

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:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) 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

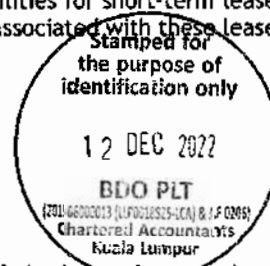
Lease liability

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.



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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.



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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.



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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

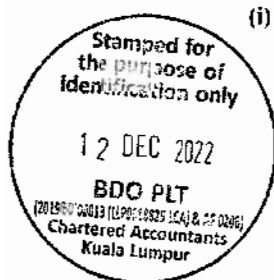
Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

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.



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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.



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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

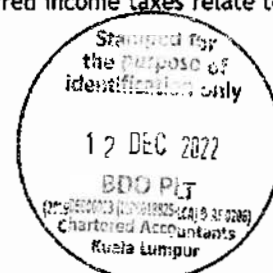
Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

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



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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.

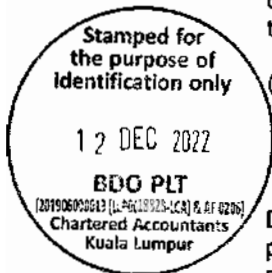
Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

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.



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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.



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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.



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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).

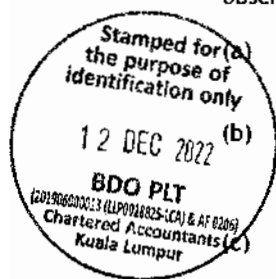
The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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.



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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.



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*Wellspire Holdings Berhad (202101026155 (1426455-A))
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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

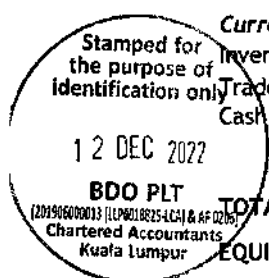
The impairment allowances for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward looking estimates i.e. unemployment rate, at end of the reporting period.

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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)

Weilspire 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	1.1.2021 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	*	*
	<u>41,982,591</u>	<u>71</u>	<u>108,001,193</u>	<u>90</u>	<u>122,435,246</u>	<u>89</u>	<u>51,033,062</u>	<u>84</u>	<u>69,706,308</u>	<u>88</u>

* 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
	215,115	110,384	24,451	(4,425)	345,525

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
	790,513	284,032	(26,157)	(65,227)	983,161

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
	345,525	175,333	(11,875)	(30,396)	478,587



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:

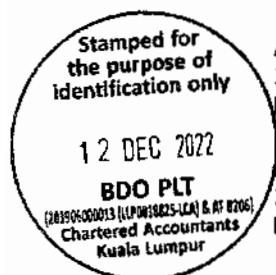
	Weighted average incremental borrowing rate %	Within 1 year RM	1 - 5 years RM	Total RM
Audited 31.12.2019 Lease liabilities	6.85%	827,483	3,912,378	4,739,861
Audited 31.12.2020 Lease liabilities	6.43%	1,850,366	2,500,609	4,350,975
Audited 31.12.2021 Lease liabilities	6.26%	1,972,778	404,874	2,377,652
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	<u>1,368,442</u>	<u>2,657,611</u>	<u>6,251,546</u>	<u>6,197,045</u>

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	<u>40,589,866</u>	<u>79,429,454</u>	<u>96,260,219</u>	<u>45,644,347</u>	<u>52,963,882</u>

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	<u>-</u>	<u>-</u>	<u>189,051</u>	<u>199,084</u>	<u>-</u>



13. ACCOUNTANTS' REPORT (CONT'D)Wellspire Holdings Berhad (202101026155 (1426455-A))
Accountants' Report**6. NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)****6.5 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)**

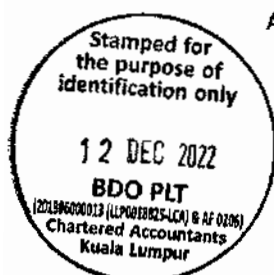
(a) The deferred tax assets/(liabilities) are made up of the following:

	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	<u>(190,004)</u>	<u>(1,798,626)</u>	<u>(1,296,745)</u>	<u>(1,834,261)</u>
Presented after appropriate offsetting:				
Deferred tax assets, net	220,326	328,906	203,163	146,765
Deferred tax liabilities, net	<u>(410,330)</u>	<u>(2,127,532)</u>	<u>(1,499,908)</u>	<u>(1,981,026)</u>
	<u>(190,004)</u>	<u>(1,798,626)</u>	<u>(1,296,745)</u>	<u>(1,834,261)</u>

(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	<u>(220,326)</u>	-	<u>(220,326)</u>
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	<u>(283,166)</u>	<u>(45,740)</u>	<u>(328,906)</u>
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

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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: (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>

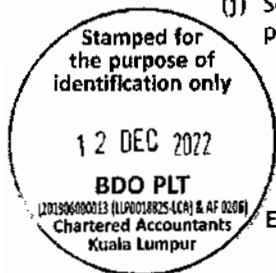
- (j) Sensitivity analysis of interest rate for the floating rate instruments at the end of each reporting period, assuming all other variables remain constant, is as follows:

	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>

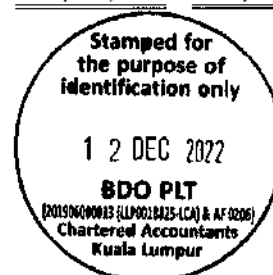
- (d) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant are as follows:

	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)

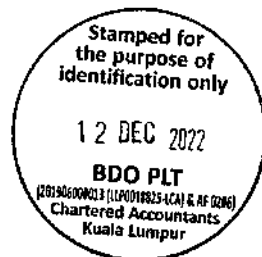
6.15 TAX EXPENSE (continued)

(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

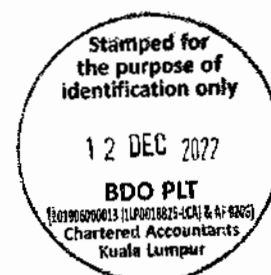
The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains 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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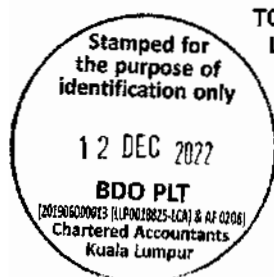
13. ACCOUNTANTS' REPORT (CONT'D)

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*

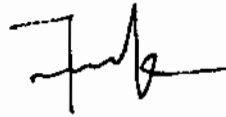
STATEMENT BY DIRECTORS

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.



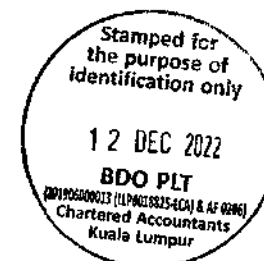
14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

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

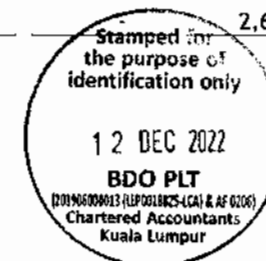


14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

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

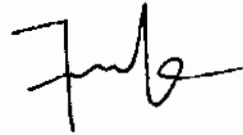
Approved and adopted by the Board of Directors of Wellspire Holdings Berhad in accordance with a resolution dated 12 December 2022.

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"	Means a holder of one or more share(s) in the Company, including: <ul style="list-style-type: none"> (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 (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>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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Date May 27, 2022

To:

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TA Securities Holdings Berhad

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Wilayah Persekutuan (KL),
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(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