	227,159	84,376	311,535
Exchange differences	(77,081)	(16,802)	(93,883)
As at 31 December 2020	3,233,638	1,117,337	4,350,975



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)****Lease liabilities (continued)**

Audited 31.12.2021	Distribution facility RM	Motor vehicles RM	Total RM
As at 1 January 2021	3,233,638	1,117,337	4,350,975
Addition	-	49,648	49,648
Lease payments	(1,597,456)	(405,036)	(2,002,492)
Interest expenses	159,982	61,543	221,525
Exchange differences	(174,259)	(67,745)	(242,004)
As at 31 December 2021	1,621,905	755,747	2,377,652



Audited 30.6.2022	Distribution facility RM	Motor vehicles RM	Office RM	Total RM
As at 1 January 2022	1,621,905	755,747	-	2,377,652
Addition	-	-	538,801	538,801
Lease payments	(853,281)	(194,993)	(67,981)	(1,116,255)
Interest expenses	41,503	21,647	8,406	71,556
Exchange differences	15,447	4,215	-	19,662
As at 30 June 2022	825,574	586,616	479,226	1,891,416

Represented by:	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Non-current liabilities	3,912,378	2,500,609	404,874	540,754
Current liabilities	827,483	1,850,366	1,972,778	1,350,662
	4,739,861	4,350,975	2,377,652	1,891,416

Lease liabilities owing to:	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Financial institutions				
- motor vehicles	475,750	396,506	268,535	102,954
Non-financial institutions				
- motor vehicles	352,318	720,831	487,212	483,662
- distribution facility	3,911,793	3,233,638	1,621,905	825,574
- office	-	-	-	479,226
	4,739,861	4,350,975	2,377,652	1,891,416

13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

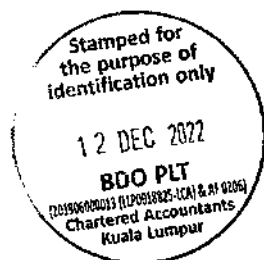
6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(a) The Group made the following cash payments to purchase right-of-use assets:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Additions of right-of-use assets	880,555	708,501	66,198	542,294	-
Less: Financed by lease liabilities	(880,555)	(588,470)	(49,648)	(538,801)	-
Cash payments on purchase of rights-of-use assets	-	120,031	16,550	3,493	-

(b) The following are the amounts recognised in profit or loss:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Cost of sales:					
Interest expense on lease liabilities	249,102	227,159	159,982	41,503	94,321
Depreciation of right-of-use assets	884,394	890,073	858,365	420,288	440,578
Expenses relating to short-term lease	-	-	19,764	-	6,297
Finance costs:					
Interest expense on lease liabilities	33,375	84,376	61,543	30,053	34,815
Selling and administrative expenses:					
Depreciation of right-of-use assets	108,450	281,994	307,906	231,112	156,576
Expenses relating to short-term lease	-	-	34,330	40,211	13,999
Expenses relating to leases of low-value assets	6,004	7,586	11,596	8,530	4,485
	<u>1,281,325</u>	<u>1,491,188</u>	<u>1,453,486</u>	<u>771,697</u>	<u>751,071</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

- (c) At the end of the financial year/period, the Group had total cash outflow for leases of RM1,116,255 (31.12.2021: RM2,002,492; 30.6.2021: RM956,825; 31.12.2020: RM1,195,008; 31 December 2019: RM541,580).
- (d) The following table sets out the carrying amounts, the weighted average incremental borrowing rate and the remaining maturities of the lease liabilities of the Group:

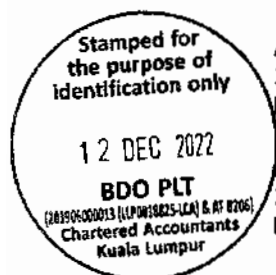
	Weighted average incremental borrowing rate %	Within 1 year RM	1 - 5 years RM	Total RM
Audited 31.12.2019 Lease liabilities	6.85%	827,483	3,912,378	4,739,861
Audited 31.12.2020 Lease liabilities	6.43%	1,850,366	2,500,609	4,350,975
Audited 31.12.2021 Lease liabilities	6.26%	1,972,778	404,874	2,377,652
Audited 30.6.2022 Lease liabilities	5.64%	1,350,662	540,754	1,891,416

- (e) The table below summarises the maturity profile of the lease liabilities of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

	Within 1 year RM	1 - 5 years RM	Total RM
Audited 31.12.2019 Lease liabilities	1,127,309	4,224,120	5,351,429
Audited 31.12.2020 Lease liabilities	2,079,818	2,608,953	4,688,771
Audited 31.12.2021 Lease liabilities	2,028,836	404,874	2,433,710
Audited 30.6.2022 Lease liabilities	1,381,394	550,639	1,932,033

- (f) Sensitivity analysis for lease liabilities as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rate.

The Group have certain leases of office equipment with lease term of 12 months or less and low value leases of office equipment of RM20,000 and below. The Group apply the "short-term lease" and "lease of low-value assets" exemptions for these leases.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.4 OTHER INVESTMENTS**

Other investments comprised unquoted ordinary shares of Mega Alliance Co. Ltd. ("Mega Alliance") and Valueplus Worldwide Co., Ltd. ("Valueplus") at cost.

The former associate company, Mega Alliance was set up by Bai Li Enterprise together with other individuals during the financial year ended 31 December 2020 with cash injection of THB1,500,000 (equivalent to approximately RM201,411).

The former associate company, Valueplus was acquired by Bai Li Enterprise during the financial year ended 31 December 2020 for a total cash consideration of THB600,000 (equivalent to approximately RM80,565).

The financial position, financial performance and cash flows of Mega Alliance and Valueplus had been carved out from the combined financial statements because Bai Li Enterprise has disposed the entire equity interest of Mega Alliance and Valueplus on 28 February 2021 and 19 July 2021 respectively.

The disposal consideration for Mega Alliance and Valueplus were THB1,500,000 (equivalent to approximately RM200,967) and THB8,100,000 (equivalent to approximately RM1,041,409) respectively. As Mega Alliance and Valueplus do not form part of the Group, the combined financial statements for the respective financial years do not include any equity accounting effect from these two former associate companies.

6.5 INVENTORIES

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
At cost				
Finished goods	1,368,442	2,657,611	6,251,546	6,197,045

Inventories of the Group recognised as cost of sales during the financial years/periods are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Recognised as cost of sales	40,589,866	79,429,454	96,260,219	45,644,347	52,963,882

Inventories of the Group written down during the financial years/periods are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Inventories written down	-	-	189,051	199,084	-



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.5 INVENTORIES (continued)**

Inventories of the Group written off during the financial years/period are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Inventories written off	-	544,049	-	-	-

6.6 TRADE AND OTHER RECEIVABLES

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Trade receivables				
Third parties	15,065,231	23,045,071	18,122,982	15,274,246
Amount due from a related party	-	-	17,081	-
Less: Impairment loss	-	(228,706)	(195,230)	(137,451)
Total trade receivables	15,065,231	22,816,365	17,944,833	15,136,795
Other receivables				
Other receivables	-	-	-	1,033,356
Deposits	1,279	1,254	144,342	68,709
Total other receivables	1,279	1,254	165,213	1,102,065
Prepayments	12,014	1,692,981	340,531	128,322
Total trade and other receivables	15,078,524	24,510,600	18,450,577	16,367,182

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group to retail customers ranges from 30 days to 60 days and wholesale customers are dealt on cash terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. During these financial years, the Group did not renegotiate the terms of any trade receivables.

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13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.6 TRADE AND OTHER RECEIVABLES (continued)**

- (b) Lifetime expected loss provision for trade receivables at the end of the reporting period are as follows:

	Gross carrying amount RM	Lifetime expected loss RM	Net carrying amount RM
Audited 31.12.2020			
Collective assessment			
Not past due	21,473,945	(9,008)	21,464,937
Past due			
1-30 days	1,167,304	(4,716)	1,162,588
31-120 days	245,945	(70,117)	175,828
More than 120 days	157,877	(144,865)	13,012
	<u>23,045,071</u>	<u>(228,706)</u>	<u>22,816,365</u>
Audited 31.12.2021			
Collective assessment			
Not past due	16,863,971	(9,991)	16,853,980
Past due			
1-30 days	1,060,677	(6,682)	1,053,995
31-120 days	39,037	(22,068)	16,969
More than 120 days	176,378	(156,489)	19,889
	<u>18,140,063</u>	<u>(195,230)</u>	<u>17,944,833</u>
Audited 30.6.2022			
Collective assessment			
Not past due	14,176,892	(2,524)	14,174,368
Past due			
1-30 days	962,274	(8,278)	953,996
31-120 days	2,291	(2,211)	80
More than 120 days	132,789	(124,438)	8,351
	<u>15,274,246</u>	<u>(137,451)</u>	<u>15,136,795</u>

No expected credit loss allowance is recognised arising from trade receivables as at 31 December 2019 as the amount was negligible.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

Management assesses the expected credit losses for portfolios of trade receivables collectively based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the country where customer operates. The individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.6 TRADE AND OTHER RECEIVABLES (continued)**

(c) The reconciliation of movement in the impairment losses for trade receivables is as follows:

	12-month expected credit losses allowance RM
Audited	
At 1 January 2020	-
Charge for the financial year	228,962
Exchange differences	(256)
	<u>228,706</u>
At 31 December 2020	<u>228,706</u>
Audited	
At 1 January 2021	228,706
Reversal of impairment losses	(18,045)
Exchange differences	(15,431)
	<u>195,230</u>
At 31 December 2021	<u>195,230</u>
Audited	
At 1 January 2022	195,230
Reversal of impairment losses	(59,077)
Exchange differences	1,298
	<u>137,451</u>
At 30 June 2022	<u>137,451</u>



Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the financial year end.

(d) The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	31.12.2019		31.12.2020		31.12.2021		30.6.2022	
	Audited	%	Audited	%	Audited	%	Audited	%
	RM		RM		RM		RM	
CP All Company Limited	10,393,818	69	11,169,274	48	10,513,288	58	9,218,064	60
Siam Makro Public Company Limited Plc.	2,300,001	15	8,216,189	36	4,536,707	25	3,444,022	23
	<u>12,693,819</u>	<u>84</u>	<u>19,385,463</u>	<u>84</u>	<u>15,049,995</u>	<u>83</u>	<u>12,662,086</u>	<u>83</u>

(e) Included in the other receivables for the financial period ended 30 June 2022 are sales incentive receivable from a supplier of the Group amounted to RM1,033,356.

(f) No expected credit losses were recognised arising from other receivables as the amounts were negligible.

13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.6 TRADE AND OTHER RECEIVABLES (continued)**

(g) The foreign currencies profile of the trade and other receivables are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Thai Baht	15,078,524	24,510,600	18,307,659	16,299,900
Ringgit Malaysia	-	-	142,918	67,282
	<u>15,078,524</u>	<u>24,510,600</u>	<u>18,450,577</u>	<u>16,367,182</u>

(h) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM
Effects of 5% changes to RM against foreign currency				
Thai Baht	<u>753,926</u>	<u>1,225,530</u>	<u>915,383</u>	<u>814,995</u>

6.7 CASH AND BANK BALANCES

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Cash and bank balances	<u>757,924</u>	<u>4,024,289</u>	<u>5,881,610</u>	<u>12,885,066</u>

(a) The foreign currencies profile of the cash and bank balances are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
United States Dollar	278,458	8,821	1,081,427	8,845,121
Thai Baht	479,466	4,015,468	3,788,583	3,651,404
Singapore Dollar	-	-	247,296	265,370
Ringgit Malaysia	-	-	764,304	123,171
	<u>757,924</u>	<u>4,024,289</u>	<u>5,881,610</u>	<u>12,885,066</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.7 CASH AND BANK BALANCES (continued)**

- (b) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM
Effects of 5% changes to RM against foreign currencies				
Profit after tax				
United States Dollar	13,260	420	51,399	442,256
Thai Baht	22,832	191,213	180,409	182,570
Singapore Dollar	-	-	11,679	13,269
	<u>36,092</u>	<u>191,633</u>	<u>243,487</u>	<u>638,095</u>

- (c) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

6.8 SHARE CAPITAL

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Number of ordinary shares				
Issued and fully paid:				
Balance as at 1 January/6 August 2021 (date of incorporation)	-	-	-	2,000,000
Issued during the financial year/period	-	-	2,000,000	10,000,000
Balance as at 31 December/30 June	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>12,000,000</u>

During the financial year ended 31 December 2021, the Company allotted 2,000,000 ordinary shares at an issue price of RM1.00 per share for a total consideration of RM2,000,000.

During the financial period ended 30 June 2022, the Company allotted 10,000,000 ordinary shares at an issue price of RM1.00 per share for a total consideration of RM10,000,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group and are entitled to one (1) vote per ordinary share at general meeting of the Group. All ordinary shares rank pari passu with regard to the Group's residual assets.

During the financial year ended 31 December 2021, Bai Li Holdings allotted 42,700 preference shares at an issue price of THB100 (equivalent to approximately to RM12.56) per share for a total consideration of THB4,270,000 (equivalent to approximately RM536,137) to its non-controlling interests.

The holders of preference shares are entitled to one (1) dividend right for every ten (10) preference shares as and when declared by Bai Li Holdings and are entitled to one (1) vote for every ten (10) preference shares at general meeting of Bai Li Holdings.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.9 RESERVES**

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Non-distributable:				
Foreign currency translation reserve	64,445	(2,495)	(612,506)	(650,371)
Merger reserve	(11,162,775)	(11,162,775)	(10,721,287)	(10,721,287)
Legal reserve	-	15,801	52,743	52,743
	<u>(11,098,330)</u>	<u>(11,149,469)</u>	<u>(11,281,050)</u>	<u>(11,318,915)</u>

(a) Exchange translation reserve

Exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the combined financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Merger reserve

During the financial year ended 31 December 2019, the merger reserve arose as a result of the excess of the consideration paid over the share capital of Bai Li Enterprise.

During the financial year ended 31 December 2021:

- i. Bai Li Holdings allotted 21,000 ordinary shares at an issue price of THB100 (equivalent to approximately to RM12.54) per share for a total consideration of THB2,100,000 (equivalent to approximately to RM263,294) to its common controlling shareholders. Arising from the above allotment, THB1,071,000 (equivalent to approximately to RM134,280) was set off against the merger reserve pursuant to the internal reorganisation exercise as set out in Note 1.1 of the Accountants' Report.
- ii. Vine Growth Holdings allotted 100,000 ordinary shares at an issue price of SGD1 (equivalent to approximately to RM3.07) per share for a total consideration of SGD100,000 (equivalent to approximately to RM307,208) to its common controlling shareholders. Arising from the above allotment, SGD100,000 (equivalent to approximately to RM307,208) was set off against merger reserve pursuant to the internal reorganisation exercise as set out in Note 1.1 of the Accountants' Report.

(c) Legal reserve

In accordance with the Civil and Commercial Code of Thailand, the Group's subsidiaries operating in Thailand must appropriate a reserve fund at each distribution of dividend, being at least 5% of the profit or more until such legal reserve reaches 10% of the registered capital.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.10 DEFERRED TAX ASSETS/(LIABILITIES)**

(a) The deferred tax assets/(liabilities) are made up of the following:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
As at 1 January	63,314	(190,004)	(1,798,626)	(1,296,745)
Recognised in profit or loss (Note 6.15)	(262,071)	(1,604,115)	521,079	(538,811)
Exchange differences	8,753	(4,507)	(19,198)	1,295
As at 31 December	(190,004)	(1,798,626)	(1,296,745)	(1,834,261)
Presented after appropriate offsetting:				
Deferred tax assets, net	220,326	328,906	203,163	146,765
Deferred tax liabilities, net	(410,330)	(2,127,532)	(1,499,908)	(1,981,026)
	(190,004)	(1,798,626)	(1,296,745)	(1,834,261)

(b) The component of deferred tax assets and deferred tax liabilities during the financial years prior to offsetting are as follows:

Deferred tax assets of the Group

	Right-of-use assets RM	Other deductible temporary differences RM	Total RM
Audited			
As at 1 January 2019	63,314	-	63,314
Recognised in profit or loss	148,259	-	148,259
Exchange differences	8,753	-	8,753
As at 31 December 2019 (before off-setting)	220,326	-	220,326
Off-setting	(220,326)	-	(220,326)
As at 31 December 2019 (after off-setting)	-	-	-
Audited			
As at 1 January 2020	220,326	-	220,326
Recognised in profit or loss	67,295	45,792	113,087
Exchange differences	(4,455)	(52)	(4,507)
As at 31 December 2020 (before off-setting)	283,166	45,740	328,906
Off-setting	(283,166)	(45,740)	(328,906)
As at 31 December 2020 (after off-setting)	-	-	-



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.10 DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (b) The component of deferred tax assets and deferred tax liabilities during the financial years prior to offsetting are as follows: (continued)

Deferred tax assets of the Group

	Right-of-use assets RM	Other deductible temporary differences RM	Total RM
Audited			
As at 1 January 2021	283,166	45,740	328,906
Recognised in profit or loss	(140,748)	34,203	(106,545)
Exchange differences	(14,707)	(4,491)	(19,198)
As at 31 December 2021 (before off-setting)	127,711	75,452	203,163
Off-setting	(127,711)	(75,452)	(203,163)
As at 31 December 2021 (after off-setting)	-	-	-
Audited			
As at 1 January 2022	127,711	75,452	203,163
Recognised in profit or loss	(85,695)	28,002	(57,693)
Exchange differences	1,534	(239)	1,295
As at 30 June 2022 (before off-setting)	43,550	103,215	146,765
Off-setting	(43,550)	(103,215)	(146,765)
As at 30 June 2022 (after off-setting)	-	-	-

Deferred tax liabilities of the Group

	Withholding tax on undistributed profits/ Total RM
Audited	
As at 1 January 2019	-
Recognised in profit or loss	410,330
As at 31 December 2019 (before off-setting)	410,330
Off-setting	(220,326)
As at 31 December 2019 (after off-setting)	190,004
Audited	
As at 1 January 2020	410,330
Recognised in profit or loss	1,717,202
As at 31 December 2020 (before off-setting)	2,127,532
Off-setting	(328,906)
As at 31 December 2020 (after off-setting)	1,798,626



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.10 DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (b) The component of deferred tax assets and deferred tax liabilities during the financial years prior to offsetting are as follows: (continued)

Deferred tax liabilities of the Group

	Withholding tax on undistributed profits/ Total RM
Audited	
As at 1 January 2021	2,127,532
Recognised in profit or loss	<u>(627,624)</u>
As at 31 December 2021 (before off-setting)	1,499,908
Off-setting	<u>(203,163)</u>
As at 31 December 2021 (after off-setting)	<u>1,296,745</u>
Audited	
As at 1 January 2022	1,499,908
Recognised in profit or loss	<u>481,118</u>
As at 30 June 2022 (before off-setting)	1,981,026
Off-setting	<u>(146,765)</u>
As at 30 June 2022 (after off-setting)	<u>1,834,261</u>

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the combined statements of financial position are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Unabsorbed tax losses, gross				
Expires by 31 December 2025	-	47,150	43,831	43,929
Expires by 31 December 2027	-	-	11,995	12,022
Expires by 31 December 2028	-	-	-	67,324
	<u>-</u>	<u>47,150</u>	<u>55,826</u>	<u>123,275</u>

* Based on provisional tax computation prepared by management.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.11 BORROWINGS**

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Non-current liabilities				
Borrowings from financial institutions	-	375,689	308,662	260,916
Current liabilities				
Borrowings from financial institutions	1,402,392	2,772,271	9,815,017	5,200,207
Borrowings from related parties	1,754,388	-	-	-
	<u>3,156,780</u>	<u>2,772,271</u>	<u>9,815,017</u>	<u>5,200,207</u>
Total borrowings				
Borrowings from financial institutions	1,402,392	3,147,960	10,123,679	5,461,123
Borrowings from related parties	1,754,388	-	-	-
	<u>3,156,780</u>	<u>3,147,960</u>	<u>10,123,679</u>	<u>5,461,123</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6.11 BORROWINGS (continued)

(a) Details of the borrowings are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Non-current				
Unsecured term loan I from financial institutions of THB3,500,000 repayable by 84 equal monthly instalments commencing on 23 January 2020. The borrowing bears a fixed interest rate of 3% per annum in Year 1 to Year 3 and variable interest rate in Year 4 to Year 7 at Minimum Retail Rate ("MRR") minus 1% per annum.	-	304,860	214,350	182,199
Secured term loan II from financial institutions of THB726,400 repayable by 60 equal monthly instalments commencing on 30 November 2019. The borrowing bears a variable interest rate of Minimum Loan Rate ("MLR") minus 2.00% per annum and guaranteed by a Director of the Group.	-	70,829	46,440	37,156
Secured term loan III from financial institutions of THB531,000 repayable by 60 equal monthly instalments commencing on 31 July 2021. The borrowing bears a variable interest rate of MLR minus 1.00% per annum and guaranteed by a Director of the Group.	-	-	47,872	41,561
	-	375,689	308,662	260,916



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6.11 BORROWINGS (continued)

(a) Details of the borrowings are as follows: (continued)

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Current				
Unsecured term loan I from financial institutions of THB3,500,000 repayable by 84 equal monthly instalments commencing on 23 January 2020. The borrowing bears a fixed interest rate of 3% per annum in Year 1 to Year 3 and variable interest rate in Year 4 to Year 7 at Minimum Retail Rate ("MRR") minus 1% per annum.	-	72,082	69,048	67,483
Secured term loan II from financial institutions of THB726,400 repayable by 60 equal monthly instalments commencing on 30 November 2019. The borrowing bears a variable interest rate of Minimum Loan Rate ("MLR") minus 2.00% per annum and guaranteed by a Director of the Group.	-	17,709	18,244	18,601
Secured term loan III from financial institutions of THB531,000 repayable by 60 equal monthly instalments commencing on 31 July 2021. The borrowing bears a variable interest rate of MLR minus 1.00% per annum and guaranteed by a Director of the Group.	-	-	12,372	12,677
Secured invoice financing IV from financial institutions of THB80,000,000 is repayable within 90 days from drawdown. The borrowing bears a variable interest rate of Minimum Retail Rate ("MLR") minus 1.50% per annum. The borrowing is guaranteed by a Director of the Group.	1,402,392	-	6,510,227	2,602,226

60

327



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6.11 BORROWINGS (continued)

(a) Details of the borrowings are as follows: (continued)

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Current				
Unsecured revolving credit V from financial institutions of THB20,000,000 repayable 3 months after drawdown. The revolving credit bears a fixed interest rate of 2% per annum.	-	2,682,480	2,493,640	2,499,220
Secured invoice financing VI from financial institutions of THB50,000,000 is repayable within 90 days from drawdown. The borrowing bears a variable interest rate of Minimum Retail Rate ("MLR") minus 1.00% per annum. The borrowing is guaranteed by a Director of the Group.	-	-	711,486	-
Secured term loan VII from related company of USD200,000. The borrowing bears a fixed interest rate of 12.00% per annum and guaranteed by shares of a related party.	892,772	-	-	-
Secured term loan VIII from related party of USD200,000. The borrowing bears a fixed interest rate of 15.00% per annum and guaranteed by shares of a related party.	861,616	-	-	-
	<u>3,156,780</u>	<u>2,772,271</u>	<u>9,815,017</u>	<u>5,200,207</u>

(b) Fair value of the borrowings of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.11 BORROWINGS (continued)**

(c) The foreign currencies profile of the borrowings are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
United States Dollar	1,754,388	-	-	-
Thai Baht	1,402,392	3,147,960	10,123,679	5,461,123
	<u>3,156,780</u>	<u>3,147,960</u>	<u>10,123,679</u>	<u>5,461,123</u>

(d) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM
Effects of 5% changes to RM against foreign currencies				
Profit after tax				
United States Dollar	87,719	-	-	-
Thai Baht	70,120	157,398	506,184	273,056
	<u>157,839</u>	<u>157,398</u>	<u>506,184</u>	<u>273,056</u>

(e) The carrying amounts of the current portion of borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of the term loans that carry floating interest rates approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(f) At the end of reporting date, the interest rate profiles of the borrowings were:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Fixed rates	1,754,388	2,835,119	2,568,526	2,539,921
Floating rates	1,402,392	312,841	7,555,153	2,921,202
	<u>3,156,780</u>	<u>3,147,960</u>	<u>10,123,679</u>	<u>5,461,123</u>

(g) At the end of reporting date, the weighted average effective interest rates for the borrowings were as follows:

	31.12.2019 Audited	31.12.2020 Audited	31.12.2021 Audited	30.6.2022 Audited
Borrowing from financial institution	4.75%	2.29%	3.52%	3.97%
Borrowing from related parties	<u>13.47%</u>	<u>-</u>	<u>-</u>	<u>-</u>



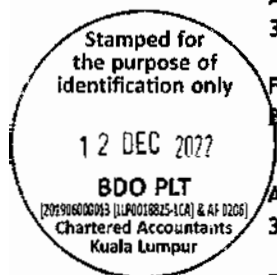
13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.11 BORROWINGS (continued)**

(h) The following table sets out the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Audited				
31.12.2019				
Financial liabilities				
Borrowing from a financial institution	1,402,392	-	-	1,402,392
Audited				
31.12.2020				
Financial liabilities				
Borrowing from a financial institution	21,728	324,386	-	346,114
Audited				
31.12.2021				
Financial liabilities				
Borrowings from financial institutions	7,256,723	333,151	-	7,589,874
Audited				
30.6.2022				
Financial liabilities				
Borrowings from financial institutions	2,669,305	280,990	-	2,950,295

(i) The table below summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Audited				
31.12.2019				
Borrowing from a financial institution	1,402,392	-	-	1,402,392
Borrowings from related parties	1,754,388	-	-	1,754,388
	3,156,780	-	-	3,156,780
Audited				
31.12.2020				
Borrowings from financial institutions	2,800,159	396,618	6,550	3,203,327



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.11 BORROWINGS (continued)**

- (i) The table below summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follows:
-
- (continued)

	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Audited				
31.12.2021				
Borrowings from financial institutions	9,839,285	339,535	-	10,178,820
Audited				
30.6.2022				
Borrowings from financial institutions	<u>5,221,527</u>	<u>314,133</u>	-	<u>5,535,660</u>

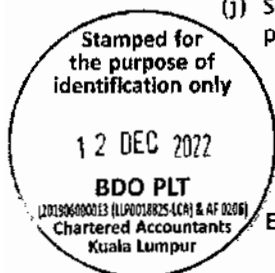
- (j) Sensitivity analysis of interest rate for the floating rate instruments at the end of each reporting period, assuming all other variables remain constant, is as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM
Effects of 5% changes to profit after tax				
Floating rate instruments	<u>2,665</u>	<u>510</u>	<u>12,157</u>	<u>4,623</u>

Sensitivity analysis for fixed rate borrowings as at the end of each reporting period is not presented as fixed rate instruments are not affected by changes in interest rates.

6.12 TRADE AND OTHER PAYABLES

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Trade payables				
Amount due to a related party	-	75,347	870,696	631,299
Other payables				
Other payables	149,439	658,935	876,999	384,552
Amount due to a Director	7,366,071	363,758	-	-
Accruals	145,571	1,202,128	986,394	101,049
	<u>7,661,081</u>	<u>2,224,821</u>	<u>1,863,393</u>	<u>485,601</u>
Total trade and other payables	<u>7,661,081</u>	<u>2,300,168</u>	<u>2,734,089</u>	<u>1,116,900</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.12 TRADE AND OTHER PAYABLES (continued)**

- (a) Amount due to a related party is unsecured, interest-free and is subject to normal trade credit term of 120 days.
- (b) Amount due to a Director is unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.
- (c) The foreign currencies profile of the trade and other payables are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM
United States Dollar	-	75,347	870,696	631,299
Thai Baht	7,661,081	2,224,821	1,211,839	412,033
Ringgit Malaysia	-	-	651,554	73,568
	<u>7,661,081</u>	<u>2,300,168</u>	<u>2,734,089</u>	<u>1,116,900</u>

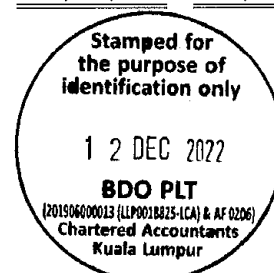
- (d) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Effects of 5% changes to RM against foreign currencies				
Profit after tax				
United States Dollar	-	3,767	43,535	31,565
Thai Baht	383,054	111,241	60,592	20,602
	<u>383,054</u>	<u>115,008</u>	<u>104,127</u>	<u>52,167</u>

- (e) The maturity profile of the trade and other payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations are repayable on demand or within one (1) year.

6.13 REVENUE

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
<i>Revenue from contracts with customers:</i>					
Sales of goods	<u>58,799,010</u>	<u>119,706,408</u>	<u>136,707,293</u>	<u>60,508,834</u>	<u>79,511,362</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.13 REVENUE (continued)**

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
<i>Timing of revenue recognition</i>					
Transferred at a point in time	<u>58,799,010</u>	<u>119,706,408</u>	<u>136,707,293</u>	<u>60,508,834</u>	<u>79,511,362</u>

Disaggregation of revenue from contracts with customers has been presented in the operating segments as disclosed in Note 6.1 to the combined financial statements.

6.14 PROFIT BEFORE TAX

Other than those disclosed elsewhere in the combined financial statements, profit before tax is arrived at:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
After charging:					
Advertising cost	-	727,944	1,104,666	695,968	564,473
Auditors' remuneration					
- statutory audit	17,344	31,823	115,247	-	-
- non-statutory audit	-	-	585,000	292,500	-
Charitable donation*	-	73,227	330,183	44,399	292,677
Commission	233,942	621,178	564,247	282,902	358,224
Consulting fees	-	1,996,160	135,642	-	43,867
Freight charges	564,543	1,184,694	1,902,435	709,977	941,726
Interest expenses on:					
- lease liabilities	282,477	311,535	221,525	71,556	129,136
- borrowings	181,611	115,734	205,539	145,643	87,104
- others	122,249	-	-	-	-
Inventories written down	-	-	189,051	199,084	-
Inventories written off	-	544,049	-	-	-
Professional fees	-	-	2,270,103	2,492,536	-
Promotional fees	1,754,571	7,032,368	8,042,985	2,656,277	5,624,606
Travelling expenses	<u>229,016</u>	<u>302,879</u>	<u>438,837</u>	<u>256,952</u>	<u>312,879</u>

* Represents donation of trading goods to local authority and non-governmental organisation.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.14 PROFIT BEFORE TAX (continued)**

Other than those disclosed elsewhere in the combined financial statements, profit before tax is arrived at: (continued)

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
And crediting:					
Dividend income from a former associate	-	402,822	313,531	-	321,856
Gain on disposal of other investments	-	-	971,180	-	-
Interest income	1,789	1,804	1,957	810	1,224
Realised gain on foreign exchange	208,443	94,600	15,833	48,159	62,443
Unrealised gain on foreign exchange	-	-	-	584,773	-

6.15 TAX EXPENSE

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Current tax expense based on profit for the financial year/period	1,305,236	4,615,164	4,218,505	1,205,830	3,086,238
Deferred tax (Note 6.10)					
Relating to origination and reversal of temporary differences	263,047	1,604,115	(549,822)	534,261	(38,501)
(Over)/Under-provision in prior year/period	(976)	-	28,743	4,550	-
	<u>262,071</u>	<u>1,604,115</u>	<u>(521,079)</u>	<u>538,811</u>	<u>(38,501)</u>
	<u>1,567,307</u>	<u>6,219,279</u>	<u>3,697,426</u>	<u>1,744,641</u>	<u>3,047,737</u>

- (a) Thailand corporate tax is calculated at the statutory tax rate of 20% of the estimated taxable profits for the fiscal year/periods.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.15 TAX EXPENSE (continued)**

(b) Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Profit before tax	5,721,824	21,978,326	19,100,651	3,885,840	15,421,438
Tax at the Thailand statutory tax rate of 20%	1,144,365	4,395,665	3,820,130	777,168	3,084,288
Tax effects in respect of:					
Non-allowable expenses	31,478	197,968	407,111	471,141	34,890
Non-taxable income	-	(106,733)	(8)	-	-
Deferred tax assets not recognised	-	9,441	2,491	13,664	-
Origination of temporary differences on undistributed retained earnings of combined entities *	410,330	1,748,806	1,654,589	481,118	1,227,908
Crystallisation of withholding tax on dividends paid *	-	(31,603)	(2,282,214)	-	(1,319,371)
Exchange differences	(17,890)	5,735	66,584	(3,000)	20,022
	1,568,283	6,219,279	3,668,683	1,740,091	3,047,737
(Over)/Under-provision in prior years					
- Deferred tax	(976)	-	28,743	4,550	-
	1,567,307	6,219,279	3,697,426	1,744,641	3,047,737

* In accordance with Section 70 of Thai Revenue Code, dividends paid to holding companies incorporated under foreign laws and not carrying on business in Thailand are subject to a withholding tax at the rate of 10% of the distributed amount.

For the purpose of combined financial statements, the Group has accounted for the withholding tax impact as described above on the combined financial statements as if the entities had always been combined since the date the entities had come under common control.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.15 TAX EXPENSE (continued)**

(c) Tax on each component of other comprehensive income is as follows:

	Before tax RM	Tax effect RM	After tax RM
Audited			
1.1.2019 to 31.12.2019			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>29,101</u>	<u>-</u>	<u>29,101</u>
Audited			
1.1.2020 to 31.12.2020			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>(89,242)</u>	<u>-</u>	<u>(89,242)</u>
Audited			
1.1.2021 to 31.12.2021			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>(813,240)</u>	<u>-</u>	<u>(813,240)</u>
Audited			
1.1.2022 to 30.6.2022			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>50,480</u>	<u>-</u>	<u>50,480</u>
Unaudited			
1.1.2021 to 30.6.2021			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>(723,470)</u>	<u>-</u>	<u>(723,470)</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspre Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6.16 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the financial years ended are calculated by dividing earnings for the financial year attributable to common controlling shareholders by the expected number of shares of the Company upon completion of the Listing.

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Profit for the financial year attributable to common controlling shareholders of the combining entities (RM)	<u>3,116,303</u>	<u>11,829,720</u>	<u>11,120,068</u>	<u>1,072,467</u>	<u>9,279,141</u>
Enlarged issued shares after Listing	<u>712,125,000</u>	<u>712,125,000</u>	<u>712,125,000</u>	<u>712,125,000</u>	<u>712,125,000</u>
Basic earnings per share (Sen)	<u>0.44</u>	<u>1.66</u>	<u>1.56</u>	<u>0.15</u>	<u>1.30</u>

(b) Diluted

The diluted earnings per share equal basic earnings per share because there are no potential dilutive instruments in existence as at the end of the reporting period.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.17 DIVIDENDS**

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
In respect of the financial year ended 31 December 2020					
- Final dividends paid on 1 April 2020	-	316,030	-	-	-
In respect of the financial year ended 31 December 2021					
- Interim dividend paid on 16 April 2021	-	-	13,193,700	-	13,193,700
- Final dividend paid on 21 July 2021	-	-	9,628,435	-	-
	-	-	22,822,135	-	13,193,700

The Board of Directors did not recommend the payment of any dividend for the financial year ended 31 December 2019 and financial period ended 30 June 2022.

6.18 RELATED PARTY DISCLOSURES**(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Group has controlling related party relationship with its related parties and subsidiaries.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

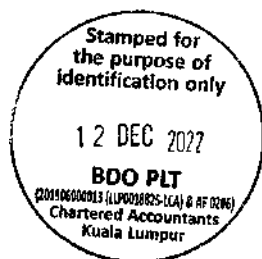
6.18 RELATED PARTY DISCLOSURES (continued)

(b) In addition to the related party information disclosed elsewhere in the combined financial statements, the Group had the following transactions with related parties during the financial year/period:

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Former associates: *					
Sales of goods	1,175,031	20,981,530	28,358,399	15,499,533	14,571,407
Dividend income	-	402,822	313,531	-	321,856
Settlement fees	-	-	445,295	-	-
Related parties:					
Sales of goods	1,083	17,192	66,930	-	68,708
Purchase of goods and services	210,014	1,706,676	4,615,985	1,522,592	-
Down payment/(Refund) of deposit on purchase of software	-	1,190,722	(1,148,304)	-	-
Lease paid	392,771	828,233	1,597,456	853,281	745,396
Interest paid	191,074	46,771	-	-	-
Director:					
Commission paid	-	284,090	-	-	-
Consulting fees	-	287,027	-	-	-
Interest paid	30,805	63,756	-	-	-
Lease paid	-	-	4,532	-	4,653

* These transactions are not normally regarded as related party transactions pursuant to Rules 10.08 (11) (a) and (c) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. As such, these transactions are not disclosed in the related party transactions section of the Prospectus.

The related party transactions described above have been entered into in the normal course of business and have been established at terms agreed between the parties during the financial year/periods.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.18 RELATED PARTY DISCLOSURES (continued)**

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Short term employees benefits	-	174,556	456,698	183,333	204,710
Contributions to defined contribution plan	-	423	36,901	72,379	279
	-	174,979	493,599	255,712	204,989

6.19 EMPLOYEE BENEFITS

	1.1.2019 to 31.12.2019 Audited RM	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 30.6.2022 Audited RM	1.1.2021 to 30.6.2021 Unaudited RM
Short term employees benefits	1,098,017	2,096,788	3,841,678	2,193,543	1,496,064
Contributions to defined contribution plan	32,373	34,552	73,720	96,486	18,148
	1,130,390	2,131,340	3,915,398	2,290,029	1,514,212

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.20 CAPITAL AND FINANCIAL RISK MANAGEMENT****(a) Capital management**

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years/period ended 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022.

The Group monitors capital using a gearing ratio, which is total borrowings, including lease liabilities on motor vehicles divided by total equity.

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Borrowings (Note 6.11)	3,156,780	3,147,960	10,123,679	5,461,123
Lease liabilities on motor vehicles (Note 6.3)				
- owing to financial institutions	475,750	396,506	268,535	102,954
- owing to non-financial institutions	352,318	720,831	487,212	483,662
Total debt	<u>3,984,848</u>	<u>4,265,297</u>	<u>10,879,426</u>	<u>6,047,739</u>
Total equity	<u>4,229,790</u>	<u>19,597,224</u>	<u>14,471,713</u>	<u>26,581,747</u>
Gearing ratio	<u>0.94</u>	<u>0.22</u>	<u>0.75</u>	<u>0.23</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.20 CAPITAL AND FINANCIAL RISK MANAGEMENT****(b) Financial risk management**

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade and other receivables. The credit period is generally for a period of one (1) month, extending up to two (2) months for major customers. Each customer has a maximum credit limit and the Group seek to maintain strict control over its outstanding receivables via a credit control section to minimise credit risk. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The risk concentration profile has been disclosed in Note 6.6 to the combined financial statements.

(ii) Liquidity risk

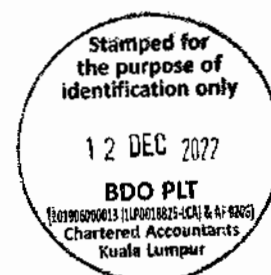
The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 6.3, Note 6.11 and Note 6.12 to the combined financial statements.

(iii) Interest rate risk

The primary interest rate risk of the Group relates to interest-earning deposits and interest-bearing borrowings from financial institutions. The fixed-rate deposits and borrowings of the Group is exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate borrowings of the Group are exposed to a risk of change in cash flows due to changes in interest rates. The Group borrows in the desired currencies at both fixed and floating rates of interest.



13. ACCOUNTANTS' REPORT (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report*

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6.20 CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(c) Financial risk management (continued)

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. (continued)

(iii) Interest rate risk (continued)

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of their assets. This strategy allows the Group to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 6.3 and Note 6.11 to the combined financial statements.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign currency rate.

The Group and the Company is exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currencies of the operating entities. Exposure in foreign currency is monitored on an ongoing basis and the Group and the Company endeavours to keep the net exposure at an acceptable level.

The foreign currency profile and sensitivity analysis have been disclosed in Note 6.6, Note 6.7, Note 6.11 and Note 6.12 to the combined financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

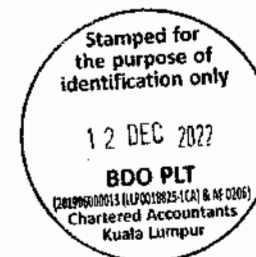
Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6.21 LIST OF COMBINED ENTITIES

Name of company	Effective interest in equity held based on voting interests				Country of incorporation	Principal activities
	31.12.2019 Audited %	31.12.2020 Audited %	31.12.2021 Audited %	30.6.2022 Audited %		
Vine Growth Holdings	100.00	100.00	100.00	100.00	Singapore	Investment holding company and provision of management consultancy services
Subsidiary of Vine Growth Holdings						
Bai Li Holdings	51.00*	51.00*	51.00*	51.00*	Thailand	Investment holding company
Subsidiary of Bai Li Holdings						
Bai Li Enterprise	75.01	75.01	75.01	75.01	Thailand	Distribution of consumer packaged foods
Subsidiary of Bai Li Enterprise						
Keymall Retail	-	56.26	56.26	52.26	Thailand	Online retailer of consumer packaged foods

* The effective interest in equity held is based on voting rights.



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.21 LIST OF COMBINED ENTITIES (continued)**Acquisition of a subsidiary

During the financial year ended 31 December 2020, the Group via its subsidiary, Bai Li Enterprise acquired 7,500 ordinary shares, representing 75% equity interest in Keymall Retail for a total consideration of THB300,000 (equivalent to approximately RM40,976).

Fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	31.12.2020 Audited RM
Cash and bank balances	54,634
Less: Non-controlling interests	<u>(13,659)</u>
Cost of acquisition	<u>40,975</u>
Cash inflows on acquisition:	
Cost of acquisition	(40,975)
Cash and bank balances of a subsidiary acquired	<u>54,634</u>
Net cash inflow on acquisition	<u>13,659</u>

6.22 FINANCIAL INSTRUMENTS

Classification of financial instruments

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Financial assets				
<i>Amortised costs</i>				
Trade and other receivables, net of prepayments	15,066,510	22,817,619	18,110,046	16,238,860
Cash and bank balances	<u>757,924</u>	<u>4,024,289</u>	<u>5,881,610</u>	<u>12,885,066</u>
	<u>15,824,434</u>	<u>26,841,908</u>	<u>23,991,656</u>	<u>29,123,926</u>
Financial liabilities				
<i>Amortised costs</i>				
Trade and other payables	7,661,081	2,300,168	2,734,089	1,116,900
Borrowings	<u>3,156,780</u>	<u>3,147,960</u>	<u>10,123,679</u>	<u>5,461,123</u>
	<u>10,817,861</u>	<u>5,448,128</u>	<u>12,857,768</u>	<u>6,578,023</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.23 COMMITMENTS****a. Capital commitment**

The Group's capital commitment at the end of each reporting period are as follows:

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Approved but not contracted for:				
Acquisition of a warehouse and operational facility in Thailand	-	-	16,000,000	16,000,000

b. Operating lease commitments

The Group as a lessee

The Group had entered into non-cancellable lease agreements for the rental of office equipment and motor vehicles resulting in future rental commitments which can, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

	31.12.2019 Audited RM	31.12.2020 Audited RM	31.12.2021 Audited RM	30.6.2022 Audited RM
Not later than 1 year	-	4,828	46,506	43,486
Later than one (1) year and not later than five (5) years	-	7,645	13,092	9,372
	-	12,473	59,598	52,858

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6.24 EXPLANATION OF TRANSITION TO MFRS

The combining entities adopted the MFRS Framework for the first time during the financial year ended 31 December 2020. The accounting policies set out in Note 3 of this Report have been applied in preparing the combined financial statements for the financial year ended 31 December 2020, as well as comparative information presented in these reports for the financial year ended 31 December 2019 and in the preparation of the opening MFRS statement of financial position at 1 January 2019 (the date of transition to MFRS).

The Group has adjusted amounts previously reported in its combined financial statements that were prepared in accordance with the previous accounting framework, Thailand GAAP. In preparing the opening statement of financial position at 1 January 2019, an explanation on the impact arising from the transition from Thailand GAAP to MFRS on the financial position, financial performance and cash flows of the Group is set out as follows:

(a) Reconciliation of combined financial position as at 1 January 2019

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	109,471	86,768	(57,717)	138,522
Right-of-use assets	-	-	3,493,394	3,493,394
Deferred tax assets	-	-	63,314	63,314
	109,471	86,768	3,498,991	3,695,230
<i>Current assets</i>				
Inventories	1,079,666	-	-	1,079,666
Trade and other receivables	4,981,807	(52,822)	-	4,928,985
Cash and bank balances	226,788	-	-	226,788
	6,288,261	(52,822)	-	6,235,439
TOTAL ASSETS	6,397,732	33,946	3,498,991	9,930,669

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13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.24 EXPLANATION OF TRANSITION TO MFRS (continued)**

(a) Reconciliation of combined financial position as at 1 January 2019 (continued)

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
EQUITY AND LIABILITIES				
<i>Equity attributable to common controlling shareholders of the combining entities</i>				
Invested equity	11,501,000	-	-	11,501,000
Reserves	(11,120,157)	(2)	-	(11,120,159)
Accumulated losses	(83,533)	(63,084)	(199,591)	(346,208)
	297,310	(63,086)	(199,591)	34,633
Non-controlling interests	99,050	(21,016)	(66,495)	11,539
TOTAL EQUITY	396,360	(84,102)	(266,086)	46,172
LIABILITIES				
<i>Non-current liabilities</i>				
Lease liabilities	40,160	(33,248)	3,628,394	3,635,306
Borrowings	-	828,093	-	828,093
	40,160	794,845	3,628,394	4,463,399
<i>Current liabilities</i>				
Lease liabilities	-	33,249	136,683	169,932
Borrowings	1,538,579	(828,092)	-	710,487
Trade and other payables	4,422,633	118,046	-	4,540,679
	5,961,212	(676,797)	136,683	5,421,098
TOTAL LIABILITIES	6,001,372	118,048	3,765,077	9,884,497
TOTAL EQUITY AND LIABILITIES	6,397,732	33,946	3,498,991	9,930,669

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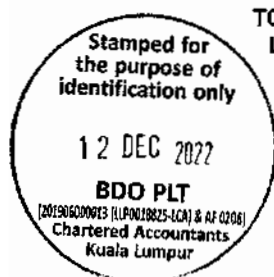
13. ACCOUNTANTS' REPORT (CONT'D)

Wellsfire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.24 EXPLANATION OF TRANSITION TO MFRS (continued)**

(b) Reconciliation of combined financial position as at 31 December 2019

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	880,242	187,908	(828,682)	239,468
Right-of-use assets	-	-	3,625,597	3,625,597
	880,242	187,908	2,796,915	3,865,065
<i>Current assets</i>				
Inventories	1,368,442	-	-	1,368,442
Trade and other receivables	15,135,490	(56,966)	-	15,078,524
Cash and bank balances	757,924	-	-	757,924
	17,261,856	(56,966)	-	17,204,890
TOTAL ASSETS	18,142,098	130,942	2,796,915	21,069,955
EQUITY AND LIABILITIES				
<i>Equity attributable to common controlling shareholders of the combining entities</i>				
Invested equity	11,501,000	-	-	11,501,000
Reserves	(11,064,609)	(6,717)	(27,004)	(11,098,330)
Retained earnings	3,469,236	(119,541)	(579,600)	2,770,095
	3,905,627	(126,258)	(606,604)	3,172,765
Non-controlling interests	1,301,181	(42,063)	(202,093)	1,057,025
TOTAL EQUITY	5,206,808	(168,321)	(808,697)	4,229,790
LIABILITIES				
<i>Non-current liabilities</i>				
Lease liabilities	636,487	(23,324)	3,299,215	3,912,378
Deferred tax liabilities	513,892	(17,707)	(306,181)	190,004
	1,150,379	(41,031)	2,993,034	4,102,382
<i>Current liabilities</i>				
Lease liabilities	-	214,905	612,578	827,483
Borrowings	3,156,780	-	-	3,156,780
Trade and other payables	7,535,692	125,389	-	7,661,081
Current tax liabilities	1,092,439	-	-	1,092,439
	11,784,911	340,294	612,578	12,737,783
TOTAL LIABILITIES	12,935,290	299,263	3,605,612	16,840,165
TOTAL EQUITY AND LIABILITIES	18,142,098	130,942	2,796,915	21,069,955



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.24 EXPLANATION OF TRANSITION TO MFRS (continued)**

(c) Reconciliation of combined profit or loss and other comprehensive income for the financial year ended 31 December 2019

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
Revenue	58,799,010	-	-	58,799,010
Cost of sales	(48,454,030)	575,423	(740,725)	(48,619,332)
Gross profit	10,344,980	575,423	(740,725)	10,179,678
Other operating income	759,600	(547,504)	-	212,096
Selling and administrative expenses	(4,334,072)	1,357	-	(4,332,715)
Finance costs	(214,985)	(122,250)	-	(337,235)
Profit before tax	6,555,523	(92,974)	(740,725)	5,721,824
Income tax	(1,819,128)	17,707	234,114	(1,567,307)
Profit for the financial year	4,736,395	(75,267)	(506,611)	4,154,517
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation, net of tax	74,054	(8,955)	(35,998)	29,101
Total comprehensive income for the financial year	4,810,449	(84,222)	(542,609)	4,183,618
Attributable to:				
Common controlling shareholders of the combining entities				
Profit for the financial year	3,552,770	(56,458)	(380,009)	3,116,303
Other comprehensive income, net of tax	55,548	(6,717)	(27,002)	21,829
	3,608,318	(63,175)	(407,011)	3,138,132
Non-controlling interests				
Profit for the financial year	1,183,625	(18,809)	(126,602)	1,038,214
Other comprehensive income, net of tax	18,506	(2,238)	(8,996)	7,272
	1,202,131	(21,047)	(135,598)	1,045,486



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.24 EXPLANATION OF TRANSITION TO MFRS (continued)**

(d) Reconciliation of combined statement of cash flows for the financial year ended 31 December 2019

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	6,555,523	(92,973)	(740,726)	5,721,824
Adjustments for:				
Depreciation of property, plant and equipment	154,870	3,582	(108,450)	50,002
Depreciation of right-of-use assets	-	-	992,844	992,844
Interest expense on:				
- borrowings	181,611	-	-	181,611
- lease liabilities	33,374	-	249,103	282,477
- others	-	122,249	-	122,249
Interest income	(1,790)	-	-	(1,790)
Operating profit before changes in working capital	6,923,588	32,858	392,771	7,349,217
Changes in working capital				
Inventories	(199,329)	-	-	(199,329)
Trade and other receivables	(9,520,068)	17	-	(9,520,051)
Trade and other payables	2,698,323	(124,079)	-	2,574,244
Cash used in operations	(97,486)	(91,204)	392,771	204,081
Interest received	1,790	-	-	1,790
Tax paid	(240,151)	-	-	(240,151)
Net cash used in operating activities	(335,847)	(91,204)	392,771	(34,280)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(204,234)	91,203	-	(113,031)
Net cash used in investing activities	(204,234)	91,203	-	(113,031)

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13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.24 EXPLANATION OF TRANSITION TO MFRS (continued)**

(d) Reconciliation of combined statement of cash flows for the financial year ended 31 December 2019 (continued)

	Previously reported under Thailand GAAP RM	Adjustments RM	Effect on adoption of MFRS RM	Restated under MFRS RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdowns of borrowings	16,876,059	-	-	16,876,059
Payments of lease liabilities	(148,809)	-	(392,771)	(541,580)
Repayments of borrowings	(15,597,152)	-	-	(15,597,152)
Net cash from financing activities	1,130,098	-	(392,771)	737,327
Net increase in cash and cash equivalents	590,017	(1)	-	590,016
Effects of exchange rate changes on cash and cash equivalents	(58,881)	-	1	(58,880)
Cash and cash equivalents at beginning of financial year	226,788	-	-	226,788
Cash and cash equivalents at end of financial year	757,924	(1)	1	757,924

(e) Sections to reconciliation**a. Deferred tax assets**

Under Thailand GAAP, there is no requirement to recognise temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Upon transition to MFRS, the Group recognises deferred tax assets.

b. Right-of-use assets and lease liabilities

Under Thailand GAAP, lease expenses were recognised on a straight line method. Upon transition to MFRS, the Group recognised right-of-use assets and corresponding lease liabilities.

c. Adjustments

Certain comparative figures have been adjusted to correct prior year errors arising from over or under recognition of property, plant and equipment, trade and other receivables and trade and other payables.

Certain comparative figures have been reclassified to conform with the current year's presentation so as to reflect appropriate presentation of the combined financial statements of the Group.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6.25 ADOPTION OF MFRS AND AMENDMENTS TO MFRS**

The Group adopted the MFRS Framework beginning 1 January 2019 and all Standards/IC Interpretations/Amendments effective since then, have been consistently applied throughout the financial years/period under review.

6.25.1 New MFRS that have been issued, but only effective for annual periods beginning on or after 1 January 2022

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of financial statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

7. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD**(a) COVID-19 pandemic**

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. The Government of Thailand imposed various measures including lockdown, curfew, inter-provincial travel ban and international travel restrictions to curb the spread of the virus.

The imposition of these measures had dampened market demand on the Company's products, particularly starting from May 2021. The Group is currently introducing more products and sourcing new customers to mitigate business risk.

Nevertheless, by December 2021, most of the COVID-19 restrictions have been removed. This included, among others, inter-provincial travel restrictions, implementation of curfews, as well as closure of non-essential retails and entertainment venues.

(b) Increase in share capital of Wellspire

On 9 March 2022, the Company increased its share capital from RM2,000,000 to RM12,000,000 by way of issuance of 10,000,000 ordinary shares at RM1.00 each to Mo Guopiao and Silver Line Capital Sdn. Bhd.



13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

8. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Corporate restructuring

By a conditional share sale agreement dated 11 March 2022, the Company acquired the entire issued share capital of Vine Growth Holdings from the vendors of Vine Growth Holdings, namely Saranjit Wang, Mo Guopiao, He Haibin and Capital Pairing Pte. Ltd. for a total purchase consideration of RM11,501,000 satisfied entirely by the issuance of 11,501,000 new ordinary shares in Wellspire ("Wellspire Share(s)" or "Share(s)"), credited as fully paid-up at an issue price of RM1.00 per Share to the abovementioned vendors in the manner as set out in the Prospectus.

The purchase consideration is arrived at on a "willing-buyer willing-seller" basis after taking into consideration the 75.01% effective interest of the combined net asset value of Vine Growth Holdings and its combining entities based on the management account as at 31 December 2021, equivalent to approximately RM11,501,000 (based on the exchange rate of THB100 : RM12.5540).

The Company acquired the entire issued share capital of Vine Growth Holdings on 29 November 2022. Thereafter, Bai Li Holdings, Bai Li Enterprise and Keymall Retail became its subsidiaries.

(b) Share split

Following the Acquisition of Vine Growth Holdings, on 30 November 2022, the Company undertook a subdivision of 23,501,000 existing Shares into 587,525,000 Shares ("Share Split") on a basis of twenty five (25) new Shares for every one (1) existing Share.

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13. ACCOUNTANTS' REPORT (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report

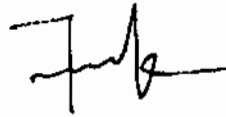
STATEMENT BY DIRECTORS

We, Mo Guopiao and Kua Chin Teck, two of the Directors of Wellspire Holdings Berhad (the "Company"), state that, in the opinion of the Directors, the combined financial information set out on pages 4 to 87 are drawn up so as to give a true and fair view of the financial position of the Company and its subsidiaries (the "Group") as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 and of the financial performance and cash flows of the Group for the financial years/period ended 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines ("Prospectus Guidelines") issued by the Securities Commission Malaysia ("SC").

Signed on behalf of the Board of Directors in accordance with their resolution dated 12 December 2022.



Mo Guopiao
Director



Kua Chin Teck
Director

STATUTORY DECLARATION

I, Tin Jitng Soon, being the Officer primarily responsible for the financial management of Wellspire Holdings Berhad, do solemnly and sincerely declare that the combined financial statements set out on pages 4 to 87 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
12 DEC 2022)


Tin Jitng Soon

Before me:



14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION



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Malaysia

The Board of Directors
Wellspire Holdings Berhad
Lot D/E, Level 12
Tower 1, Etiqa Twins
11 Jalan Pinang
50450 Kuala Lumpur.

Date: 12 December 2022

Our Ref: BDO/KSL/AMY

Dear Sirs,

Wellspire Holdings Berhad ("Wellspire" or the "Company") and its combining entities ("Group") Report on the Compilation of Pro Forma Statements of Financial Position Included in the Prospectus

We have completed our assurance engagement to report on the compilation of the pro forma statements of financial position of the Group as at 30 June 2022 ("Pro Forma Statements of Financial Position"). The Pro Forma Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Statements of Financial Position are described in the Notes thereon to the Pro Forma Statements of Financial Position and are in accordance with the Prospectus Guidelines issued by Securities Commission Malaysia.

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the Notes to the Pro Forma Statements of Financial Position on the financial position of the Group as at 30 June 2022 had the Listing been affected as at 30 June 2022. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the Group's audited combined statements of financial position as at 30 June 2022.

Directors' Responsibility for the Pro Forma Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

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

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



Our Independence and Quality Control (continued)

The firm applies International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

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

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

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

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial information.

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



Opinion

In our opinion, the Pro Forma Statements of Financial Position of the Group have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matter

This report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Bao Pu'.

BDO PLT
201906000013 (LLP0018825-LCA) & AF : 0206
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Koo Swee Lin'.

Koo Swee Lin
03281/08/2024 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The Pro Forma Statements of Financial Position of Wellspire Holdings Berhad ("Company") and its combining entities (collectively referred to as the "Group") as at 30 June 2022 ("Pro Forma SOFP") together with the notes thereon, for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

1.2 Basis of preparation

The Pro Forma SOFP have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2022, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma SOFP have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 2 on the audited combined statements of financial position of the Group as at 30 June 2022 had the transactions been effected on 30 June 2022, and should be read in conjunction with the notes thereon. Due to its nature, the Pro Forma SOFP is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

The audited combined statements of financial position of the Group for the financial period ended 30 June 2022 used in the preparation of the Pro Forma SOFP was not subject to any audit qualification.

2. LISTING SCHEME

The Acquisition of Vine Growth Holdings Private Limited (as defined in Note 2.1), Share Split (as defined in Note 2.2) and Initial Public Offering ("IPO") as disclosed in Notes 2.1, 2.2, and 2.3 respectively are included in the Pro Forma SOFP to show the effects of the transactions on the audited statements of financial position of the Group as at 30 June 2022 had the transactions been effected on 30 June 2022 in accordance with the Prospectus Guidelines.

2.1 Acquisition of Vine Growth Holdings Private Limited ("Vine Growth Holdings")

By a conditional share sale agreement dated 11 March 2022, the Company acquired the entire issued share capital of Vine Growth Holdings from the vendors of Vine Growth Holdings, namely Saranjit Wang, Mo Guopiao, He Haibin and Capital Pairing Pte. Ltd. for a total purchase consideration of RM11,501,000 to be satisfied entirely by the issuance of 11,501,000 new ordinary shares in Wellspire ("Wellspire Share(s)" or "Share(s)"), credited as fully paid-up at an issue price of RM1.00 per Share to the abovementioned vendors in the manner as set out in the Prospectus.

The purchase consideration is arrived at on a "willing-buyer willing-seller" basis after taking into consideration the 75.01% effective interest of the combined net asset value of Vine Growth Holdings and its combining entities based on the management account as at 31 December 2021, equivalent to approximately RM11,501,000 (based on the exchange rate of THB100: RM12.5540).

The Company acquired the entire issued share capital of Vine Growth Holdings on 29 November 2022.



14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position*

2. LISTING SCHEME (continued)

2.2 Share Split

Following the Acquisition of Vine Growth Holdings, the Company undertook a subdivision of 23,501,000 existing Shares into 587,525,000 Shares ("Share Split") on a basis of twenty five (25) new Shares for every one (1) existing Share.

2.3 Listing exercise

In conjunction with the Listing, the Company will undertake an IPO comprising of a public Issue of 124,600,000 new Shares in the Company ("Public Issue") and offer for sale of 124,600,000 existing Shares in the Company at an issue/offer price of RM0.23 per Share.

Upon completion of the Proposed Listing, the enlarged issued share capital of RM52,159,000 comprising 712,125,000 ordinary shares in the Company will be listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

Utilisation of proceeds

The proceeds from the Public issue of RM28,658,000 are expected to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'000	Percentage of gross proceeds %
(i) Acquisition of a warehouse and operational facility in Thailand	Within 18 months	16,000	55.83
(ii) Working capital	Within 6 months	5,958	20.79
(iii) Estimated listing expenses	Within 3 months	6,700	23.38
Total		<u>28,658</u>	<u>100.00</u>

The estimated listing expenses totaling RM6,700,000 to be borne by the Company comprise underwriting fees, placement fees, brokerage fees, regulatory fees, professional fees and miscellaneous expenses relating to the IPO and the Listing, of which RM4,200,000 had been incurred and charged to profit or loss of the Group as of 30 June 2022. Upon completion of the Listing, a total of RM1,800,000 of the estimated listing expenses is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM700,000 will be expensed off to the profit or loss.



14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

The Pro Forma SOFP of the Group as at 30 June 2022 have been prepared for illustrative purposes only to show the effects on the audited combined statements of financial position of the Group as at 30 June 2022 based on the assumptions that transactions set out in Note 2 had been effected on 30 June 2022, and should be read in conjunction with notes accompanying to the Pro Forma SOFP.

			Pro Forma I		Pro Forma II		Pro Forma III	
	Note	As at 30 June 2022 RM	Adjustments for Acquisition of Vine Growth Holdings RM	After Acquisition of Vine Growth Holdings RM	Adjust- ments for Share Split RM	After Share Split RM	Adjust- ments for listing exercise RM	After Pro Forma II and listing exercise RM
ASSETS								
Non-current assets								
Property, plant and equipment		231,293	684,874	916,167	-	916,167	-	916,167
Right-of-use assets		466,976	1,241,287	1,708,263	-	1,708,263	-	1,708,263
		698,269	1,926,161	2,624,430	-	2,624,430	-	2,624,430
Current assets								
Inventories		-	6,197,045	6,197,045	-	6,197,045	-	6,197,045
Trade and other receivables		67,282	16,299,900	16,367,182	-	16,367,182	-	16,367,182
Cash and bank balances	3.2.1	7,841,338	5,043,728	12,885,066	-	12,885,066	26,158,000	39,043,066
		7,908,620	27,540,673	35,449,293	-	35,449,293	26,158,000	61,607,293
TOTAL ASSETS		8,606,889	29,466,834	38,073,723	-	38,073,723	26,158,000	64,231,723

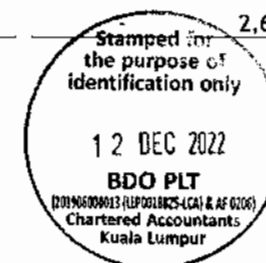


14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (continued)

	Note	As at 30 June 2022 RM	Adjustments for Acquisition of Vine Growth Holdings RM	Pro Forma I After Acquisition of Vine Growth Holdings RM	Adjust- ments for Share Split RM	Pro Forma II After Share Split RM	Adjust- ments for listing exercise RM	Pro Forma III After Pro Forma II and listing exercise RM
EQUITY AND LIABILITIES								
<i>Equity attributable to common controlling shareholders of the combining entities</i>								
Share capital	3.2.2	12,000,000	11,501,000	23,501,000	-	23,501,000	26,858,000	50,359,000
Reserves		-	(11,318,915)	(11,318,915)	-	(11,318,915)	-	(11,318,915)
(Accumulated losses)/Retained earnings	3.2.2	(3,945,905)	13,329,575	9,383,670	-	9,383,670	(700,000)	8,683,670
		8,054,095	13,511,660	21,565,755	-	21,565,755	26,158,000	47,723,755
Non-controlling interests		-	5,015,992	5,015,992	-	5,015,992	-	5,015,992
TOTAL EQUITY		8,054,095	18,527,652	26,581,747	-	26,581,747	26,158,000	52,739,747
Non-current liabilities								
Lease liabilities		301,209	239,545	540,754	-	540,754	-	540,754
Deferred tax liabilities		-	1,834,261	1,834,261	-	1,834,261	-	1,834,261
Borrowings		-	260,916	260,916	-	260,916	-	260,916
		301,209	2,334,722	2,635,931	-	2,635,931	-	2,635,931



14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (continued)

	Note	As at 30 June 2022 RM	Adjustments for Acquisition of Vine Growth Holdings RM	Pro Forma I After Acquisition of Vine Growth Holdings RM	Adjust- ments for Share Split RM	Pro Forma II After Share Split RM	Adjust- ments for listing exercise RM	Pro Forma III After Pro Forma II and listing exercise RM
EQUITY AND LIABILITIES (continued)								
Current liabilities								
Lease liabilities		178,017	1,172,645	1,350,662	-	1,350,662	-	1,350,662
Borrowings		-	5,200,207	5,200,207	-	5,200,207	-	5,200,207
Trade and other payables		73,568	1,043,332	1,116,900	-	1,116,900	-	1,116,900
Current tax liabilities		-	1,188,276	1,188,276	-	1,188,276	-	1,188,276
		<u>251,585</u>	<u>8,604,460</u>	<u>8,856,045</u>	<u>-</u>	<u>8,856,045</u>	<u>-</u>	<u>8,856,045</u>
TOTAL LIABILITIES		<u>552,794</u>	<u>10,939,182</u>	<u>11,491,976</u>	<u>-</u>	<u>11,491,976</u>	<u>-</u>	<u>11,491,976</u>
TOTAL EQUITY AND LIABILITIES		<u>8,606,889</u>	<u>29,466,834</u>	<u>38,073,723</u>	<u>-</u>	<u>38,073,723</u>	<u>26,158,000</u>	<u>64,231,723</u>
Net assets (RM)		8,054,095	13,511,660	21,565,755	-	21,565,755	26,158,000	47,723,755
Number of ordinary shares assumed in issue		12,000,000	11,501,000	23,501,000	564,024,000	587,525,000	124,600,000	712,125,000
Net assets attributable to equity holders per ordinary share (Sen)		67.12		91.77		3.67		6.70



14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (continued)

3.1 Pro Forma adjustments to the Pro Forma Statements of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporated the effects of Acquisition of Vine Growth Holdings as set out in Note 2.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I as set out in Note 2.1 and the effects of the Share Split as set out in Note 2.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II as set out in Note 2.2 and the effects of the listing exercise as set out in Note 2.3.

3.2 Notes to the Pro Forma Statements of Financial Position

3.2.1 Cash and bank balances

	Note	RM
As at 30 June 2022		7,841,338
Acquisition of Vine Growth Holdings	2.1	<u>5,043,728</u>
Pro Forma I / Pro Forma II		12,885,066
Proceeds from the IPO	2.3	26,258,000
Estimated listing expenses	2.3	<u>(2,500,000)</u>
Pro Forma III		<u>39,043,066</u>

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (continued)

3.2. Notes to the Pro Forma Statements of Financial Position (continued)

3.2.2 Share capital, reserves and retained earnings

	Note	Share capital RM	Foreign currency translation reserve RM	Merger Reserve RM	Legal Reserve RM	Distributable (Accumulated losses)/ Retained earnings RM	Equity attributable to common controlling shareholders of the combining entities RM	Non- controlling Interests RM	Total equity RM
Balance as at 30 June 2022		12,000,000	-	-	-	(3,945,905)	8,054,095	-	8,054,095
Acquisition of Vine Growth Holdings	2.1	11,501,000	(650,371)	(10,721,287)	52,743	13,329,575	13,511,660	5,015,992	18,527,652
Pro Forma I / Pro Forma II		23,501,000	(650,371)	(10,721,287)	52,743	9,383,670	21,565,755	5,015,992	26,581,747
Proceeds from the Public Issue	2.3	28,658,000	-	-	-	-	28,658,000	-	28,658,000
Estimated listing expenses attributable to IPO	2.3	(1,800,000)	-	-	-	-	(1,800,000)	-	(1,800,000)
Estimated other listing expenses	2.3	-	-	-	-	(700,000)	(700,000)	-	(700,000)
		26,858,000	-	-	-	(700,000)	26,158,000	-	26,158,000
Pro Forma III		50,359,000	(650,371)	(10,721,287)	52,743	8,683,670	47,723,755	5,015,992	52,739,747



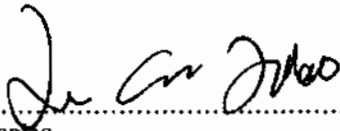
14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

*Wellspire Holdings Berhad (202101026155 (1426455-A))
Pro Forma Statements of Financial Position*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Wellspire Holdings Berhad in accordance with a resolution dated 12 December 2022.

Signed on behalf of the Board of Directors.



.....
Mo Guopiao
Director

Kuala Lumpur
12 December 2022



.....
Kua Chin Teck
Director



15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (a) No securities will be allotted or issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.
- (b) As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (c) Save as disclosed in this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of the Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within 3 years preceding the date of this Prospectus.
- (d) None of our Group's share capital is under option, or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (e) Save for the Pink Form Allocations as disclosed in Section 4.3.2:
 - no Directors or employees have been or are entitled to be given or have exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (f) As at the date of this Prospectus, we do not have any convertible debt securities.

15.2 EXTRACT OF OUR CONSTITUTION

The following is extracted from our Constitution and is qualified in its entirety by the remainder of the provision of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless there are otherwise defined herein or the context otherwise requires.

Words	Definitions
"Act"	Means the Companies Act 2016, as amended, substituted or re-enacted from time to time.
"Board" or "Board of Directors"	Means the board of directors for the time being of the Company.
"Board Meeting"	Means a meeting of the Directors of the Company.
"Bursa Securities"	Means Bursa Malaysia Securities Berhad.
"Central Depositories Act"	Means the Securities Industry (Central Depositories) Act 1991 and regulations made thereunder, as amended or re-enacted from time to time.
"Company"	Means Wellspire Holdings Berhad
"Constitution"	The constitution of the Company as constituted by this document, or as altered from time to time by a special resolution.
"Deposited Security"	Means a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.
"Depositor"	Means a holder of a Securities Account.

15. ADDITIONAL INFORMATION (CONT'D)

Words	Definitions
"Depository"	Means Bursa Malaysia Depository Sdn. Bhd.
"Directors"	Means the directors for the time being of the Company (inclusive of alternate or nominee directors).
"General Meeting"	Means a meeting of Members of the Company.
"Listing Requirements"	Means ACE Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time.
"Member" or "Shareholder"	<p>Means a holder of one or more share(s) in the Company, including:</p> <p>(a) a person whose name is entered in the Register of Members as the holder for the time being of one or more shares in the Company; and/or</p> <p>(b) a Depositor whose name appears in the Record of Depositors as the holder for the time being of one or more shares in the Company.</p> <p>Shares include ordinary shares, preference shares or other type of shares that may be issued and allotted by the Company from time to time.</p>
"Office"	Means the registered office of the Company.
"Record of Depositors"	Means a record provided by the Depository to the Company under Chapter 24.0 of the Rules.
"Register of Members"	Means the record of members of the Company kept and maintained pursuant to Section 50 of the Act.
"Registrar"	Means the Registrar of Companies designated under Section 20A(1) of the Companies Commission of Malaysia Act 2001.
"Rules"	Means the Rules of Depository, including any amendment that may be made from time to time.
"Security" or "Securities"	Has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.
"Securities Account"	Means an account established by the Depository for a Depositor for the recording of deposit of Securities and for dealing in such Securities by the Depositor.

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15. ADDITIONAL INFORMATION (CONT'D)

(i) Transfer of securities

The provision in our Company's Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

"Clause 14

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 15

Where:

- (a) the Securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

Clause 17

- (1) Subject to this Constitution and other written laws, any Shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.
- (2) The instrument of transfer must be executed by or on behalf of the transferor and the transferee.
- (3) The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the Register of Members or register of debenture holders in respect of the shares or debentures respectively.

Clause 18

- (1) To enable the Company to register the name of the transferee, the following items in relation to the transfer of shares or debentures must be delivered by the transferor to the Office of the Company:
 - (a) the instrument of transfer duly executed and stamped;
 - (b) the certificate of the shares or debentures which the instrument of transfer relates; and
 - (c) any other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer.

15. ADDITIONAL INFORMATION (CONT'D)

- (2) Upon receipt of the items referred to in Clause 18(1), the Company shall, upon the approval of the Board and unless otherwise resolved, register the name of the transferee in the Register of Members or register of debenture holders (as applicable).

Clause 19

- (1) The Directors may decline or delay to register the transfer of shares within thirty (30) days from the receipt of the instrument of transfer if:
- (a) the shares are not fully paid shares;
 - (b) the Directors passed a resolution with full justification to refuse or delay the registration of transfer;
 - (c) the Company has a lien on the shares; and/or
 - (d) the Shareholder fails to pay the Company an amount due in respect of those shares, whether by way of consideration for the issue of the shares or in respect of the sums payable by the Shareholder in accordance with this Constitution.
- (2) Where applicable, the Company shall send a notice of the resolution referred to in Clause 19(1)(b) to the transferor and transferee, within seven (7) days of the resolution being passed by the Directors.

Clause 20

On giving at least fourteen (14) days' notice to the Registrar to close the Register of Members or register of debenture holders, the Company may close the Register of Members or register for any class of members or register of debenture holders (collectively, the "Registers") for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than thirty (30) days in aggregate in any calendar year."

(ii) Remuneration of Directors

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:

"Clause 85

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

Clause 90

An Alternate Director:

- (1) has no entitlement to receive remuneration from the Company and any fee paid by the Company to the Alternate Director shall be deducted from the Appointer's remuneration; and
- (2) is entitled to be reimbursed for all the travelling and other expenses properly incurred by him in attending the Board Meetings on behalf of the Appointer from the Company.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 94

- (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 85, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (4) The following expenses shall be determined by the Directors:
 - (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
 - (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 85 but such remuneration shall not include a commission on or percentage of turnover."

(iii) Voting and borrowing powers of Directors

The provisions in our Company's Constitution in respect of the voting and borrowing powers of Directors, including voting powers on contracts or arrangements in which they are interested in, are as follows:

"Clause 88

An Alternate Director is entitled to receive notice of Board Meetings and, if the Appointer is not present at such a meeting, is entitled to attend and vote in his stead.

Clause 96

Without limiting the generality of Clause 95(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4) (a) lend and advance money or give credit to any person or company;

15. ADDITIONAL INFORMATION (CONT'D)

- (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
- (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 106(a)

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

Clause 119

(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 120

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote."

(iv) Changes to share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in our Company's Constitution in respect of the changes to share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights, which are no less stringent than those required by law, are as follows:

"Clause 8

(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

(2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:

(a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;

15. ADDITIONAL INFORMATION (CONT'D)

- (b) if that class of shares only has one holder, a quorum is constituted by one (1) person present holding shares of such class; and
 - (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
 - (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
 - (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
 - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.
- (3)
 - (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
 - (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
 - (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

15. ADDITIONAL INFORMATION (CONT'D)

- (4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.
- (5) (a) The Company may pay commission (including brokerage) subject to the following:
- (i) the commission shall not exceed the rate of ten percent (10%) of the price at which the shares in respect whereof the same is paid are issued; or
 - (ii) the commission shall not exceed an amount equal to ten percent (10%) of that price,
- whichever is lesser;
- (b) The rate of commission shall be disclosed in the manner prescribed in the Act; and
- (c) The said commission may be satisfied by payment in cash or shares (fully or partly paid shares) or partly in one way and partly in the other. For the purpose of Clause 12(5), commission includes brokerage and the rates referred to in Clause 12(5)(a) shall not apply to brokerage.
- (6) Subject to Section 130 of the Act, where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up and charge the interest or returns paid to share capital as part of the cost of construction of the works, buildings or the provision of any plant.

Clause 46

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
- (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

15. ADDITIONAL INFORMATION (CONT'D)

- (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.”

15.3 NO LIMITATION ON THE RIGHT TO OWN SECURITIES

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by constituent documents of the Company.

15.4 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

Under the single-tier taxation system in Malaysia, dividends received from corporations in Malaysia are exempted from tax in Malaysia. Further, dividends paid by corporations in Malaysia are not subject to withholding tax in Malaysia whether the payment is made to residents or non-residents. Gains arising from the disposal of listed shares are not subject to tax in Malaysia, to the extent that the gains are capital in nature.

Malaysia

Taxation on dividend income received by Wellspire

Wellspire (via our indirect subsidiaries, Bai Li Enterprise and Keymall Retail) is a company with predominantly foreign-based operations. For the Financial Years and Period Under Review and up to the LPD, our operations are pre-dominantly based in Thailand (i.e., our PAT has been entirely derived from Thailand).

Under the Income Tax Act 1967, income tax is charged on income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. Prior to 1 January 2022, income of any person derived from sources outside Malaysia and received in Malaysia is exempted from tax. The above exemption does not apply to a resident company carrying on the business of banking, insurance or sea or air transport.

With effect from 1 January 2022, income derived from sources outside Malaysia and received in Malaysia by any person who is a resident in Malaysia is subject to tax at the prevailing tax rates. Such income received in Malaysia by a resident is subject to tax at a concessionary tax rate of 3% of gross for the period from 1 January 2022 to 30 June 2022; this did not apply to Wellspire as no foreign sourced income was received during the said period.

Notwithstanding the above, the Income Tax (Exemption) (No. 6) Order 2022 (“**Exemption Order**”) (gazetted on 19 July 2022) provides for exemption on foreign sourced dividend income received in Malaysia by amongst others, a resident company incorporated under the Act for the period from 1 January 2022 to 31 December 2026. The exemption is given subject to the following conditions:

- (i) The dividend income received has been subjected to tax of a similar character to income tax under the law of the territory which the income arises; and
- (ii) The highest rate of tax of a similar character to income tax charged under the law of the territory which the dividend income arises at that time is not less than fifteen per cent.

15. ADDITIONAL INFORMATION (CONT'D)

Reference can be made to the guidelines issued by the Inland Revenue Board of Malaysia ("IRBM") on 29 September 2022 to determine whether the above conditions are met for the purposes of the exemption on foreign sourced dividend income received in Malaysia.

As the dividend income arises from our investment in Vine Growth Holdings, a company incorporated in Singapore, such income will be treated as foreign sourced income of Wellspire. The dividend income will be subject to tax in Malaysia if it is received in Malaysia. The dividend income will be exempted under the Exemption Order for the period from 1 January 2022 to 31 December 2026 where the conditions for the exemption are met.

In summary, the taxability of the dividend income derived from the investment in Vine Growth Holdings and received in Malaysia by Wellspire is as follows:

- (i) Where the dividend income is not subjected to tax in Singapore or distributed out of an underlying profit which is not subjected to tax in Singapore, such dividend income received in Malaysia will be subject to tax. Any tax suffered in Singapore in respect of the dividend income can be given as a credit against the Malaysian tax payable of Wellspire; or
- (ii) Where the dividend income is subjected to tax in Singapore or distributed out of an underlying profit which is subjected to tax in Singapore, such dividend income received in Malaysia will be exempted from tax pursuant to the Exemption Order. This is based on the prevailing corporate income tax rate in Singapore of 17% which is not less than 15%.

As at the LPD, the relevant governmental laws, decrees, regulations or other requirements in Singapore and Thailand in relation to the repatriation of capital and the remittance of profit by or to our Group are as follows:

Singapore**Return of capital proceeds**

The return of capital proceeds by (i) Bai Li Holdings and Bai Li Enterprise to Vine Growth Holdings and (ii) Vine Growth Holdings to Wellspire should not be subject to Singapore income tax as Singapore does not impose tax on capital proceeds/ capital gains.

Dividend distribution

A company is subject to Singapore income tax on income accruing in or derived from Singapore (i.e., Singapore-sourced income) and foreign-sourced income received or deemed to be received in Singapore, unless certain exemptions apply. The prevailing corporate income tax rate in Singapore is 17%.

Foreign-sourced dividend income derived by Vine Growth Holdings will not be subject to Singapore income tax if it is not received or deemed to be received in Singapore. If the foreign-sourced dividend income is received or deemed received in Singapore by Vine Growth Holdings, the foreign-sourced dividend income is exempt from tax under section 13(8) of the Singapore Income Tax Act provided that the conditions for the tax exemption are satisfied.

Under Singapore's one-tier corporate tax system, where Vine Growth Holdings is a Singapore tax resident company (i.e., control and management of the company are exercised in Singapore), dividends paid by Vine Growth Holdings are exempt from Singapore income tax in the hands of Wellspire. Singapore does not impose any withholding tax on dividend distributions.

15. ADDITIONAL INFORMATION (CONT'D)

Thailand

Return of capital proceeds

Return of capital proceeds may be divided into two scenarios as follows.

(i) Return of capital by capital reduction

The return of capital (which is not more than the aggregated value of paid-up capital and legal reserve of a Thai company) from the Bai Li Holdings to Vine Growth Holdings is considered as income under section 40(4)(d) of the Thai Revenue Code, and Vine Growth Holdings will be subject to 15% Thai withholding tax under section 70 of the Thai Revenue Code.

By analogy of the tax ruling, the return of capital under this scenario is likely to be considered as dividends under the applicable tax treaty. Therefore, under article 10 of the tax treaty between Thailand and Singapore, the withholding tax rate should be reduced to be 10% on the gross amount of capital returns. (Reference to the Revenue Department Ruling No. GorKor 0702/1413, dated 13 February 2013).

(ii) Return of capital by company liquidation

The return of capital under this scenario would include the paid-up capital, share premium, and legal reserve. If the amount of capital returns exceeds the capital that Vine Growth Holdings has invested in Bai Li Holdings, it will be considered as income under section 40(4)(f) of Thai Revenue Code and Vine Growth Holdings will be subjected to 15% Thai withholding tax under section 70 of the Thai Revenue Code.

By analogy of the tax ruling, the return of capital under this scenario is likely to be considered as dividends under the applicable tax treaty. Therefore, under article 10 of the tax treaty between Thailand and Singapore, the withholding tax rate should be reduced to be 10% on the gross amount of capital returns. (Reference to the Revenue Department Ruling No. GorKor 0706/6804, dated 9 July 2007 and No. GorKor 0702/4377, dated 21 May 2013).

Dividend distribution

Under section 1201 of the Thai Civil and Commercial Code, dividend can be distributed through two different approaches:

- (a) interim dividend, of which shall be declared through board of directors resolution; and
- (b) ordinary dividend, of which shall be declared through ordinary shareholders resolution.

According to the Thai Exchange Control Act B.E. 2485, the Bank of Thailand allows the distribution of dividend from Bai Li Holdings to Vine Growth Holdings in proportion to their shareholding without limitation on an amount provided that there must be proper evidence to support the dividend distribution such as a shareholders list specifying the name of foreign shareholder who will receive the dividend, and minutes of resolution of board of directors or shareholders of Bai Li Holdings.

In this relation, it must be noted that the dividend distribution by Bai Li Holdings to Vine Growth Holdings is subject to a withholding tax at the rate of 10% of the distributed amount under section 70 of the Revenue Code. There is no tax exemption or reduction under the tax treaty between Thailand and Singapore. Therefore, Bai Li Holdings is legally obligated to deduct such withholding amount in accordance with section 70 of the Thai Revenue Code.

15. ADDITIONAL INFORMATION (CONT'D)

15.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contracts which are not in the ordinary course of our business within the Financial Years and Period Under Review and up to the date of this Prospectus:

- (a) the joint venture agreement dated 30 September 2020 between Bai Li Enterprise and Thierry Suttiyong for manufacturing and marketing Bai Li Enterprise's products, Pee Ree watermelon seed and Pee Ree green peas by using a cartoon of Thierry Suttiyong on the product package whereby Thierry Suttiyong will be paid at an agreed-upon rate according to the sale volumes of the Pee Ree products;
- (b) the trademark licence agreement dated 1 December 2021 between Saranjit Wang (as Licensor) and Bai Li Enterprise (as Licensee) for authorising Bai Li Enterprise the exclusive rights to use the trademarks stated in Section 7.12 of this Prospectus in Thailand;
- (c) the deed of assignment dated 1 January 2022 between Saranjit Wang (as assignor) and Bai Li Enterprise (as assignee) whereby Saranjit Wang agreed to assign the trademarks she owns to Bai Li Enterprise;
- (d) the share sale agreement dated 11 March 2022 and supplemental letter dated 9 September 2022 between Mo Guopiao, He Haibin, Saranjit Wang and Capital Pairing (as vendors) and Wellspire (as purchaser) in respect to the Acquisition of Vine Growth Holdings. Please refer to Section 6.3.1 of this Prospectus for further details of the Acquisition of Vine Growth Holdings; and
- (e) the Underwriting Agreement dated 12 December 2022 between Wellspire and the Underwriter for the Underwritten Shares, for the underwriting commission at the rate set out in Section 4.9.2 of this Prospectus. Please refer to Section 4.10 of this Prospectus for further details of the Underwriting Agreement.

Save for the Underwriting Agreement referred to under item (e) above, all the material contracts have been completed.

15.6 MATERIAL LITIGATION

As at the LPD, our Group is not involved in any material litigation or arbitration, whether as plaintiff, defendant or third party, including those relating to bankruptcy, receivership or similar proceedings which may have a material adverse effect on the business or financial position of our Group, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact likely to give rise to any legal proceeding which may materially and adversely affect our business or financial position.

15.7 PUBLIC TAKE-OVERS

During the last financial year up to the LPD, there were no public take-over offers by third parties in respect of our Shares and public take-over offers by us in respect of other companies' shares.

15.8 LETTERS OF CONSENT

- (a) The written consent of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretaries, Solicitors, Share Registrar and Issuing House for the inclusion in this Prospectus of their names and all references herein in the form and context in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

15. ADDITIONAL INFORMATION (CONT'D)

- (b) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of its name, Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position as at 30 June 2022, Accountants' Report and all references herein in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (c) The written consent of the IMR for the inclusion in this Prospectus of its name, the IMR Report and all references herein in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Registered Office during the normal office hours for a period of 6 months from the date of this Prospectus:

- (a) the Constitution of our Company;
- (b) Accountants' Report referred to in Section 13 of this Prospectus;
- (c) Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position as included in Section 14 of this Prospectus;
- (d) the material contracts as referred to in Sections 15.5 of this Prospectus;
- (e) the letters of consent as referred to in Section 15.8 of this Prospectus;
- (f) the IMR Report as set out in Section 8 of this Prospectus; and
- (g) the interim audited financial statements of Wellspire for the financial period ended 30 June 2022;
- (h) the audited financial statements of Vine Growth Holdings for the financial period ended 31 December 2021;
- (i) the audited financial statements of Bai Li Holdings for the financial period ended 31 December 2021;
- (j) the audited financial statements of Bai Li Enterprise for the FYE 2019, FYE 2020 and FYE 2021; and
- (k) the audited financial statements of Keymall Retail for the financial period ended 31 December 2020 and FYE 2021.

15.10 RESPONSIBILITY STATEMENTS

- (a) Our Directors, Promoters and the Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained herein. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other fact which if omitted, would make any statement in the Prospectus false or misleading.
- (b) TA Securities, being the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR PUBLIC ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 December 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 4 January 2023

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

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.2.2 Placement

Types of Application	Application method
Applications by Selected Investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Selected investors may still apply for our Public Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. **The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Application.**

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 PUBLIC ISSUE SHARES OR MULTIPLES OF 100 PUBLIC ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Public Issue Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Public Issue Shares; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

16.4 APPLICATIONS BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.23 for each Public Issue Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 735**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan (KL), Malaysia

so as to arrive not later than 5.00 p.m. on 4 January 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.5 APPLICATIONS BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Public Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATIONS BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Public Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.8 OVER/ UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Public Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within 1 Market Day after the balloting.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after, we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our Public Issue Shares by the Malaysian Public, subject to the underwriting arrangements and reallocation as set out in Sections 4.3.4(i) and 4.10 of our Prospectus, any of the abovementioned Public Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/ partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our Public Issue Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our Public Issue Shares offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**16.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. +603-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of the Public Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, one Market Day after the balloting date.

You may also check the status of your Application at the above website, five Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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**APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA
UNDER THE DISTRIBUTOR AGREEMENT**

FenXun.
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fenxunlaw.com

Date May 27, 2022

To:

Wellspire Holdings Berhad

Lot D/E, Level 12, Tower 1, Etiqa Twins,
11, Jalan Pinang,
50450 Kuala Lumpur,
Wilayah Persekutuan (KL),
Malaysia

TA Securities Holdings Berhad

29th Floor, Menara TA One,
22 Jalan P. Ramlee,
50250 Kuala Lumpur,
Wilayah Persekutuan (KL),
Malaysia

Chooi & Company + Cheang & Ariff

Level 5, Menara BRDB,
285, Jalan Maarof,
Bukit Bandaraya,
59000 Kuala Lumpur,
Wilayah Persekutuan (KL),
Malaysia

(hereinafter collectively referred to as the "**Addressees**")

**Re: Legal opinion on the Unilateral Termination Right of QiaQia Food Co., Ltd. under the
Distributor Agreement**

Dear Sirs/Madams,

This is our legal opinion (the "**Opinion**") issued with respect to the unilateral termination right of QiaQia Food Co., Ltd. ("**QiaQia**") under the Distributor Agreement ("**Distributor Agreement**") and Distributor Supplementary Agreement between QiaQia and Bai Li Enterprise Co., Ltd. ("**Bai Li Enterprise**") both dated May 13, 2022, the contract codes of which are both HW2022001 (collectively, the "**Agreements**"), from PRC (defined as below) law perspective.

1. Background

- 1.1 We have been provided with a copy of each of the Agreements (as stated in the Appendix) and have been asked to provide this Opinion with regard to the laws of the People's Republic of China (the "**PRC**", for the purpose of this Opinion only, excluding the laws of the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) in connection with



APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)

the unilateral termination right of QiaQia under the Agreements. Accordingly, we prepared this Opinion to address our analysis.

- 1.2 For the purpose of this Opinion, we have examined, and relied with your consent solely upon, the Agreements. We have not examined any other documents than the Agreements.
- 1.3 The Agreements are made in both English and Chinese. In case of any conflict, the Chinese version shall prevail.

2. Assumptions

- 2.1 In rendering this Opinion, we have assumed the following:
 - a. All signatures, seals and chops (including electronic signatures, seals and chops) on the Agreements or the originals thereof and the identity of such signatories are genuine.
 - b. The Agreements submitted to us is authentic, accurate and complete. The copy of the Agreements examined by us conforms to the final and executed Agreements.
 - c. The Agreements are valid and binding on, and enforceable against, each of the parties thereto and that the performance thereof is within the capacity and powers of each of the parties thereto.
 - d. The Agreements remain, or will remain, in full force and effect and has not been, or will not be, amended or affected by any other documents or subsequent actions not disclosed to us.
- 2.2 We have taken no steps to independently verify our assumptions expressed above.

3. Opinions

Based upon and subject to the foregoing and the assumptions/qualifications set forth in this Opinion, we are of the opinion as at the date hereof:

3.1 The obligations of Bai Li Enterprise under the Agreements

Pursuant to the Agreements, material obligations of Bai Li Enterprise can be summarized in below table.

No.	Clauses of the Distributor Agreement	Obligations of Bai Li Enterprise
1.	IV(1)	Bai Li Enterprise is obliged to pay the payments to QiaQia according to the payment method.
2.	VI(1)	Bai Li Enterprise undertakes that products will be sold only within the authorized area, and QiaQia will be its only procurement source.

APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)

3.	VI(3)	Bai Li Enterprise will develop new marketing channels and expand the market shares of the products. Bai Li Enterprise will fix the sales price suitable for local market and with market competitiveness under the guidance of QiaQia.
4.	VI(4)	Bai Li Enterprise will implement the promotion and display of products as per the plan and in coordination with QiaQia.
5.	VI(5)	Bai Li Enterprise has the obligation to deal with complaint, counterfeiting, strike against channel conflict and so on.
6.	VI(6)	Bai Li Enterprise should sell products within the product shelf life. If products expire or become moldy, Bai Li Enterprise should destroy the products and not sell them.
7.	VI(8)	Bai Li Enterprise is obliged to provide stock report to QiaQia each month.
8.	VI(9)	Bai Li Enterprise has the obligation to provide market reports and sales statistic report to QiaQia.
9.	VI(10)	The distributors under Bai Li Enterprise are obliged to cooperate with each other and avoid vicious competition.
10.	VII(1)	Bai Li Enterprise is obliged to provide QiaQia the relevant regulations in Thailand regarding the sanitary quality standard on imported products.
11.	VII(2)	Bai Li Enterprise has the obligation to notify QiaQia in writing to improve the product quality if QiaQia's products do not meet the standard.
12.	VIII	QiaQia has the explicit right to terminate the Agreements unilaterally, if Bai Li Enterprise breaches any of the obligations: (1) Bai Li Enterprise will not accept or sell other similar products. (2) Bai Li Enterprise is not allowed to sell the products to unauthorized area. (3) Bai Li Enterprise is obliged to take responsibility in the management of secondary distributors.
13.	XI	Both parties have the obligation of confidentiality.

3.2 Unilateral Termination right of QiaQia under the Agreements

a. Contractual termination-right

APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)

Under the Agreements, no other clauses in the Agreements explicitly or implicitly stipulates the termination right of the parties of the Agreements, except for only Clause VIII and Clause VI(10) of the Distributor Agreement.

According to Clause VIII of the Distributor Agreement, QiaQia has the explicit right to terminate the Agreements unilaterally, if Bai Li Enterprise breaches any of the obligations under items 1-3 of Clause VIII of the Distributor Agreement, which mainly include: (1) the obligation to not sell other similar products; (2) the obligation to not sell the products to the unauthorized area; and (3) the obligation to take responsibility in the management of secondary distributors.

According to Clause VI(10) of the Distributor Agreement, QiaQia has the implicit right to terminate the Agreements unilaterally, if any vicious competition actions of the distributors under Bai Li Enterprise have been ascertained and verified.

Therefore, the entire Agreements only stipulate termination right of QiaQia but does not mention that of Bai Li Enterprise.

b. Statutory termination-right

Although based on the provisions of the Agreements, only Clause VIII and Clause VI(10) of the Distributor Agreement entitle to QiaQia the right to unilaterally terminate the Agreements, QiaQia also enjoys the statutory termination right to the Agreements under the *Civil Code of the People's Republic of China (the "Civil Code")*.

According to Article 563 of the *Civil Code*, "*the parties may rescind the contract under any of the following circumstances: (1) the purpose of a contract cannot be achieved due to force majeure; (2) prior to expiration of the period of performance, one of the parties explicitly expresses or indicates by act that it will not perform the principal obligation; (3) one of the parties delays performance of the principal obligation and still fails to perform it within a reasonable period of time after being demanded; (4) one of the parties delays performance of the obligation or has otherwise acted in breach of the contract, thus making it impossible to achieve the purpose of the contract; or (5) there exists any other circumstance as provided by law*".

Accordingly, QiaQia is entitled to terminate the Agreements unilaterally, if the circumstances fall under Article 563 of the *Civil Code*.

c. Unilateral termination rights of QiaQia

Even though Clause VIII, Clause VI(10) of the Distributor Agreement and Article 563 of the *Civil Code* grant the unilateral termination rights to QiaQia, those clauses of the Agreements and Article 563 of the *Civil Code* only grant the right on the ground of "with cause". The clauses of the Agreements and Article 563 of the *Civil Code* do not grant QiaQia a right to unilaterally terminate the Agreements on the ground of "without cause".

3.3 Consequences of the termination

APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)

a. The understanding of Clause VI(7) of the Distributor Agreement under the *Civil Code*

According to the clauses of the Agreements and the legal interpretation methodology under the *Civil Code*, we understand, only Clause VI(7) of the Distributor Agreement deals with the consequences when the Agreements are terminated as below:

"Due to any reason by Party A¹(excluding Clause 10 of this contract), this contract is terminated in advance, Party A will purchase back those good products in stock, while for those expired products or other defect products caused by Party B², Party A will not accept return of goods or reimbursement in cash. If this contract is terminated in advance because of a breach of contract by Party B, Party A will not accept return of goods for any remaining products by Party B."

In terms of the understanding of Clause VI(7) of the Distributor Agreement, according to Article 466 of the *Civil Code*, "where the parties have a dispute on the understanding of a contract clause, the meaning of the disputed clause shall be determined according to the provision in the first paragraph of Article 142 of this Code". The first paragraph of Article 142 of the *Civil Code* stipulates that: "where an expression of intent is made to a specific person, the meaning of the expression shall be interpreted according to the words and sentences used, with reference to the relevant terms, the nature and purpose of the civil juristic act, the custom, and the principle of good faith".

Based on the above legal interpretation methodology under the *Civil Code*, we understand that, Clause VI(7) of the Distributor Agreement deals with the consequences of termination, rather than the right of termination, for reasons as below:

Firstly, according to the wordings in Clause VI(7) of the Distributor Agreement, it does not clearly stipulate that Bai Li Enterprise's breach of contract will lead to the termination of the contract.

Secondly, with reference to the relevant clauses of the Agreements, the events for unilateral termination have been prescribed under Clause VIII and Clause VI(10) of the Distributor Agreement. If Clause VI(7) of the Distributor Agreement be interpreted as any breach by Bai Li Enterprise may entitle to QiaQia the right to terminate the Agreements, there is no need for the parties of the Agreements to specify the cases of breaches of the Agreements that may result in the termination of the Agreements in detail under Clause VIII and Clause VI(10) of the Distributor Agreement.

Finally, with reference to the nature and purpose of the Agreements, custom and the principle of good faith, the interpretation that any breach of contract (including minor breach of contract) can lead to the termination of the contract, is obviously not conducive to the stability of trading relations and does not comply with the nature and purpose of the Agreements, custom and the principle of good faith of the parties of the Agreements.

¹ According to the Distributor Agreement, "Party A" means QiaQia.

² According to the Distributor Agreement, "Party B" means Bai Li Enterprise.

**APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA
UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)**

Therefore, we understand that Clause VI(7) of the Distributor Agreement is a provision that stipulates the consequences of termination, rather than a provision that deals with the right of termination.

b. Consequences of the termination

Clause VI(7) of the Distributor Agreement does not deal with a right to terminate the Agreements nor grant either party, including QiaQia, an additional right to terminate the Agreements unilaterally based on the legal interpretation methodology under the *Civil Code*. It only discusses the actions the parties can take after the termination, when different scenarios arise.

3.4 Conclusion

Pursuant to the Agreements, QiaQia does not have a right to unilaterally terminate the Agreements unless (1) Bai Li Enterprise has breached any of its obligations under Clause VIII and Clause VI(10) of the Distributor Agreement, or (2) the circumstances fall under Article 563 of the *Civil Code*.

As such, Clause VIII, Clause VI(10) of the Distributor Agreement and Article 563 of the *Civil Code* only grant unilateral termination rights to QiaQia on the ground of "with cause". The clauses of the Agreements and Article 563 of the *Civil Code* do not grant QiaQia a right to unilaterally terminate the Agreements on the ground of "without cause".

4. Qualifications

This Opinion is subject to the following additional qualifications:

- 4.1 We express no opinion on matters of fact and the authenticity, validity, legality and enforceability of the Agreements.
- 4.2 We limit our opinion on the unilateral termination right of QiaQia in accordance with the provisions of the Agreements and the *Civil Code* only.

5. Restrictions

- 5.1 This Opinion is given only by FenXun Partners, and not by or on behalf of Baker & McKenzie International (a Swiss verein) or any other member or associated firm thereof. In this Opinion, the expressions "we", "us", "our" and like expressions should be construed accordingly.
- 5.2 The Addressees of this Opinion may rely on this Opinion in connection with the unilateral termination right of QiaQia under the Agreements. Neither the existence nor the contents of this Opinion may be disclosed to any other person without our prior written consent save and except if you are required to do so by law, or by any regulatory authority or by an order of any court, or the same is to be disclosed in any legal proceedings in relation to the transaction referred to in the Agreements.
- 5.3 Our liability towards the Addressees under this Opinion is in aggregate limited to 5 times the aggregate fees charged by us for this matter (the "**Liability Cap**"). By relying upon this Opinion, the Addressees accept and agree to the Liability Cap.

**APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA
UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)**

5.4 This Opinion:

- a. is confined to and is given on the basis of laws of PRC and practice as they exist at the date hereof and we have made no investigation of the laws or practices of any jurisdiction other than PRC as a basis for the opinions expressed hereinabove and do not express or imply any opinions thereon;
- b. is strictly limited to the matters stated herein and is not to be read as extending by implication to any other matters in connection with the Agreements or the transaction contemplated by the Agreements;
- c. is given solely for the purposes of the arrangements to which the Agreements relate and we assume no obligation to advise you of any changes in the foregoing subsequently to the date set forth at the beginning of this Opinion and this Opinion speaks only as of such date; and
- d. is given on the basis that it will be governed by and construed in accordance with the laws of PRC and this Opinion may only be relied upon on the express condition that any issues of interpretation or liability arising hereunder will be governed by the laws of PRC and determined by PRC courts.

Yours sincerely,

FenXun Partners

鲍治 (Zhi Bao)

May 27, 2022



**APPENDIX 1 : LEGAL OPINION ON THE UNILATERAL TERMINATION RIGHT OF QIAQIA
UNDER THE DISTRIBUTOR AGREEMENT (CONT'D)**

APPENDIX

Documents Reviewed

1. Distributor Agreement between QiaQia and Bai Li Enterprise
2. Distributor Supplementary Agreement between QiaQia and Bai Li Enterprise