

RITAMIX GLOBAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1936

SHARE OFFER

Sponsor



Sole Bookrunner



Joint Lead Managers



富滙證券
WealthLink
Securities Limited



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Ritamix Global Limited

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 125,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares : 112,500,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Public Offer Shares : 12,500,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$1.20 per Offer Share and not less than HK\$1.00 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 1936

Sponsor



Sole Bookrunner



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 6 May 2020, and in any event no later than Thursday, 7 May 2020. The Offer Price will be not more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced. If for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Thursday, 7 May 2020, the Share Offer (including the Public Offer) will not proceed and will lapse.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Share Offer. In such a case, please refer to the arrangements set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the Underwriting Agreements, the Sole Bookrunner (for itself and on behalf of the Underwriters) has the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting — Public Offer underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

24 April 2020

EXPECTED TIMETABLE

Our Company will issue an announcement to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ritamix-global.com if there is any change in the following expected timetable of the Public Offer:

Date ⁽¹⁾
2020

Application lists of the Public Offer open ⁽²⁾ 11:45 a.m. on Monday, 4 May

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and giving **electronic application instructions**
to HKSCC ⁽³⁾ 12:00 noon on Monday, 4 May

Application lists of the Public Offer close ⁽²⁾ 12:00 noon on Monday, 4 May

Expected Price Determination Date ⁽⁴⁾ Wednesday, 6 May

Announcement of the final Offer Price and the indication of
the level of interest under the Placing, the level of
applications under the Public Offer and the basis of
allocation of the Public Offer Shares to be published
on the Stock Exchange's website at www.hkexnews.hk and
our Company's website at www.ritamix-global.com on or before Tuesday, 12 May

Results of allocations in the Public Offer (with successful
applications' identification document numbers, where
appropriate) will be available through a variety of channels
as described in the section headed "How to apply for
Public Offer Shares — 10. Publication of results"
in this prospectus on Tuesday, 12 May

Results of allocation in the Public Offer to be available
at www.ewhiteform.com.hk/results with
a "search by ID" function from Tuesday, 12 May

Despatch/collection of Share certificates of the Offer
Shares or deposit of Share certificates of the Offer Shares
into CCASS in respect of wholly or partially successful
applications under the Public Offer on or before ⁽⁵⁾ Tuesday, 12 May

EXPECTED TIMETABLE

Date ⁽¹⁾
2020

Despatch/collection of refund cheques in respect of wholly successful
(in the event that the final Offer Price is less than initial price
per Public Offer Share payable on application) and
wholly or partially unsuccessful applications pursuant to
the Public Offer on or before ⁽⁶⁾ Tuesday, 12 May

Dealings in Shares on the Stock Exchange
expected to commence at 9:00 a.m. on Wednesday, 13 May

The application for the Public Offer will commence on Friday, 24 April 2020 through Monday, 4 May 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 12 May 2020. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 13 May 2020.

Notes:

1. All times refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 May 2020, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Wednesday, 6 May 2020, and in any event no later than Thursday, 7 May 2020. If for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Thursday, 7 May 2020, the Share Offer (including the Public Offer) will not proceed and will lapse.
5. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (where applicable) and Share certificates (where applicable) in person from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 May 2020. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with their chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar. Applicants who apply on **YELLOW** Application Forms for

EXPECTED TIMETABLE

1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for the applicants who apply on **WHITE** Application Forms.

6. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of the applicant's Hong Kong identity card number/passport number or, if the application is made by joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party to facilitate refund. Banks may require verification of an applicant's Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number/passport number may lead to delay in encashment of the refund cheque or may invalidate the refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Share certificates for the Offer Shares will become valid certificates of title only at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Share Offer, including its conditions, you should refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction (other than Hong Kong) or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer. The contents on our Company's website www.ritamix-global.com do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a Malaysia-based company principally engaging in (i) distribution of animal feed additives and, to a lesser extent, human food ingredients; and (ii) manufacturing of animal feed additives premixes. During the Track Record Period, we sourced over 300 brand products from over 70 suppliers of different brand names to promote and distribute their products in Malaysia. We also produced over 150 own brand animal feed additives premixes for sales in Malaysia and overseas.

Our history

We have been primarily serving the agricultural industry in Malaysia for over 37 years. Our Group started out as an animal feed additives distributor in 1982 and subsequently tapped into the manufacturing of animal feed additives premixes after acquiring the manufacturing plant from BASF in 2007.

Our distribution business

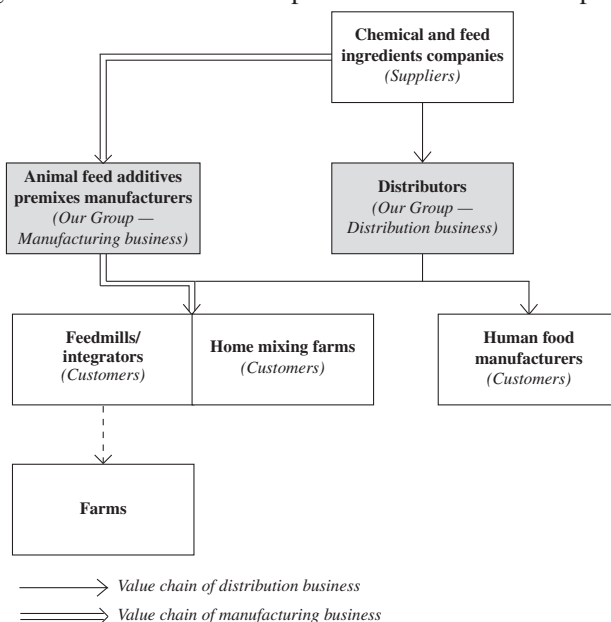
During the Track Record Period, our distribution business was basically a principal to principal business whereby we purchased brand products from suppliers and sold independently to customers on our own account. As at the Latest Practicable Date, our Group has entered into 16 distribution agreements with suppliers for the sales of animal feed additives and human food ingredients in Malaysia. We will advise on the application of different types of products and provide technical supports to customers, as well as provide after sales services to keep track of the effects of the products on poultry and livestock.

Our manufacturing business

Our manufacturing business involves sourcing of raw materials from suppliers for the production of own brand animal feed additives premixes. We possess a GMP-compliant manufacturing plant installed with a seven-storey automated mixer to sieve, weigh and homogenise our own brand animal feed additives premixes in accordance with different formulae. We provide customized services to customers by formulating premixes with specific dosage and combination of ingredients that fit the customers’ needs to, among others, improve fertility and livability of poultry, strengthen egg shell and colouring properties of egg yolks and improve feed conversion rate of livestock.

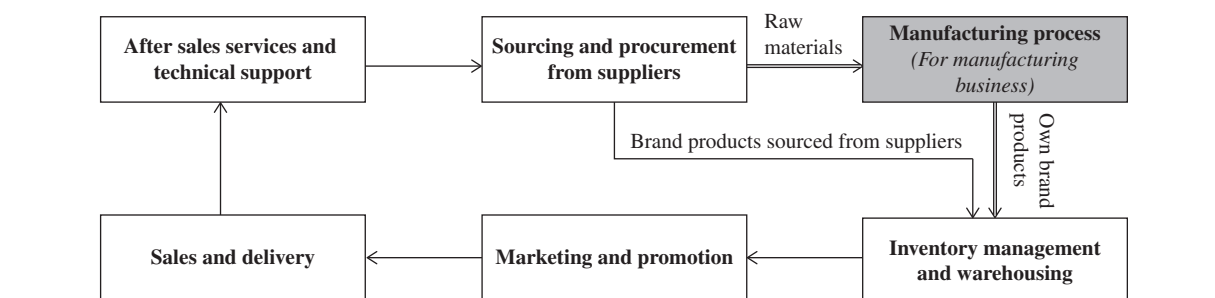
BUSINESS MODEL AND OPERATING PROCEDURES

The following diagram sets forth our Group’s business model and position in the value chains:



SUMMARY

The following chart illustrates the typical operating procedures of our Group:



OUR PRODUCT PORTFOLIO

The following tables set forth a breakdown of our Group's revenue by types of products during the Track Record Period:

Major type of brand products sourced from suppliers (Distribution business)

	Year ended 31 December														
	2017					2018					2019				
	Number of products	Average unit price RM per kg	Sales volume kg'000	Revenue RM'000	% of segment revenue	Number of products	Average unit price RM per kg	Sales volume kg'000	Revenue RM'000	% of segment revenue	Number of products	Average unit price RM per kg	Sales volume kg'000	Revenue RM'000	% of segment revenue
Amino acid	12	10.9	1,727	18,797	24.9	11	8.0	2,463	19,783	23.9	10	7.1	3,119	22,041	28.1
Human food ingredient	71	5.3	2,863	15,071	20.0	71	5.5	2,818	15,539	18.8	82	5.7	3,166	18,011	22.9
Additives	32	N/A	N/A	10,269	13.6	33	N/A	N/A	7,888	9.6	39	N/A	N/A	7,920	10.1
Vitamin	67	9.5	1,593	15,148	20.0	74	14.2	1,545	22,015	26.6	69	10.4	1,045	10,816	13.8
Mineral	25	2.0	4,072	8,031	10.6	26	1.9	4,380	8,474	10.3	26	1.6	5,958	9,477	12.1
Others	121	N/A	N/A	8,227	10.9	114	N/A	N/A	8,957	10.8	89	N/A	N/A	10,306	13.0
Total	328			75,543	100.0	329			82,656	100.0	315			78,571	100.0

Major type of own brand products (Manufacturing business)

	Year ended 31 December														
	2017					2018					2019				
	Average unit price	Sales volume	Revenue	% of segment revenue		Average unit price	Sales volume	Revenue	% of segment revenue		Average unit price	Sales volume	Revenue	% of segment revenue	
	Number of products	RM per kg	kg '000	RM '000		Number of products	RM per kg	kg '000	RM '000		Number of Products	RM per kg	kg '000	RM '000	
Vitamin premix	62	31.3	494	15,483	47.6	67	31.4	783	24,598	53.5	59	33.7	845	28,460	59.9
Complex mixing (Note)	37	17.4	542	9,446	29.1	34	24.1	535	12,876	28.1	27	17.1	625	10,674	22.5
Mineral premix	63	4.8	1,304	6,212	19.1	58	5.0	1,379	6,847	14.9	61	4.8	1,342	6,438	13.6
Enzyme premix	12	26.5	52	1,378	4.2	9	43.9	37	1,623	3.5	10	33.3	57	1,910	4.0
Total	174			32,519	100.0	168			45,944	100.0	157			47,482	100.0

Note: Complex mixing refers to a mixture of different types of substances (e.g. vitamins and minerals mixing, complete premixes, etc).

During the Track Record Period and up to the Latest Practicable Date, we had a diversified product portfolio of over 450 products, approximately 67% of which were brand products sourced from suppliers while the remaining 33% comprised of our own brand products. During the Track Record Period, under the distribution business, we offered a wide ranging selection of animal feed additives which could be broadly classified into amino acids, additives, vitamins, minerals and enzymes, and human food ingredients including baking soda, minerals, hydrocolloids, emulsifiers and vitamins procured from suppliers of different international brand names from Europe, the United States and China while under the manufacturing business, we offered four key categories of premixes, namely vitamin premix, complex mixing, mineral premix and enzyme premix. We would advise customers on the use of brand products sourced from suppliers or our own brand products based on the specific needs and circumstances of each customer such as (i) its scale of operations; (ii) nature of its business (i.e. whether it is a feedmill or farm); (iii) requests for customised products or standard products; and (iv) the desired farming performance. For details of the average selling price, sales volume and gross profit margins of different types of products, please refer to the section headed “Financial information — Comparison of results of operations” in this prospectus.

SUMMARY

CUSTOMERS

Products sourced from suppliers and our own brand premix products were sold to over 700 customers which mainly include feedmills, integrators and home mixing farms, which aggregately contributed approximately 71.1%, 67.8% and 67.3% of our total revenue for each of the three years ended 31 December 2019, respectively. Revenue generated from our recurring customers amounted to approximately RM106.0 million, RM107.4 million and RM122.3 million, respectively, for each of the three years ended 31 December 2019, representing approximately 98.1%, 83.5% and 97.0% of the total revenue of our Group for the respective years. Revenue attributable to our five largest customers, in aggregate amounted to approximately 21.6%, 25.6% and 26.4% of our Group's total revenue for each of the three years ended 31 December 2019. Sales are generally conducted through sales orders on a transaction basis and we generally offer sales on credit for a credit period up to 90 days. For further details, please refer to the section headed "Business — Our customers" in this prospectus.

SUPPLIERS

During the Track Record Period and up to the Latest Practicable Date, our Group procured products and/or raw materials from over 70 suppliers, comprising (i) animal feed additives products manufacturers; and (ii) human food ingredient manufacturers, who are primarily located overseas in Europe, the United States and China. Procurement from suppliers was generally made on a transaction basis through individual purchase orders. We have also entered into 16 distribution agreements with suppliers for the sales of animal feed additives and human food ingredients in Malaysia, which signify our solid relationships with the relevant suppliers. For each of the three years ended 31 December 2019, purchases attributable to our Group's five largest suppliers, in aggregate, amounted to approximately 45.5%, 41.3% and 38.0% of our Group's total purchases, respectively. We acquired the premix business in Malaysia from BASF, being one of our top five suppliers during the Track Record Period, in 2007 and entered into multiple agreements to enhance our business cooperation. For details of our long-standing business relationship with BASF, please refer to the section headed "Business — Our suppliers — Relationship with BASF" in this prospectus.

COMPETITIVE STRENGTHS

We believe that our market position and success of our business are attributable to the following competitive strengths and differentiate us from our competitors:

- (i) we possess strong sourcing capabilities and offer a wide ranging product portfolio to meet the diverse needs of our customers;
- (ii) we have developed a solid customer base in Malaysia and cultivated a long lasting customer relationship with our major customers;
- (iii) we have an experienced sales and technical team to provide professional advice and technical support to customers;
- (iv) our manufacturing plant enables us to produce own brand products to capture the animal feed additives premixes market; and
- (v) we are led by a well-seasoned and experienced management team who has substantial experience in the industry.

Please refer to the section headed "Business — Competitive strengths" in this prospectus for further details.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the Ipsos Report, our Group accounted for a market share of approximately 12.78% in the Malaysia animal feed additives market in 2018 based on the reported market value of approximately RM884.7 million for the year. There are various entry barriers for new market players to establish business presence in the animal feed additives industry in Malaysia including (i) proven track record and relationship with customers; and (ii) regulatory structures. Please refer to the section headed "Industry overview" in this prospectus for further information on the competitive landscape of the animal health and nutrition industry in Malaysia.

MARKETING AND PRICING

In general, our sales and technical team, which is equipped with veterinary and nutrition knowledge, would pay regular visits to our customers to evaluate the effect of our current products and promote new products. Our Group also participates in exhibitions, trade shows and seminars

SUMMARY

held in Malaysia and overseas to enhance the marketability of our products and promote our brand name. Our Group adopts a cost-plus pricing strategy for our products and take into consideration factors including (i) our cost of production or cost of products sourced from suppliers; (ii) transportation cost; (iii) our envisaged gross profit set by our management; (iv) historical sales record with the customer; and (v) prices of our competitors' products. For further details, please refer to the section headed "Business — Operating procedures — 3. Marketing and promotion" in this prospectus.

SHAREHOLDERS' INFORMATION

Our Controlling Shareholders

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme), our Company will be owned as to 67.5% by Garry-Worth. Pursuant to the Acting in Concert Undertaking, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, being the legal and beneficial owners as to 53.37%, 20.17%, 20.17% and 6.29% of the issued share capital of Garry-Worth, are indirectly holding 67.5% of the issued share capital of our Company and regarded as a group of Controlling Shareholders under the Listing Rules.

Pre-IPO Investments

On 10 December 2018, Garry-Worth (as vendor) entered into a sale and purchase agreement with the Pre-IPO Investor (as purchaser), pursuant to which the Pre-IPO Investor acquired 10 Shares, representing 10% of the issued share capital of our Company at the relevant time, from Garry-Worth at a consideration of RM7,263,800 (equivalent to approximately US\$1,743,312.00). The Pre-IPO Investment was completed on 17 December 2018 and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme), the shareholding of the Pre-IPO Investor will represent 7.5% of the issued share capital of our Company. For further details, please refer to the section headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the financial information of our Group during the Track Record Period, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

Highlight of combined statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Revenue	108,062	128,600	126,053
Gross profit	22,568	36,426	29,262
Profit before tax	14,558	22,165	18,885
Profit and total comprehensive income for the year	10,856	15,906	13,718

Highlight of combined statements of financial position

	As at 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Non-current assets	14,733	14,320	14,168
Current assets	72,831	73,263	81,616
Current liabilities	(17,403)	(16,504)	(10,909)
Net current assets	55,428	56,759	70,707
Net assets	69,611	70,517	84,235

SUMMARY

Highlight of combined statements of cash flows

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Cash flow from operations before movements in working capital	15,810	21,236	20,281
Changes in working capital	(11,051)	8,533	(18,167)
Cash generated from operations	4,759	29,769	2,114
Income tax paid	(3,579)	(6,214)	(5,353)
Net cash from (used in) operating activities	1,180	23,555	(3,239)
Net cash (used in) from investing activities	(2,153)	(2,386)	4,866
Net cash used in financing activities	(4,200)	(18,843)	(1,367)

For the year ended 31 December 2017, we recorded a relatively lower net cash generated from operating activities of approximately RM1.2 million which was mainly because of the bulk purchase of raw materials, in particular vitamin A and vitamin E by our Group during the year that resulted in an increase in inventories of approximately RM9.8 million. Since vitamin A and E are two essential nutrients widely used in our own brand premix products, our Group made a bulk purchase of the two ingredients when their market prices reached a low level in around July 2017. During the period of market shortage of vitamin A and E ingredients resulted from the fire accident at BASF's production facilities in October 2017, our Group was one of the few market players in Malaysia to offer stable supply of the ingredients to our customers. Accordingly, our net cash generated from operating activities for the year ended 31 December 2018 increased significantly to approximately RM23.6 million which was mainly attributable to (i) more profits generated during the year; and (ii) decrease in inventories mainly arising from more sales of vitamin A and vitamin E contained products. For details of the bulk purchase of vitamin A and E ingredients during the year ended 31 December 2017 and surge in our Group's profit for the year ended 31 December 2018, please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus.

We had net cash used in operating activities of approximately RM3.2 million for the year ended 31 December 2019 primarily as a result of the combined effects of (i) approximately RM20.3 million cash flows from operations before movements in working capital; (ii) increase in inventories of approximately RM3.6 million mainly arising from the increase in year-end purchase of raw materials for ordinary operation; (iii) increase in trade and other receivables of approximately RM9.8 million mainly arising from more sales around year end; (iv) decrease in trade and other payables of approximately RM4.7 million mainly due to settlement of professional fees in relation to the Listing; and (v) income tax paid of approximately RM5.4 million. Our finance and administration department would closely monitor the inventory turnover days, account receivable days and account payable days to manage our Group's liquidity and overall cash conversion cycle at a healthy level. For each for the three years ended 31 December 2019, our Group's cash conversion cycle was maintained at 145, 125 and 143 days respectively. While there was net cash used in operating activities for the year ended 31 December 2019, our Directors considered that our cash conversion cycle was managed at a healthy level. During the Track Record Period, our Group did not experience negative cash and bank balance and therefore, our Directors considered that our Group's liquidity management was effective. As at the Latest Practicable Date, our Group also maintained unutilised banking facilities for working capital use amounting to approximately RM12.0 million which our Directors consider is sufficient to support our current scale of operations and tackle any unforeseen liquidity situation should it arise in the future. Our Group will take the following measures to improve our cash flow position including (i) follow up with customers for on-time collection of outstanding debt; (ii) utilise the credit terms provided by our suppliers; and (iii) utilise the banking facilities for working capital use to cover any deterioration in our cash flow position. For details, please refer to the section headed "Financial information — Liquidity and capital resources" in this prospectus.

SUMMARY

Gross profit and gross profit margins

The following table sets forth our Group's gross profits and gross profit margins by business segments during the Track Record Period:

	Year ended 31 December								
	2017			2018			2019		
	Revenue RM'000	Gross profit RM'000	Gross profit margin (%)	Revenue RM'000	Gross profit RM'000	Gross profit margin (%)	Revenue RM'000	Gross profit RM'000	Gross profit margin (%)
Distribution	75,543	14,347	19.0	82,656	17,634	21.3	78,571	14,565	18.5
Manufacturing	32,519	8,221	25.3	45,944	18,792	40.9	47,482	14,697	31.0
Total	108,062	22,568	20.9	128,600	36,426	28.3	126,053	29,262	23.2

The following table sets forth our Group's gross profits and gross profit margins by type of products during the Track Record Period:

Distribution business

	Year ended 31 December					
	2017		2018		2019	
	RM'000	Gross profit margin (%)	RM'000	Gross profit margin (%)	RM'000	Gross profit margin (%)
Amino Acid	2,150	11.4	1,451	7.3	1,711	7.8
Human Food Ingredient	2,677	17.8	2,839	18.3	3,240	18.0
Additives	1,665	16.2	1,953	24.8	1,446	18.3
Vitamin	3,236	21.4	6,873	31.2	2,241	20.7
Mineral	1,122	14.0	1,406	16.6	2,148	22.7
Others	3,497	42.5	3,112	34.7	3,779	36.7
Segment total	14,347	19.0	17,634	21.3	14,565	18.5

Manufacturing business

	Year ended 31 December					
	2017		2018		2019	
	RM'000	Gross profit margin (%)	RM'000	Gross profit margin (%)	RM'000	Gross profit margin (%)
Vitamin premix	3,401	22.0	10,645	43.3	7,236	25.4
Complex mixing	2,814	29.8	5,879	45.7	4,778	44.8
Mineral premix	1,774	28.6	2,098	30.6	2,212	34.4
Enzyme premix	232	16.8	170	10.4	471	24.7
Segment total	8,221	25.3	18,792	40.9	14,697	31.0

Revenue

Our revenue increased significantly by approximately 19.0% for the year ended 31 December 2018 which was mainly attributable to the growth in both our distribution business and manufacturing business driven by the increase in sales of vitamin A and E-related products. Our total revenue decreased slightly by approximately 2.0% for the year ended 31 December 2019 which was attributable to the combined effect of (i) decrease in segment revenue generated from our distribution business mainly due to the normalisation of price of vitamin A and E related products in the absence of market shortage resulted from BASF's fire accident; and (ii) increase in segment revenue generated from our manufacturing business mainly due to the increase in sales volume of our own brand premix products, in particular vitamin premix.

Gross profit margin and net profit margin

Gross profit margin increased significantly from 20.9% for the year ended 31 December 2017 to 28.3% for the year ended 31 December 2018 which was mainly attributable to the fact that we were well stocked with vitamin A and vitamin E prior to a period of temporary shortage of the ingredients available in the market which prompted an increase in the sales of our own brand products, namely, vitamin premix and complex mixing, containing contents of vitamin A and E.

SUMMARY

The increase in gross profit margin for both our distribution business and manufacturing business propelled our overall gross profit margin for the year ended 31 December 2018. Following the resumption of operation of BASF's production plant after the fire accident and the normalisation of market price of vitamin A and E, our gross profit margin for the year ended 31 December 2019 decreased to approximately 23.2% which was mainly attributable to the decrease in gross profit margin for both of our distribution business and manufacturing business in the absence of the one-off effect of vitamin A and E arising from the fire accident at BASF's production plant in October 2017.

Our net profit margin was approximately 10.0%, 12.4% and 10.9% for the three years ended 31 December 2019, respectively.

Fire accident at BASF's production facilities

In October 2017, a fire accident caused a temporary shutdown of the production facilities of BASF, one of the major suppliers of vitamin A and vitamin E worldwide, which resulted in a market shortage of vitamin A and E ingredients for around eight months that boosted their unit price. Since our Group was well stocked with the ingredients during the time of market shortage, we were able to provide stable supply to our customers when BASF's production plant was shut down. This one-off fire accident and the associated surge in global market price of vitamin A and E contributed to the significant increase in our Group's gross profits for the year ended 31 December 2018. Following the resumption of operations of BASF's production plant in July 2018 and the normalisation of the market price of vitamin A and E, gross profits of our Group returned to a normal level for the year ended 31 December 2019. For details, please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus. We may be unable to anticipate any abrupt price hikes or plunges in our raw materials and tightened or loosened supply resulted from unexpected events. Please refer to the section headed "Risk factors — The demand for and market price of products offered by us fluctuate at times and are largely determined by forces outside our control which could materially affect our financial performance" in this prospectus for details of the associated risks.

For further details, please refer to the section headed "Financial information — Comparison of results of operations" in this prospectus.

Key financial ratios

	<i>Note</i>	Year ended/as at 31 December		
		2017	2018	2019
		%	%	%
Return on total assets	1	12.4	18.2	14.3
Return on equity	2	15.6	22.6	16.3
Gross profit margin	3	20.9	28.3	23.2
Net profit margin	4	10.0	12.4	10.9
		<i>times</i>	<i>times</i>	<i>times</i>
Current ratio	5	4.2	4.4	7.5
Quick ratio	6	2.4	2.7	4.6
Gearing ratio	7	N/A	0.03	0.02
Net debt to equity ratio	8	N/A	N/A	N/A

Note: For formulae of the above financial ratios, please refer to the section headed "Financial information — Key financial ratios" in this prospectus.

IMPACT OF LISTING EXPENSES ON THE FINANCIAL PERFORMANCE OF OUR GROUP FOR THE YEAR ENDING 31 DECEMBER 2020

For the year ended 31 December 2018 and 2019, we had incurred and recognised approximately HK\$12.9 million and HK\$3.7 million listing-related expenses in the profit and loss account, respectively. The total estimated expenses in relation to the Listing are approximately HK\$55.2 million, representing approximately 40.1% of our estimated gross proceeds from the Share Offer, of which approximately HK\$33.5 million is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately HK\$5.1 million are expected to be charged to the profit and loss of our Group for the year ending 31 December 2020. This calculation is based on the mid-point of our indicative Offer Price of HK\$1.10 per Share and assuming the Over-allotment

SUMMARY

Option is not exercised. The recognition of the listing expenses is expected to materially affect our financial results for the year ending 31 December 2020. The estimated listing-related expenses of our Group are subject to adjustments based on the actual amount of expenses incurred/to be incurred by our Company upon the completion of the Listing. For further details, please refer to the section headed “Financial information — Listing expenses” in this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, our business model remained largely unchanged and we will continue to focus on our distribution and manufacturing businesses by offering a wide range of animal feed additives products including brand products sourced from international suppliers and our own brand premix products to the agricultural industry in Malaysia and overseas. As at the Latest Practicable Date, the expected revenue generated from confirmed purchase orders received amounted to approximately RM48.9 million.

We continue to offer quality products sourced from suppliers and our own brand products to customers in Malaysia. Expansion of our product portfolio is a continuous process whereby we will launch new products (e.g. feed additives to regulate stomach and intestinal health, promote villi growth and inhibit harmful bacterial growth, products to release phosphorous energy and protein from feed stuffs, products to improve yellow colour of egg yolk and chicken skin and at the same time provide anti-oxidant function to improve the health of poultry) in 2020. We will also organise product promotion campaign overseas. As far as we are aware, our industry remained relatively stable after the Track Record Period, with no material adverse change in the general economic and market conditions in Malaysia or the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. From 31 December 2019 up to the date of this prospectus, we did not experience any significant decrease in revenue or increase in direct costs or other costs as there were no significant changes to the general business model of our Group. Apart from the abovementioned impact of listing expenses, and based on our business operations subsequent to the Track Record Period and up to the date of this prospectus, our Directors do not foresee any material adverse change in our revenue for the year ending 31 December 2020. Our Directors further confirm that, up to the date of this prospectus, save for the impact of the listing expenses, there has been no event, nor material adverse change in our financial or trading position or prospects since 31 December 2019, which would have materially affected the information presented in our combined financial statements included in the Accountants’ Report.

Outbreak of Coronavirus COVID-19

In view of the outbreak of Coronavirus COVID-19, our Directors have considered the following business contingency plans which will be implemented in case we encounter substantial cancellations of sales orders or supply chain disruption:

- maintain minimal headcount to support our operations by placing our non-essential staffs on unpaid leave; and
- maintain more than one supplier for our major products and/or raw materials.

Our Directors confirm that as at the Latest Practicable Date, (i) our Group had not experienced any cancellation of sales orders by our customers; and (ii) there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of Coronavirus COVID-19.

Our Group has conducted a worst case scenario business assessment by taking into consideration (i) the expected cash and bank balance as at 31 March 2020; (ii) the unutilised banking facilities as at the Latest Practicable Date; (iii) a complete default on our trade receivables; and (iv) the average trade payable turnover days during the Track Record Period. Assuming there is a total disruption of our business operation, our Group is required to maintain minimal operation and live on our cash and bank balance. Given that our burn rate which represents all fixed and necessary costs for our Group to survive under minimal operation is approximately RM0.5 million per month, our Directors are of the view that the estimated cash and bank balance and unutilised banking facilities of approximately RM19.3 million as at 31 March 2020 will allow our Group to stay financially viable for at least 12 months in the worst case scenario of a total disruption of our business operation due to Coronavirus COVID-19 outbreak.

SUMMARY

Our Group has also adopted various preventive measures to protect our employees from the outbreaks of infectious diseases, including the following:

- temperature screening at entry of our offices, warehouses and manufacturing plant;
- keeping records of our employees' travel and health records;
- daily sterilization of our offices, warehouses and manufacturing plant; and
- personal protection control (hand sanitizing and respiratory protection such as wearing face masks, etc.).

In addition to the abovementioned contingency plans, worst case scenario analysis and work place preventive measures, our Directors have critically assessed the impact of the Coronavirus COVID-19 outbreak on the business of our Group from the following perspectives, being (i) geographical operations; (ii) customers; and (iii) suppliers:

Geographical operations

During the Track Record Period, our Group only operated one manufacturing plant in Malaysia and approximately 92.0%, 87.1% and 87.2% of our total revenue, respectively, were contributed by local customers in Malaysia for the three years ended 31 December 2019 respectively. Therefore, our Group's operation is largely dependent on Malaysia. As at the Latest Practicable Date and based on publicly available information, there were 4,987 confirmed cases of Coronavirus COVID-19 reported in Malaysia. Unlike some European countries and China that recorded tens of thousands of confirmed cases, our Directors considered that Malaysia was not in the midst of a large-scale outbreak up to the Latest Practicable Date. Accordingly, unless there is an escalation in the number of confirmed cases in Malaysia, our Group's operations will not be materially affected. Malaysia has implemented a nationwide restriction of movement order which was subsequently extended to 28 April 2020 to prevent the spread of Coronavirus COVID-19 which requires closure of all business premises (except those involved in essential services) during the enforcement period. As advised by our Malaysia legal adviser, since our principal business falls into the food supply category which is considered one of the essential services exempt from the restriction of the movement order, the operations of our Group will remain unaffected during the period. Given that the restriction of movement order may be further extended, our Directors will remain watchful on the latest development and any updates from the government in Malaysia. For details of the restriction of the movement order, please refer to the section headed "Regulatory overview — Prevention and Control of Infectious Diseases (Measures within the Infected Local Areas) (No. 3) Regulations 2020" in this prospectus. As at the Latest Practicable Date, none of our staff reported symptoms of being infected with the Coronavirus COVID-19.

Customers

Since over 80% of our revenue is contributed by customers in Malaysia which is currently not an epicenter of the Coronavirus COVID-19, our Directors are of the view that the outbreak has no material impact on our principal market. Up to the Latest Practicable Date, our Group had not experienced any cancellation of sales orders due to the Coronavirus COVID-19 outbreak. In contrast, we recorded an increase in sales for the two months ended 29 February 2020 as compared with the corresponding period in 2019 based on the unaudited management accounts. Our Directors considered that the demand for poultry and livestock and in turn, the demand of our animal feed additives, which are basic necessities, shall remain fairly stable regardless of the outbreak situation in Malaysia. Besides, revenue generated from our recurring customers represented approximately 98.1%, 83.5% and 97.0% of the total revenue of our Group for each of the three years ended 31 December 2019, respectively. With a solid base of recurring customers, even if we are forced to suspend any face to face contact with new potential customers during this time, we would still be able to solicit sales from recurring customers through phone calls and/or emails. As at the Latest Practicable Date, we did not encounter any delay in delivery to our customers and we have not received any indication or notification from any of our customers of their intention to cancel or reduce their order size as a result of the Coronavirus COVID-19 outbreak.

Suppliers

During the Track Record Period, we sourced products and raw materials from over 70 suppliers. We were informed by our major suppliers with production bases located in the United States, Europe and/or China that they remained normal operations despite boarder closures and travel restrictions currently in place in various countries. As at the Latest Practicable Date, based on our Directors' best knowledge and understanding, goods and cargo are not subject to restriction and

SUMMARY

our Group did not encounter any significant delay in delivery from our suppliers due to the Coronavirus COVID-19 outbreak. Since the outbreak, our Group has also placed orders with our suppliers as usual and goods were duly delivered and received as at the Latest Practicable Date. There was no cancellation of purchase order by our suppliers that may cast doubt on the ability of our supplier to offer stable supply. Accordingly, our Directors are of the view that the Coronavirus COVID-19 outbreak has a limited impact on our supply chain. However, in light of the escalating situation in Europe and the United States, we will closely monitor the delivery schedule of our purchases and stock up our inventory if necessary. We currently keep approximately three months of inventory as at the Latest Practicable Date.

Having considered that (i) our operation is based in Malaysia which is not subject to large-scale outbreak up to the Latest Practicable Date; (ii) our operation remains unaffected during the enforcement period of the restriction of movement order in Malaysia; (iii) none of our staff reported symptoms of being infected with the Coronavirus COVID-19 up to the Latest Practicable Date; (iv) we had not experienced any cancellation of sales orders and/or delay in delivery due to the Coronavirus COVID-19 outbreak; (v) our animal feed additives are basic necessities; (vi) we are able to solicit sales from recurring customers through phone calls and/or emails; (vii) we were informed by our major suppliers that they remain normal operations; and (viii) we had not experienced any cancellation of purchase orders and/or delay in delivery due to the Coronavirus COVID-19 outbreak, our Directors are of the view that the recent outbreak of Coronavirus COVID-19 has no material impact on our business operations and financial performance.

BUSINESS STRATEGIES AND USE OF PROCEEDS

Our primary objective is to strengthen our market position in the animal feed additives market by (i) building a new manufacturing plant to increase our production capacity and further develop our manufacturing business; (ii) enhancing the diversity of our product portfolio through strategical merger, acquisition and business collaboration; (iii) establishing an in-house laboratory to provide testing services to customers; (iv) installation of ERP system and supporting software for our operation; (v) strengthening our sales and marketing efforts for future growth; and (vi) expanding our workforce and fleet to support our business expansion. Please refer to the section headed “Business — Business strategies” in this prospectus for a detailed description of these strategies.

We estimate that the aggregate net proceeds from the Share Offer after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer to be approximately HK\$82.3 million, assuming an Offer Price of HK\$1.10 per Offer Share, being the mid-point of the proposed Offer Price per Share. We intend to apply the net proceeds to implement the abovementioned business strategies as follows:

<u>Approximate amount of net proceeds/fully utilised by year ending</u>	<u>Intended application</u>
HK\$47.8 million or approximately 58.1%/30 June 2021	Build a new manufacturing plant to increase our production capacity
HK\$15.2 million or approximately 18.5%/31 December 2021	Potential acquisition/business collaboration with company in the animal feed additives industry (<i>Note</i>)
HK\$4.0 million or approximately 4.9%/30 June 2021	Establish an in-house laboratory
HK\$4.2 million or approximately 5.1%/31 December 2021	Install ERP system
HK\$2.0 million or approximately 2.4%/31 December 2021	Strengthen sales and marketing efforts
HK\$3.4 million or approximately 4.1%/31 December 2021	Expand our workforce
HK\$1.7 million or approximately 2.0%/31 December 2020	Expand our fleet
HK\$4.0 million or approximately 4.9%/Not applicable	General working capital

Note: We plan to enhance the diversity of our product portfolio by making potential acquisition and/or business collaboration with company in the animal feed additives industry. As at the Latest Practicable Date, our Company had not identified any specific acquisition and merger targets.

SUMMARY

As at the Latest Practicable Date, we were still in the process of identifying suitable sites in close proximity to our existing manufacturing plant which is expected to be located at Bukit Jelutong Industrial area in Malaysia. The timeframe for the construction of the new manufacturing plant is as below:

	<u>Expected time to complete</u>
Acquisition of a land parcel as plant site	August 2020
Construction of manufacturing plant	May 2021
Acquisition of automated mixer	June 2021
Installation of automatic packaging line	June 2021
Installation of racking system in the warehouse and others	June 2021

It is expected that the new manufacturing plant with estimated annual production capacity of 3,700 tonnes will commence operation in July 2021.

DIVIDENDS

During each of the three years ended 31 December 2019, dividends of RM10.2 million, RM15.0 million and nil, respectively, were declared by our Group to the then shareholders respectively. All these dividends have been settled as at the Latest Practicable Date. We currently have no plans to pay dividends to the Shareholders in the foreseeable future. Our Board will take into account a number of factors, including our results of operations, financial condition, working capital, capital requirements and other factors which our Board may deem relevant when deciding whether to declare or distribute dividends in any year. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. For further details, please refer to the section headed “Financial information — Dividends and distributable reserves” in this prospectus.

RISK FACTORS

There are risks associated with any investment, and the material risks relating to our operations are (i) possible outbreak of animal diseases or any other similar epidemic; (ii) fluctuation in the demand for and market price of products offered by us which is determined by forces outside our control; and (iii) volatility of prices and the interruption of supply of animal feed additives and human food ingredients sourced from chemical and feed ingredients companies. The material risks relating to our industry are (i) possible occurrence of natural disaster, wide spread health epidemic or other outbreaks (e.g. Coronavirus COVID-19); (ii) that our business is dependent on the livestock industry; (iii) possible changes in government regulations applicable to the livestock industry; and (iv) increasing competition from both domestic and foreign companies in the animal feed additives industry. For further details, please refer to the section headed “Risk factors” in this prospectus.

OFFERING STATISTICS

	<u>Based on the minimum indicative Offer Price of HK\$1.00 per Offer Share</u>	<u>Based on the maximum indicative Offer Price of HK\$1.20 per Offer Share</u>
Market capitalisation ^(Note 1)	HK\$500,000,000	HK\$600,000,000
Unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of our Company as at 31 December 2019 ^(Note 2)	RM0.26 (equivalent to HK\$0.49)	RM0.28 (equivalent to HK\$0.53)

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 500,000,000 Shares in issue immediately following the completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of our Company is arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis that 500,000,000 Shares were in issue immediately following the completion of the Share Offer and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accountants’ Report”	the accountants’ report on our Group as set out in Appendix I to this prospectus
“Acting in Concert Undertaking”	a confirmation and undertaking entered into among Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw dated 26 January 2019. For details, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 8 April 2020, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BASF”	the relevant subsidiary(ies) of BASF SE, which is a global chemical company headquartered in Germany whose shares are listed on the Frankfurt Stock Exchange (Securities identification number: BASF11)
“Board”	the board of Directors
“business day(s)”	a day(s) (excluding Saturday(s), Sunday(s) or public holiday(s)) in Hong Kong on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 374,999,900 Shares to be made upon capitalisation of the sum of HK\$3,749,999 standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Group — 5. Written resolutions of our Shareholders” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant(s)”	a person(s) permitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	a person(s) permitted to participate in CCASS as a custodian participant(s)
“CCASS Investor Participant(s)”	a person(s) admitted to participate in CCASS as an investor participant(s) who may be an individual or joint individual(s) or a corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Ritamix Global Limited, an exempted company with limited liability incorporated in the Cayman Islands on 29 October 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the context of this prospectus, refers to Garry-Worth, Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw (collectively as a group of Controlling Shareholders) or, where the context so requires, any one of them
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Datin Sri Emerlyn Yaw”	Ms. Yaw Sook Kean, our executive Director and one of our Controlling Shareholders. She is the spouse of Dato’ Sri Howard Lee, sister-in-law of Mr. HH Lee and Mr. HS Lee and daughter-in-law of Mr. SS Lee
“Dato’ Sri Howard Lee”	Mr. Lee Haw Yih, the chairman of our Board, our chief executive officer, our executive Director and one of our Controlling Shareholders. He is the spouse of Datin Sri Emerlyn Yaw, brother of Mr. HH Lee and Mr. HS Lee and son of Mr. SS Lee
“Deed of Indemnity”	the deed of indemnity dated 21 April 2020 executed by the Controlling Shareholder(s) in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 21 April 2020 executed by the Controlling Shareholder(s) in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain non-competition undertakings as more particularly set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Euro” or “EUR”	the currency used by the Institutions of the European Union and the official currency of euro area

DEFINITIONS

“Extreme Conditions”	the extreme conditions the government of Hong Kong may announce in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides, or large-scale power outage caused by super typhoons according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department
“Garry-Worth”	Garry-Worth Investment Limited, a company incorporated in BVI with limited liability on 17 September 2018 and one of our Controlling Shareholders
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Gladron Chemicals”	Gladron Chemicals Sdn. Bhd., formerly known as Age D’or Chemicals Sdn. Bhd., a company incorporated in Malaysia with limited liability on 20 November 1982, and an indirect wholly-owned subsidiary of our Company
“Group”, “our Group”, “we”, “our”, “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the branch share registrar of our Company in Hong Kong
“IFRS(s)”	International Financial Reporting Standards

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is or are not a connected person(s) of our Company within the meaning of the Listing Rules
“Ipsos”	Ipsos Sdn. Bhd., a market research consulting firm and an Independent Third Party
“Ipsos Report”	the independent industry report prepared by Ipsos and commissioned by our Company, the content of which is quoted in this prospectus
“Joint Lead Managers”	Astrum Capital Management Limited and Wealth Link Securities Limited
“Kevon”	Kevon Sdn. Bhd., a company incorporated in Malaysia with limited liability on 21 June 2004, and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	14 April 2020, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which our Shares are listed and from which dealings therein are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 8 April 2020, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus

DEFINITIONS

“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor to our Company for the Listing, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. HH Lee”	Mr. Lee Haw Hann, one of our Controlling Shareholders. He is the brother of Dato’ Sri Howard Lee and Mr. HS Lee, brother-in-law of Datin Sri Emerlyn Yaw and son of Mr. SS Lee
“Mr. HS Lee”	Mr. Lee Haw Shyang, our non-executive Director and one of our Controlling Shareholders. He is the brother of Dato’ Sri Howard Lee and Mr. HH Lee, brother-in-law of Datin Sri Emerlyn Yaw and son of Mr. SS Lee
“Mr. SS Lee”	Mr. Lee Siew Soon, the father of Dato’ Sri Howard Lee, Mr. HH Lee and Mr. HS Lee and father-in-law of Datin Sri Emerlyn Yaw. He is one of the directors of each of Gladron Chemicals and Ritamix
“MYR” and “RM”	Malaysian ringgit, the lawful currency of Malaysia
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and conditions of the Share Offer — Pricing of the Share Offer” in this prospectus
“Offer Share(s)”	the Placing Shares and the Public Offer Shares
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters under the Placing Underwriting Agreement exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 18,750,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Share Offer) at the Offer Price, to cover over-allocations in the Placing, if any, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“PHP”	Peso, the lawful currency of the Philippines

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company at the Offer Price subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Share(s)”	the 112,500,000 new Shares initially being offered at the Offer Price for subscription under the Placing subject to reallocation and the exercise of the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, amongst others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Investment”	the acquisition of 10% of the then issued share capital of our Company by Warrants Capital as described under the section headed “History, Reorganisation and corporate structure — Pre-IPO Investment” in this prospectus
“Pre-IPO Investor”	Warrants Capital
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 6 May 2020 (or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, but in any event not later than 7 May 2020, on which the Offer Price is to be fixed

DEFINITIONS

“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Share(s)”	the 12,500,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer listed in section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 23 April 2020 relating to the Public Offer entered into among our Company, our Controlling Shareholders, our executive Directors, Messis Capital, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group for the purpose of the Listing, particulars of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus
“Ritamix”	Ritamix Sdn. Bhd., a company incorporated in Malaysia with limited liability on 29 May 2007, and an indirect wholly-owned subsidiary of our Company
“Ritamix International”	Ritamix International Limited, a company incorporated in BVI with limited liability on 21 September 2018 and a direct wholly-owned subsidiary of our Company
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to the written resolutions passed by our Shareholders on 8 April 2020, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Sole Bookrunner”	Astrum Capital Management Limited
“sq.ft.” or “ft ² ”	square foot (feet)
“sq.m.” or “m ² ”	square meter(s)
“Stabilising Manager”	Astrum Capital Management Limited
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Garry-Worth and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, modified and supplemented from time to time
“Thermphos”	Thermphos (Lianyungang) Food Ingredient Co., Ltd* (天富(連雲港)食品配料有限公司), a company incorporated in the PRC with limited liability, and one of our top five suppliers during the Track Record Period and an Independent Third Party
“Track Record Period”	the three years ended 31 December 2019
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

DEFINITIONS

“United States” or “U.S.” or “US”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder
“Warrants Capital”	Warrants Capital Ltd, a company incorporated in BVI with limited liability on 6 November 2018, the Pre-IPO Investor and owned as to 50% and 50% by Mr. Lee Soo Kai and Mr. Voon Sze Lin, respectively. Save for the Pre-IPO Investment, the Pre-IPO Investor and its ultimate beneficial owners are Independent Third Parties
“ WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“Zhejiang Chemicals”	Zhejiang Chemicals Import & Export Corporation Limited* (浙江省化工進出口有限公司), a company incorporated in the PRC with limited liability, and one of our top five suppliers during the Track Record Period and an Independent Third Party
“%”	per cent.

Unless otherwise stated, the conversion of RM into HK\$ in this prospectus is based on the approximate exchange rate of RM1.00 to HK\$1.90.

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into RM at such rates or any other exchange rates, or vice versa.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

** For identification purpose only.*

GLOSSARY

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our Group's business. These terms are their given meanings and may not correspond to standard industry definitions.

“acidifiers”	organic and/or inorganic acids that improve the digestion and absorption of food material in animals. Common feed acidifiers include citric acid, sorbic acid, propionic acid, lactic acid, orthophosphoric acid, fumaric acid, and others
“amino acids”	structural components made up of proteins which are essential for bodily functions and biological processes, such as, the development of muscle tissues, optimal functioning of organs and immune system in animals. Since not all amino acids can be naturally synthesised by animals (also known as essential amino acids), when these essential amino acids are used in animals feeds, animals can benefit from receiving the necessary nutrients in their diet
“antibiotics”	a type of antimicrobial designed to target bacterial infections within (or on) the body. When used in feed, antibiotics can help prevent or treat bacterial infections and diseases of animals, promote growth and improve meat quality of livestock
“BOM”	bill of material is a list of all raw materials, parts, intermediates, sub-assemblies with their specified quantities, required to construct or produce an end product
“CAGR”	compound annual growth rate
“enzymes”	a type of protein that facilitate biochemical reactions in the body and are commonly used in poultry feed to improve the digestibility of animals and enhance the nutrient uptake of amino acids, fiber, minerals and other nutritional contents
“ERP”	enterprise resource planning
“feedmills”	a category of our customers that mix feedstuff for the animal farming industry
“GDP”	gross domestic product
“GMP”	Good Manufacturing Practice for premixing of vitamins and minerals, enzymes, and organic acids

GLOSSARY

“integrators”	a category of our customers that are integrated in the whole process of premixing, milling, distribution of animal feeds and farming animals
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a standard published by ISO for the use of certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirements of quality management systems for organisations that need to demonstrate its ability to consistently provide products that meet its requisite standards
“minerals”	a type of inorganic substance required by animals for a variety of biological functions
“phytases”	a type of enzyme which can break down indigestible phytic acid (phytate) found in grains and oil seeds and thus release digestible phosphorus, calcium and other nutrients
“phytogenics”	consisting of herbs, botanicals, essential oils and oleoresins that are derived from plants. These compounds are natural growth promoters and carry out similar functions as antibiotics
“premix”	a mixture of nutritional additives for animal feedstuff to be subsequently used by feed millers
“probiotics”	consisting of strains of good bacteria and are used to promote healthy digestion in animals by maintaining healthy levels of good bacteria within the gastrointestinal tract of the animal, which helps animals defend against high levels of pathogenic bacteria (pathogens)
“vitamins”	organic compounds normally found in foods in small quantities which are required by the body for normal functioning, metabolism and physiologic function. Vitamins act in synergy with proteins, lipids, and carbohydrates to regulate biochemical reactions in which energy and protein are used for health, growth and feed conversion, and reproduction

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases, the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “target”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Group’s operation and business prospects;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates;
- the trend of the economy of Malaysia and the world in general; and
- risks identified under the section headed “Risk factors” in this prospectus.

Our Directors confirm that these forward-looking statements are made after due and consideration.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus including the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our Group's operations; (ii) risks relating to the industry in which we operate; (iii) risks relating to Malaysia; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR GROUP'S OPERATIONS

The outbreak of animal diseases or any other similar epidemic could adversely affect our business

Our industry is subject to risks associated with animal diseases outbreaks including African Swine Fever, foot-and-mouth disease, avian influenza, swine flu, mad cow disease and the Nipah virus, some of which could be transmitted to humans and become fatal. The outbreak of such diseases could adversely affect poultry, swine and livestock populations and consumer perceptions of certain protein products, in turn, affecting the demand for animal feed additives which contributed a significant portion of our total revenue during the Track Record Period. Under such circumstances, farms would be required to exterminate large quantities of poultry if any of their livestock are suspected to be carrying any of the relevant diseases. As a result, associated businesses and industries along the entire agricultural value chain may be adversely affected. Similar outbreaks or other new epidemics could have similar negative effects on the demand for livestock as well as animal feed additives. A decrease in demand for animal feed additives would adversely affect our revenue and operating results.

The demand for and market price of products offered by us fluctuate at times and are largely determined by forces outside our control which could materially affect our financial performance

We source vitamin A and vitamin E, which are two essential nutrients for animals and are widely used in over 100 types of our own brand premix products, from BASF, one of the major suppliers of vitamin A and vitamin E worldwide. During the Track Record Period, the global supply of vitamin A and E was heavily interrupted and the market prices of both vitamins surged

RISK FACTORS

from approximately EUR75 per kg and EUR5 per kg, respectively, in October 2017 to EUR375 per kg and EUR20 per kg, respectively, by the end of December 2017, respectively, as a result of the fire accident which occurred at the production plant of BASF in October 2017. Following the resumption of the operation of BASF's production plant in July 2018, the market prices of vitamin A and E ingredients gradually dropped back to a level before the outbreak of BASF's fire accident. Since our Group was well stocked with vitamin A and E during the time of market shortage, we were able to provide stable supply to our customers when BASF's production plant was shut down which resulted in a surge in our gross profits for the year ended 31 December 2018. Following the normalisation of market price of vitamin A and E, our gross profits decreased significantly for the year ended 31 December 2019 as compared with the previous year. We may be unable to anticipate any abrupt price hikes or plunges in our raw materials and tightened or loosened supply resulted from unexpected accidents, fire or other natural disasters which affect the production facilities of our suppliers, and therefore may not be able to transfer the increased procurement costs to our customers. If we are unable to effectively pass on the increased procurement costs, our business, financial condition and results of operations may be adversely affected.

Moreover, we derive a substantial amount of our revenue from the sale of certain type of amino acid sourced from Supplier A which is used to supplement methionine in feed. For each of the three years ended 31 December 2019, such product from Supplier A accounted for approximately 9.6%, 8.1% and 8.9% respectively, of our total revenue and we expect such product to continue to account for a significant percentage of our revenue. Our business, operating results, financial conditions, and cash flows could therefore be adversely affected by the imbalance in the supply and demand for our top selling products which could directly impact the average selling price of these products. Supply and demand imbalances in these products could be attributable to a variety of factors including macroeconomic factors affecting our customers, competition and fluctuation in the prices of raw materials.

Our business, financial condition and operating results may be adversely affected by the volatility of prices and the interruption of supply of animal feed additives and human food ingredients sourced from chemical and feed ingredients companies

During the Track Record Period, our Group purchased raw materials and brand products including amino acids, vitamins, human food ingredients, additives and minerals. Approximately 98.1%, 98.1% and 98.2% of our total cost of goods sold represented our cost of inventories which comprises purchases of raw materials or brand products from our suppliers for each of the three years ended 31 December 2019, respectively. The prices of our major products sourced from our suppliers, in particular amino acids and vitamins, may be affected by market demand and supply, domestic government policies (including tax and tariff policies) or other external circumstances. As such, any significant increase in the prices of raw materials or major brand products that we offer will have an adverse effect on our profit margin. According to the Ipsos Report, the average price of (i) amino acids; (ii) mineral; and (iii) vitamins is expected to increase at a CAGR of approximately 0.63%; 0.79%; and 0.46%, respectively, from 2018 to 2023. In addition, we may also experience difficulty in obtaining raw materials or brand products of the same kind of acceptable quality from other suppliers on a timely basis. If we are unable to pass on the increased

RISK FACTORS

cost to our customers by raising our selling prices, or overcome any interruption in the supply of quality products, our business, financial condition and results of operations may be adversely affected.

The fluctuation of product demand may affect the effectiveness of our inventory management and result in an excessive inventory level

Our inventory includes raw materials, brand products and products manufactured by our own manufacturing plant. During the Track Record Period, given that the delivery lead time of raw materials and brand products from our suppliers could take up to 120 days, we normally procured products from our suppliers based on historical sales trend and market information obtained through frequent contact with customers from time to time. This has allowed us to ensure that the production capacity of our manufacturing plant would be able to meet our customers' demand and ensure timely delivery of finished goods to our customers. For each of the three years ended 31 December 2019, our inventory turnover days was 91, 85 and 86 days. For further details, please refer to the section headed "Business — Operating procedures — 2. Inventory management and warehousing" in this prospectus.

Despite our management's ongoing review of our inventory levels, the demand of our products can be susceptible to external and unexpected factors such as the outbreak of epidemics that will significantly reduce the consumption of poultry. Furthermore, our management may bulk purchase raw materials or brand products as and when they see fit, in particular, when there is a decreasing price trend of raw materials. We cannot guarantee the accuracy of costs and sales predictions made by our management or that the sales forecasts submitted by our customers will be duly executed by them. Considering that our inventory level directly affects our carrying cost and operating cash flow, if we are unable to effectively manage our inventory levels, we will be subject to a heightened risk of inventory obsolescence which may have a material and adverse effect on the operation and financial condition of our Group.

We require various licenses, permits and government approvals to operate our business in Malaysia and for importing, exporting and manufacturing our animal feed additives and human food ingredients. Failure to obtain and maintain one or all of these licenses and permits could adversely affect our business and future expansion plans

We are required to obtain various licenses and permits to operate our business in Malaysia, including, among others, licenses under the Local Government Act 1976, Feed Act 2009, Poisons Act 1952 and Sale of Drugs Act 1952. In addition to the above licenses and permits, we are also required to obtain various government approvals and comply with applicable food safety standards in relation to our manufacturing process, manufacturing plant and food products. In the event of a change in laws and regulations or change in the eligibility for obtaining, maintaining or renewing any or all of these licenses, permits and approvals, our business, results of operations and future expansion plans would be adversely affected. Please refer to the sections headed "Business — Licences, certificates and registrations" and "Regulatory overview" in this prospectus for further details.

RISK FACTORS

Our distribution business depends on a stable source of supply and our business relationship with suppliers

During each of the three years ended 31 December 2019, contribution from our distribution business amounted to approximately 69.9%, 64.3% and 62.3% of our total revenue, respectively. We sourced brand products from suppliers of international brand names which are then sold to local customers in Malaysia. Our distribution business relied heavily on our suppliers for a sufficient and stable supply of products. For each of the three years ended 31 December 2019, purchases from our five largest suppliers collectively accounted for approximately 45.5%, 41.3% and 38.0% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 11.5%, 11.5% and 11.3% of our total purchases for the same period, respectively.

Although products of the same kind are widely available in the market, different brands differentiate in terms of branding, price, quality and reputation. Since different upstream chemical and feed ingredients companies are virtually the only source of supply of their respective products, an extended shortage of required products, an increase in the costs of such products, financial, capacity problems or the liquidation or failure of our suppliers to fulfil their supply obligations towards us for any reason, or cessation of distribution agreements entered into with our supplier, could impede our capability to secure supply from these counterparties and therefore may result in our failure to solicit business from our customers. If key suppliers cease to supply products to us, we may not be able to adapt in time to collaborate with alternative suppliers or find substitute products that meet our specific requirements. In turn, this can lead to loss of sales and could materially and adversely affect our overall business, financial condition and results of operations.

In addition, there is no assurance that our suppliers can always meet our demands due to various reasons, such as fires, natural disasters, climate changes, manufacturing problems, disease, crop failure, strikes, transportation interruptions, government regulation, political instability or terrorism.

Our business and reputation may be affected by the quality, safety and performance of brand products and raw materials sourced from suppliers which are beyond our control

As we are not involved in the manufacturing of the products we sell in our distribution business, we do not have complete control over the quality of brand products sourced from our suppliers. There is an inherent risk of the products being found to be unfit for animal consumption or causing illness due to product contamination or degeneration, illegal tampering by unauthorised third parties or other problems arising in the various stages of procurement, production, transportation and storage. Notwithstanding, upon receiving products and raw materials from suppliers, we would normally inspect for signs of contamination and check whether the specifications in the packing list, certificate of origin and certificate of analysis are in conformity with our purchase orders. We cannot guarantee that our suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality control measures in such processes before the products are supplied to us. In addition, we manufacture our own brand products in our manufacturing plant and therefore any quality concerns on our own brand products may have an adverse impact on our business and reputation. We rely on

RISK FACTORS

our suppliers to ensure the quality of our raw materials applied to our production process. For example, an essential part of our quality control is to check the certificate of analysis accompanying our imported products provided by our suppliers. We would also obtain halal certificates from our suppliers for halal food ingredients when we place orders with them. If any raw materials we source and apply to our production is contaminated, the quality of our own brand products will be impaired, which in turn could materially and adversely affect our business, financial condition and results of operations. Furthermore, we cannot assure you that we will be able to source from alternative suppliers on a timely basis and/or on commercially acceptable terms and as such, any shortage of or delay in supply may materially and adversely affect our operation and financial performance.

Any major disruption at our manufacturing plant, such as a breakdown of machinery, power or utilities shortage, could adversely affect our business, financial condition, results of operations and prospects

During the Track Record Period, approximately 30.1%, 35.7% and 37.7% of our total revenue was generated from our manufacturing business, respectively. Our business is dependent on the uninterrupted operation of our manufacturing plant. If the use or efficiency of our manufacturing plant is hampered or disrupted due to power or water shortages or breakdowns or if our production facilities are damaged due to accident, fire or other natural disasters, our ability to produce and deliver own brand products in a timely manner may be materially affected. This may also adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies.

Our manufacturing processes in turn require a stable source of electricity and the local electricity supply might not be sufficiently reliable or stable for consumption at all times. The backup power at our production bases might not be sufficient to support our normal operations, and we cannot assure you that we will not experience blackouts or a shortage of electricity. There is no assurance that we will be able to have adequate electricity to sustain our production, and if we are unable to manage or reduce periods of interruption of power supply, our production at our manufacturing plant may be limited, delayed or halted, which could have an adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, in the case of a breakdown or failure in our machinery or equipment, suitable replacements of relevant machinery may not be readily available in the market as our existing manufacturing plant is tailored to our production needs. Any disruptions affecting our production facilities may lead to delays in fulfilling contract obligations and our business, reputation and profitability could be materially adversely affected.

RISK FACTORS

We plan to expand our capacity by constructing a new manufacturing plant, which may result in an increase in depreciation expenses and may adversely affect our operating results and financial position

It is our business strategy to build a new manufacturing plant to increase our production capacity and further develop our manufacturing business. Please refer to the section headed “Business — Business strategies” and “Future plans and use of proceeds” in this prospectus for details.

As a result of the construction of new manufacturing plant, based on the intended timing of deployment of the net proceeds, it is estimated that additional depreciation of approximately RM1.9 million will be charged to our profit or loss account annually. Moreover, other operating expenses such as repair and maintenance costs may adversely affect our financial performance and operating results.

We may be required to comply with environmental protection regulations

During the manufacturing process of our products, we generally do not emit any form of waste, water and waste substances which may be deemed as sources of pollution pursuant to the laws and regulations on environmental protection in Malaysia. Should the Malaysia Government make any amendments to the existing environmental laws and regulations or enact more stringent environmental protection laws and regulations in the future, our compliance with such legal requirements will become more burdensome and may increase our production costs, thus our production and results of operations will be adversely affected.

In addition, there is no assurance that we will always be able to comply with all existing or future environmental protection laws and regulations in Malaysia. Failure to comply with such laws and regulations may expose us to punitive measures, including penalties and liabilities or forced suspension of business, which may have a material adverse effect on our business, financial condition and results of operations.

Our Group’s success depends significantly on our Directors, senior management team, qualified professionals and our ability to attract and retain additional technical staff

Our Group’s success depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our performance depends on the continued service and performance of our Directors and senior management as they play an important role in guiding the implementation of our Group’s business strategy and future plans. In particular, we rely on the expertise, experience and leadership ability of Dato Sri Lee Haw Yih and Datin Sri Yaw Sook Kean, our executive Directors, with each of them possessing over 20 years of experience in the animal feed additives industry and Dr. Choy Foon Seng, the business development manager responsible for overseeing the animal health and pet division of our Group. Further details about their experiences are set out in the section headed “Directors and senior management” in this prospectus. If any of our executive Directors or senior

RISK FACTORS

management members cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacement in a timely manner, there could be an adverse impact on the business, results of operations and profitability of our Group.

We generally do not enter into long-term sales contract with our customers

During the Track Record Period, our sales were generally conducted through sales orders on transaction basis. Since our customers are generally not obligated to continue purchasing products from us, or otherwise retain their business relationships with us, we cannot assure you that the volume and/or number of our customers' purchase orders will remain constant or increase or that we will be able to maintain or add to our existing customer base. In the event that any of these customers decide to choose our competitors and terminate their business relationships with us and we fail to expand our business with existing customers or attract new customers, we may experience no growth or even a decrease in our revenue, and hence our business, financial condition and results of operations could be materially and adversely affected.

Changes in market preference and demand for products in our product portfolio could cause sales to decline

There are many products of the same kind offered in the market and upstream chemical and feed ingredients companies differentiate their products through branding, price, quality and reputation. During the Track Record Period, our customers are mainly comprised of feedmills, integrators and home mixing farms whom will evaluate the effect of the different products in our product portfolio by monitoring their effect on farming performance. According to the Ipsos Report, customers tend to source animal feed additives from providers with a good and established track record in product reliability, quality and safety. Customers may also be price sensitive when making comparisons between different brands of products. Market preference may change over time due to, among others, different problems faced in farming practice, fluctuation in the price of poultry and livestock and general economic conditions. As a result, there is no guarantee that the products in our product portfolio could always satisfy the specific needs and requirements of our customers. If we fail to adapt to changes in customer preferences and trends by adjusting our product portfolio, we may lose customers and our sales may deteriorate which could affect our operating results, profits, business or financial condition.

We rely on third party logistics service providers to deliver some of our products, and our sales and reputation may be materially and adversely affected by delays in delivery or poor handling by such third party logistics service providers

During the Track Record Period, we used third party logistics service providers to deliver products to our customers. We have limited control over these logistics service providers, and the services provided by them may be interrupted as a result of weather conditions, labor shortages, contract disputes, road maintenance disruptions and other factors. If there is any interruption in their services, we may not be able to distribute our products in a timely manner, which in turn could result in a breach of our delivery terms with our customers. A delay in delivery could also have an adverse impact on our services and thus materially and adversely affect our brand and

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reputation. Furthermore, there is no assurance over the quality of the services of third party logistics providers, in particular the handling of our products and the quality of their vehicles or warehouses. If third party logistics service providers cause any damage and contamination to or loss of our products, our reputation, business, financial condition and results of operations may be materially and adversely affected.

We derive a substantial portion of our revenue from sales in Malaysia

During the Track Record Period, over 80% of our total revenue was generated from our sales in Malaysia. According to the Ipsos Report, international suppliers of animal feed additives have generally relied on a few local distributors to distribute their products across Malaysia, as local distributors would normally already have well-established logistics and sales networks in place. We expect that our sales in Malaysia will continue to contribute substantially to our total revenue. Incidents such as significant decline of the economy or outbreak of any epidemic in Malaysia could have a negative impact on the sales of our products and adversely affect our business, financial condition and results of operations.

We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain

During the Track Record Period, we had invested in non-principal guaranteed funds and unit trust and may, from time to time, invest in such products in the future. As at 31 December 2019, our other investments representing financial assets at fair value through profit or loss amounted to RM3.3 million, representing approximately 3.5% of our total assets.

It is our Group's financial management practice to deploy cash resources in an effective manner by making appropriate investments in short-term financial instruments that generate income without interfering with our business operations or capital expenditures. The underlying financial instruments of our short-term investments mainly include term deposits and money market funds.

Since the value of our other investments depend on the investment performance of the underlying assets in which the unit trust/funds invest, our investments are subject to all of the risks associated with those underlying assets, including the possibility of a default by, or bankruptcy of, the issuers of such assets. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition.

The fair value of our non-principal guaranteed funds and unit trust that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions and involve the use of unobservable input, such as the expected yield of the underlying investment portfolio and discount rate. Reports with estimation of the fair values are prepared by the banks on a monthly basis. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these non-principal guaranteed funds and unit trust. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the

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fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

Our manufacturing business depends significantly on the strength of our brand and reputation and any failure to maintain and enhance our brand and reputation may materially adversely affect the level of market recognition of, and trust in, our own brand products

Our Directors consider that our brand and reputation are critical to the success of our own brand products and believe that our brand is recognised among our customers in terms of quality and reliability. During the Track Record Period, approximately 30.1%, 35.7% and 37.7% of our total revenue was generated from our own brand products produced by our manufacturing plant. Our ability to develop, maintain and enhance the image and recognition of our brand will depend largely on our ability to serve our customers satisfactorily. In particular, our brand, reputation and product sales could be materially and adversely affected if:

- our own brand products contain defects, faults or fail;
- our own brand products do not meet the expectations or requirements of our customers;
- our customer services including our after after-sales services are considered ineffective and unsatisfactory by our customers;
- we fail to deliver our own brand products on time;
- we are subject to product liability claims; or
- we are subject to significant product recalls.

The failure to protect our brand and/or reputation may lead to reduction in customer orders which may materially and adversely affect our manufacturing business and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations

We have purchased insurance including public liability insurance, equipment insurance, fire insurance, product liability insurance, marine cargo insurance and all risk insurance. During the Track Record Period, we did not make any material insurance claims under our insurance cover. While our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations, it may not be adequate to fully compensate for the loss we may suffer in the future. For example, insurance covering losses from acts of war, terrorism, or natural catastrophes is either unavailable or cost prohibitive. In addition, our insurers will review our policies each year and we cannot guarantee that we can renew our policies or can

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renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

Failure to maintain sufficient working capital may have an adverse impact on our business

We depend on cash generated from our operations to source animal feed additives products and human food ingredients for our distribution business and raw materials for our manufacturing business. Our suppliers generally require full payment within 90 days of the date of invoice. Therefore, we need a significant amount of cash to fund our procurement. On the other hand, we give our key customers a credit period of up to 90 days. We fund our working capital requirements out of cashflow from operating activities. If we fail to maintain sufficient working capital through collection of account receivables, we may not have sufficient working capital for our business operations and our financial position may be adversely affected.

We recorded negative operating cash flow for the year ended 31 December 2019 which may adversely affect our financial flexibility and liquidity

We had net cash used in operating activities of RM3.2 million for the year ended 31 December 2019 primarily as a result of the combined effects of (i) approximately RM20.3 million cash flows from operations before movements in working capital; (ii) increase in inventories of approximately RM3.6 million for ordinary operation; (iii) increase in trade and other receivables of approximately RM9.8 million; (iv) decrease in trade and other payables of approximately RM4.7 million; and (v) income tax paid of approximately RM5.4 million. There is no assurance that we will not record negative operating cash flow in the future. Net cash outflow from operating activities may adversely affect our liquidity, and reduce our financial flexibility and our ability to obtain additional borrowings from banks, which in turn may adversely affect the implementation of our future plans.

We may be exposed to product liability claims, which could adversely affect our results of operations, financial condition and reputation

We may be subject to product liability claims if the products we sell are found to be unsafe, defective or contaminated. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in our product quality in the future. In circumstances where the products supplied by our suppliers are defective or contaminated, there is no assurance that we will be able to make corresponding claims against our suppliers or that any amount recovered from them will be sufficient to cover our exposure to the relevant claims by our customers. Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend ourselves against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, any claim may also

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result in us incurring legal costs and costs in connection with a product recall campaign or in rectifying any product defects which may not be recoverable, any of which could have an adverse effect on our business, results of operations and financial condition.

We may not be able to adequately protect our trademarks, which could harm our brand and our manufacturing business

Our Directors believe that our registered trademarks are important as these trademarks enable customers to differentiate our business from our competitors. Details of our intellectual property rights are set out under the paragraph headed “B. Further information about the business of our Group — 2. Intellectual property rights” in Appendix V to this prospectus. The trademarks which are essential to our manufacturing business are registered in Malaysia for the appropriate category for use. Unauthorised use of our trademarks and brand names may damage our brand and reputation. Although we have registered our trademarks and are not aware of any infringement of our intellectual property rights in the past, there is no assurance that infringement of our intellectual property will not take place in the future. In certain jurisdictions that do not have developed intellectual property laws or a record of protecting intellectual property rights, we may face considerable difficulties and costly litigation in order to protect and enforce such rights. In the event that we are not able to protect our intellectual property rights, our brand, reputation and financial position may be harmed.

We are exposed to credit risk of our customers

Our trade receivables as at 31 December 2017 and 2018 and 2019 amounted to approximately RM28.5 million, RM25.8 million and RM35.1 million, respectively. As at 31 December 2017, 2018 and 2019, the average trade receivables turnover days were approximately 97 days, 77 days and 88 days, respectively. We have experienced decreasing average trade receivables turnover days during the Track Record Period. We normally grant credit terms of 90 days to our customers.

Whilst both the amount of our trade receivables and the average trade receivables turnover days were generally on an decreasing trend during the Track Record Period, in the event that the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our Group’s customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In the event the settlements from our customers are not made in a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

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Weather conditions, natural disasters, terrorist attacks, political unrest, acts of God and other events may have an impact on the transport of our products to our customers

Weather conditions, natural disasters, terrorist attacks, political unrest and other acts of God which are beyond our control may materially and adversely affect the economy and our business, as a result of which our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition. In addition, power failures, fire or explosions or other natural disasters could cause disruption in our operations or cause delays in our delivery schedules.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations

The occurrence of a natural disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in Malaysia could materially disrupt our business and operations. For example, the recent outbreak of Coronavirus COVID-19 could significantly affect our industry and cause temporary suspension of production and shortage of labour and raw materials, and there is no assurance that it will not cause any severe disruption to our operations and have a material adverse effect on our business, financial condition and results of operations. On 11 March 2020, the World Health Organization officially declared the Coronavirus COVID-19 a global pandemic as the virus has rapidly spread across Asia, Middle East, Europe and the United States. The outbreak could have material adverse impact on the global economy if all or any of the major economies including China, the United States and the European Union are dragged into recession. Any negative economic outlook, slowdown of economic activities and negative business sentiment could affect the demand and consumption of agricultural products in Malaysia which in turn could adversely affect the demand of our animal feed additives products. During the Track Record Period, over 80% of our purchases were sourced from overseas suppliers of different international brand names from Europe, the United States and China. The escalation of the global Coronavirus COVID-19 outbreak could cause material disruption to the business operation of our suppliers whose production bases are located in countries of major outbreak. If our Group fails to find alternative supply in case of shortage of supply and/or severe delay in delivery by our suppliers, our business, results of operation and financial performance could be adversely affected. Our operations could also be disrupted if any of our employees are suspected of contracting or contracted an epidemic disease, since this may require us to quarantine some or all of these employees and disinfect our offices, warehouses and manufacturing plant. We are uncertain as to when the outbreak of Coronavirus COVID-19 will be contained and we also cannot predict whether the impact will be short-term or long-term. Our revenue and profitability could be materially affected if any natural disaster, health epidemic or other virus outbreak occurs which will have a material adverse impact on the overall economy in Malaysia.

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Our business is dependent on the livestock industry

Animal feed additives products are a critical part of a livestock farm's operations in ensuring proper nutrition, health and hygiene of the livestock industry. Our Group is primarily engaged in the distribution and manufacturing of animal feed additives, as such, our business operations are significantly reliant on the performance of the livestock industry, especially on the demand of poultry and swine, which in turn is affected by the changes in world population and income growth. Growing populations increase the demand for food, including meals that are rich in proteins, vitamins and other nutritional contents, in particular, as consumers are becoming more conscious about their dietary habits and the food they consume. This, in turn, drives demand for animal feed additives we offer. As a consequence, any significant drop in the demand of livestock which could be caused by, amongst others, a change in the eating habits of consumers or disease outbreaks, would affect the demand of our products in our primary markets and thus would have an adverse impact on our business, financial position and results of operations.

Changes in government regulations, including licensing requirements, quality standards, government charges and tax rates applicable to the livestock industry may adversely affect our industry

Under the laws of Malaysia, enterprises engaged in feed manufacturing are heavily regulated by a number of governmental agencies, including primarily the Ministry of Agriculture, Ministry of Health, Fisheries Development Authority of Malaysia, Department of Occupational Safety and Health and Ministry of Human Resources. Enterprises are required to obtain appropriate licenses, certificates and permits from, as well as maintain relevant product quality standards of, relevant Malaysian governmental authorities. We have obtained all necessary licenses, certificates and permits for the procurement of our raw materials, the production and sales of our existing products, and our products have complied with the required product quality and hygiene standards (where available). However, there is no assurance that we will be able to renew such licenses, certificates and permits upon their expiration. The eligibility criteria for such licenses, certificates and permits and the relevant national standards on product quality and hygiene may change from time to time and may become more stringent. In addition, the introduction of any new and/or more stringent laws, regulations, and requirements for obtaining or renewing licenses, certificates and permits, and requirements on product quality and hygiene standards relevant to our business and operations may significantly escalate our compliance and maintenance costs or may hamper our business growth. Furthermore, any changes or introduction of additional government taxes and charges or any abolition of preferential tax treatments enjoyed by us may substantially increase our costs of operation. Any such event may have an adverse effect on our business, financial results and future prospects.

We operate in a competitive environment and may face increasing competition from both domestic and foreign companies which may affect our market share and profit margin

We face competition from companies in the animal feed additives market offering similar products in Malaysia. The reputation and quality of brand products sourced from suppliers and our own brand products produced by our manufacturing plant is essential for the success and growth of

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our Company. If we were to experience deterioration in the performance or the quality of our products, or if our products were to be perceived by customers to be of a lesser quality than that which they have grown accustomed to, this may harm our reputation, damage our customer relations and market acceptance and we may lose customers to our competitors. We cannot assure that our current or potential competitors will not offer products of a comparable or superior quality to ours, or adapt quicker than we do to evolving customer preferences or market threats. Increased competition may also lead to price wars or negative brand advertising, both of which may adversely affect our market share and profit margin.

Competitors may also utilise more advanced technology than we do, open new production facilities which increase their capacity and ability to produce additional volumes of products, some of which may be in direct competition with ours, or may be able to sustain a deliberate and substantial reduction in the price of their products or services thus increasing the potential for competitive pressure through aggressive pricing policies. There is no assurance that we will be able to compete effectively with our current or potential competitors. If we fail to maintain our competitive position, our business, financial condition and results of operations will be materially adversely affected.

Advances in veterinary medical practices and animal health technologies could affect the market for our products

The market for our products could be impacted negatively by the introduction and/or broad market acceptance of newly-developed or alternative products that address the diseases and conditions originally tackled by our products, including “green” or “holistic” or “genetically modified” health products or specially bred disease-resistant animals. In addition, technological breakthroughs by others may obviate our technology and reduce or eliminate the market for our products. Introduction or acceptance of such products or technologies could materially and adversely affect our operating results and financial condition.

RISKS RELATING TO MALAYSIA

Changes in the political, economic and social conditions, laws, regulations and policies of Malaysia may have an adverse effect on us

Our business operations, financial condition and prospects of the industry in which we operate will depend to some degree on the development of the economic, political and regulatory front in Malaysia. Any adverse developments in the political, economic and regulatory environment including prolonged and/or widespread economic slowdown in Malaysia would affect our business and profitability. Any uncertainty in the global and local economies would affect investors’ confidence, which will correspondingly have a negative impact on the animal feed additives industry in Malaysia.

We may also be affected by any change in inflation rates, interest rates, and foreign exchange rates, war, terrorism activities, riots, expropriations, changes in political leadership and/or unfavourable changes in regulatory and government policies relating to the animal feed additives

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industry in Malaysia. Such political and/or regulatory changes in and uncertainties include the introduction of new or revised laws and regulations which may impact and/or impose restrictions on the animal feed additives industry, political developments, risk of war, expropriation, nationalisation, financial and banking policies and guidelines and renegotiation or nullifying of contracts. There can be no assurance that adverse political, economic and regulatory changes, which are beyond our control, will not materially affect our Group's business.

On 29 February 2020, Tan Sri Muhyiddin Yassin was appointed as the Prime Minister of Malaysia following the abrupt resignation of his predecessor, Tun Dr. Mahathir bin Mohamad. As a result of the resignation and appointment of a new Prime Minister of Malaysia, there may be uncertainties in the political landscape in Malaysia. The political instability could create a perception that investment in Malaysian companies involves a higher degree of risk than investment in other companies. Since our principal place of business is in Malaysia, as a result of the political uncertainties, the confidence of foreign investors may be affected leading to withdraw of foreign investment and fluctuation of the Malaysian ringgit. Our Directors believe that the recent political turmoil does not have a significant direct material adverse impact on our Group's operations and financial performance. However, there is no assurance that any prolonged political instability may exacerbate pressure on the lawful currency of Malaysia and may cause short term fluctuation on the Malaysian ringgit against other foreign currencies and may have a material adverse impact on the economic environment of Malaysia which may in turn materially affect our Group's operations and our financial performance.

We are subject to significant foreign exchange risk due to our exposure to overseas markets

Our functional currency is the MYR, but our business transactions are denominated in various currencies, primarily the USD, which exposes us to foreign exchange risk. Our sales are primarily denominated in MYR whilst our purchases and expenses are primarily denominated in the USD. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Any significant changes in the exchange rates between our functional currency and these various other currencies may result in losses for us and could have a material adverse effect on our business, results of operations and financial condition. We recorded net foreign exchange gains of approximately RM1.1 million, RM0.8 million, RM0.7 million for each of the three years ended 31 December 2019, respectively.

The change in value of RM may also be affected by, among other things, changes in Malaysia's political and economic conditions. On 29 February 2020, Tan Sri Muhyiddin Yassin had been appointed as the Prime Minister of Malaysia following the abrupt resignation of his predecessor, Tun Dr. Mahathir bin Mohamad. This may lead to political uncertainty and instability in Malaysia and may cause short-term fluctuations to the economy and exchange rate of RM to foreign currencies. Since the announcement of Tun Dr. Mahathir bin Mohamad's resignation on 24 February 2020 up to 29 February 2020, the RM has slightly depreciated against USD as the MYR to USD exchange rate has dropped by approximately 1.3% from the highest point to the lowest

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point during this period. There is no guarantee that the political instability will be temporary and have a limited impact on the macroeconomy of Malaysia which may in turn affect our Group's business, operations, financial condition and prospects.

Any trade or import protection policies may affect our business

Our operations in Malaysia could be subject to the impact of foreign trade regulations or measures taken by the trading countries. The forms of foreign trade regulations include tariffs, anti-dumping measures, quotas, subsidies from foreign governments to their local businesses and other measures that are intended to discourage export to the trading countries implemented by the foreign governments. Any of the aforesaid foreign trade regulations and measures imposed by the foreign governments on our existing and potential customers would adversely affect our results of operations and financial conditions.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for Shares in our Company

Prior to the Share Offer, there has been no public market for any of the Shares. The Offer Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Share Offer. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained after the Share Offer or that the market price of the Shares will not fall below the Offer Price. The Offer Price will be determined by agreement between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

The trading price of Shares may be volatile, which could result in substantial loss to you

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

- investors' perception of our Group and our future business plan;
- variation in the operating results of our Group;
- changes to our Group's board of Directors or senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors in the agricultural industry in Malaysia.

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In addition, the trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, such as general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the trading price performance of other companies in similar businesses may affect the trading price of our Shares, regardless of our actual operating performance. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Our Company's Share price may be affected if additional Shares are issued and/or sold by our Controlling Shareholder(s)

The disposals of a substantial number of the Shares in the public market after the Share Offer, or the public perception for the possibility for such disposals, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting — Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholders” in this prospectus, there are no restrictions imposed on our Controlling Shareholder(s) to dispose of their shareholding(s). Any major disposal of Shares by our Controlling Shareholder(s) may cause downward pressure on the market price of the Shares. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise capital.

Our declaration or distribution of dividend will be subject to various factors and there can be no assurance that we will declare or distribute any dividend in the future

We have declared dividend amounting to approximately RM10.2 million, RM15.0 million and nil for each of the three years ended 31 December 2019 respectively. There can be no assurance that in the future our Company will pay dividends. The payment and the amount of any dividends in the future is subject to the discretion of our Board and will depend on various factors, including the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by our Company and future prospects. For further details of our dividend, please refer to the section headed “Financial information — Dividends and distributable reserves” in this prospectus. We cannot assure investors when or whether dividends will be paid in the future.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

Our Directors will constantly seek opportunities to pursue further growth and development of our business. As such growth and costs in relation thereto cannot be predicted at this juncture, the proceeds raised from the Share Offer may not be sufficient to cover them. As a result, secondary issue(s) of securities after the Share Offer may be necessary in the future as a means to obtain the required capital for capturing such growth opportunities.

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New Shares issued to existing and/or new Shareholders after the Share Offer may be priced at a discount to the then prevailing market price of the Shares traded on the Stock Exchange. Under such circumstances, existing Shareholders' equity interests may be diluted. In the event of any failure to utilise the new equity to generate a commensurate increase in the earnings, the earnings per Share of our Company will be diluted, which may result in a decline in the Share price.

Apart from equity funding conceived above, our Group may also need to raise additional capital through debt financing, which may, however, increase interest expense and our gearing ratio, and contain restrictive covenants regarding dividends, future fund-raising exercises and other financial and operational matters.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and our Company's corporate affairs are governed by our Memorandum of Association and the Articles of Association, the Companies Law and the common law of the Cayman Islands. The Companies Law may differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

In addition, although our Company will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the Listing of the Shares on the Stock Exchange, the Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and Share repurchases in Hong Kong. As a result of any or all of the above, the Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, Directors or major Shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions. For further details on the constitution of our Company and the Companies Law, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" set out in Appendix IV to this prospectus.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Laws and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean

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that the remedies available to our Company's minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. A summary of the Cayman Islands company law is set out in Appendix IV to this prospectus.

Certain facts and other statistics contained in this prospectus are derived from various official government and third party sources and may not be reliable

Certain facts and others statistics contained in this prospectus relating to Malaysia and the animal feed additives industry in Malaysia have been derived from various official government publications and third party sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy and completeness.

Investors should not rely on any information contained in press articles or other media regarding our Group and the Share Offer

Our Directors wish to emphasize to prospective investors that they do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media and such information was not sourced from and/or authorised by our Group. Our Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. To the extent that any information contained in any press article or other media are inconsistent with, or conflicts with, the information contained in this prospectus or any announcement published by our Company, our Group disclaims all responsibility of all such information contained in any press articles or other media and all liability associated therein. Accordingly, prospective investors should not rely on any of the information in any press articles or other media.

There is a possibility that forward-looking statements contained in this prospectus may not materialise

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "potential", "predict", "propose", "seek", "should", "target", "will", "would" or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions. Reliance on any of such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our Group's actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding our Group's present and expected future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our

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Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our Group's key personnel and changes relating to Malaysia and global economic and business conditions, and other risk factors discussed above. In light of these risks and uncertainties, such forward-looking statements should not be regarded as representations by our Company that the plans and objectives will be achieved, and prospective investors should not place undue reliance on such statements.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provision of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since our business and operations are primarily based, managed and conducted in Malaysia, our executive Directors and members of the senior management are and will be expected to continue to be based in Malaysia. In addition, it would be practically difficult and commercially unnecessary for our Group to relocate our executive Directors to Hong Kong or appoint additional executive Directors who are ordinarily resident in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (a) we have appointed and will continue to maintain two authorised representatives, namely Sir Kwok Siu Man KR, our company secretary, who is an ordinary resident in Hong Kong, and Dato' Sri Howard Lee, the chairman of our Board, the chief executive officer of our Group and an executive Director, to be the principal communication channel at all times between the Stock Exchange and our Company pursuant to Rule 3.05 of the Listing Rules and ensure that they will comply with the Listing Rules at all times. Each of the authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange. Each of the authorised representatives is authorised to communicate with the Stock Exchange on our behalf;
- (b) each of our authorised representatives has means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any of our Directors for any matters. Our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or will be able to apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time when required. To enhance communication among the Stock Exchange, the authorised representatives and our Directors, our Company will implement a policy whereby (i) our Directors (including our independent non-executive Directors) will provide our authorised representatives with their respective mobile phone numbers, office phone numbers, fax numbers and email addresses; (ii) in the event that a Director expects to travel, he or she will endeavour to provide the telephone number of the place of his or her accommodation to the authorised representatives or maintain an open line of

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

communication via his or her mobile telephone; and (iii) each of our Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

- (c) our Company will appoint Messis Capital to act as its compliance adviser (the “**Compliance Adviser**”) under Rule 3A.19 of the Listing Rules, who will, among others, act as the additional communication channel with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. Our Company will ensure that the Compliance Adviser has prompt access to our authorised representatives and Directors who will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties; and
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by the Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Share Offer is managed by the Sole Bookrunner. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 6 May 2020 or such later time as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, but in any event no later than Thursday, 7 May 2020. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Thursday, 7 May 2020, the Share Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the United States, except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF OUR SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our branch register of members to be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited, our Hong Kong Branch Share Registrar. Our principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Ocorian Trust (Cayman) Limited.

Dealings in the Shares registered on our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong branch register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, agents, employees or advisors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding, disposing of or dealing in the Offer Shares or the exercise of their rights thereunder.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for our Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 13 May 2020.

Our Shares will be traded in board lots of 2,000 Shares each.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

EXCHANGE RATES CONVERSION

Unless otherwise specified, amounts denominated in RM have been translated, for the purpose of illustration only, into HK\$ (or vice versa) in this prospectus at the following exchange rates:

RM1.00: HK\$1.90

No representation is made that any RM amounts were or could have been or could be converted into HK\$, at such rate or any other rate on any date or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Dato' Sri Lee Haw Yih	No. 6, Jalan Anggerik Oncidium 31/71C Kota Kemuning Seksyen 31 40460 Shah Alam Selangor Darul Ehsan Malaysia	Malaysian
Datin Sri Yaw Sook Kean	No. 6, Jalan Anggerik Oncidium 31/71C Kota Kemuning Seksyen 31 40460 Shah Alam Selangor Darul Ehsan Malaysia	Malaysian
<i>Non-executive Director</i>		
Mr. Lee Haw Shyang	No. 28 Jalan 5/155B Bukit Jalil Golf Resort 57000 Kuala Lumpur Malaysia	Malaysian
<i>Independent non-executive Directors</i>		
Ms. Ng Siok Hui	C-14-6, Palmville Resort Condo Jalan Lagoon Timur PJS 9/1, 46150 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian
Mr. Lim Chee Hoong	1, Jalan Sri Klebang 7 Bandar Baru Sri Klebang 31200 Chemor Perak Darul Ridzuan Malaysia	Malaysian
Mr. Lim Heng Choon	110, Jalan S2 J4 Sri Carcosa Seremban 2 70300 Seremban Negeri Sembilan Malaysia	Malaysian

For further information on the profile and background of our Directors, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

Sole Bookrunner

Astrum Capital Management Limited

Room 2704, 27/F, Tower 1
Admiralty Centre, 18 Harcourt Road, Admiralty
Hong Kong

Joint Lead Managers

Astrum Capital Management Limited

Room 2704, 27/F, Tower 1
Admiralty Centre, 18 Harcourt Road, Admiralty
Hong Kong

Wealth Link Securities Limited

Suite 1504, 15/F, Bangkok Bank Building
28 Des Voeux Road Central, Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

ONC Lawyers

19th Floor, Three Exchange Square
8 Connaught Place
Central, Hong Kong

As to Malaysian law

David Lai & Tan

Level 8-3 & 8-4, Wisma Miramas
No. 1 Jalan 2/109E, Taman Desa
Jalan Klang Lama
58100 Kuala Lumpur
Malaysia

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<i>As to Cayman Islands law</i> Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	<i>As to Hong Kong Law</i> Addleshaw Goddard (Hong Kong) LLP 802–804 Champion Tower 3 Garden Road Central Hong Kong
Joint auditors and reporting accountants	Mazars CPA Limited <i>Certified Public Accountants, Hong Kong</i> 42/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong Mazars PLT <i>Chartered Accountants, Malaysia</i> Wisma Golden Eagle Realty 11th Floor, South Block 142-A, Jalan Ampang 50450, Kuala Lumpur Malaysia
Industry consultant	Ipsos Sdn. Bhd. 23rd Floor, Centrepont North Mid Valley City Lingkaran Syed Patra 59200 Kuala Lumpur Malaysia
Property valuer	Nawawi Tie Leung Property Consultants Sdn Bhd Suite 34.01, Level 34 Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Malaysia

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Compliance adviser

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16th Floor
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

Receiving bank

CMB Wing Lung Bank Limited

45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters	No. 7, Jalan TP 7 UEP Industrial Park 40400 Shah Alam Selangor Darul Ehsan Malaysia
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	31st Floor, 148 Electric Road North Point, Hong Kong
Company's website	<u>www.ritamix-global.com</u> <i>(Note: information contained in this website does not form part of this prospectus)</i>
Company secretary	Sir Kwok Siu Man KR, <i>FCIS, FCS</i> 31st Floor, 148 Electric Road North Point, Hong Kong
Authorised representatives <i>(for the purposes of the Listing Rules)</i>	Sir Kwok Siu Man KR, <i>FCIS, FCS</i> 31st Floor, 148 Electric Road North Point, Hong Kong Dato' Sri Lee Haw Yih No. 6, Jalan Anggerik Oncidium 31/71C Kota Kemuning Seksyen 31 40460 Shah Alam Selangor Darul Ehsan Malaysia
Audit committee	Mr. Lim Chee Hoong (<i>Chairperson</i>) Mr. Lim Heng Choon Ms. Ng Siok Hui
Remuneration committee	Ms. Ng Siok Hui (<i>Chairperson</i>) Mr. Lim Chee Hoong Dato' Sri Lee Haw Yih

CORPORATE INFORMATION

Nomination committee	Mr. Lim Heng Choon (<i>Chairperson</i>) Ms. Ng Siok Hui Dato' Sri Lee Haw Yih
Principal share registrar	Ocorian Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21st Floor, 148 Electric Road North Point Hong Kong
Principal bankers	HSBC Bank Malaysia Berhad 17–23, Jalan Sultan 46200 Petaling Jaya Selangor Darul Ehsan Malaysia Malayan Banking Berhad Subang Business Centre 2nd Floor, No. B-13, Jalan USJ 25/I Garden Shoppe, One City, USJ 25 47650 Subang Jaya Selangor Darul Ehsan Malaysia

INDUSTRY OVERVIEW

Unless otherwise indicated, the information presented in this section is derived from the Ipsos Report, which was commissioned by us and is prepared primarily as a market research tool. References to Ipsos should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading in any material respect. The information set out in this Industry Overview has not been independently verified by our Group, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer other than Ipsos or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness other than Ipsos. Accordingly, such information should not be unduly relied upon. So far as our Directors are aware of, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

THE IPSOS REPORT

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the animal health and nutrition industry in Malaysia. A total fee of RM100,000 (inclusive of tax) was charged by Ipsos for the preparation of the Ipsos Report which we believe reflects the market rates for reports of this type. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. The information and statistics set forth in this section have been extracted from the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,664 personnel worldwide across 89 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence. To provide the above analysis, Ipsos combined the following data and intelligence gathering methodology: (i) desktop research; and (ii) primary research, including interviews with leading industry participants, key stakeholders and industry experts in Malaysia, etc. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates and forecasts on the following principal bases and assumptions:

- (i) it is assumed that the global economy remains a steady growth across the forecast period; and
- (ii) it is assumed that the social and political environments of Malaysia will remain stable during the forecast period for the sustained development of the animal health and nutrition industry in Malaysia.

OVERVIEW OF THE ANIMAL HEALTH AND NUTRITION INDUSTRY IN MALAYSIA

The animal health and nutrition industry

The animal health and nutrition industry revolves around the preservation and safeguarding of animal health via prevention of diseases and through the enhancement of quality of life. Animal health and nutrition products ensure that the animal (e.g. livestock) is of suitable health and quality for human consumption (i.e. disease-free, high quality meat). In general, the industry can be broadly categorised into three markets: (i) animal pharmaceuticals; (ii) biologics; and (iii) animal feed additives.

As our Group is primarily involved in the manufacturing and distribution of animal feed additives, the Ipsos Report will emphasise on the animal feed additives market in Malaysia, as described in the following sections below.

The animal feed additives market in Malaysia

Animal feed additives are added ingredients into animal feed (typically not consumed by itself) which affects the characteristics of the feed's nutritional value. Feed additives are added into feed for numerous beneficial purposes such as to increase the digestibility of an animal, to improve the appetite of livestock, extend the feed's shelf-life and prevent deterioration, improve the feed's physical characteristics, improve the feed's taste and others. Depending on the type of additives, they can also be used to increase animal immunity, prevent sickness and disease, improve growth rates and reduce weight loss. Another important role of feed additives is to provide livestock with the necessary nutrients which cannot be satisfied through animal feed alone. Overall, the use of feed additives is vital in ensuring and improving an animal's overall health and well-being, resulting in the production of valuable livestock and serving as a critical supporting product for the proper functioning of the livestock industry as a whole.

Total value of the feed additives market in Asia-Pacific and Malaysia

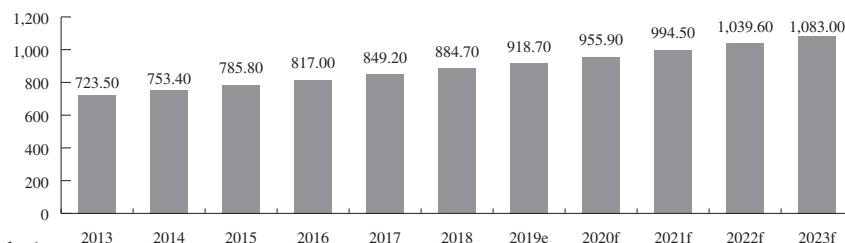
In the context of Asia-Pacific (APAC), the animal feed additives market was estimated to value at more than US\$7.00 billion in 2018. The APAC feed additives market is expected to be one of the fastest growing markets globally, attributed to rapid expansion of population and a growing middle-income group with increasing spending capacity on meat products being observed across many nations within the region.

In Malaysia, the overall animal feed additives market was valued at approximately RM723.50 million in 2013 and has increased to approximately RM884.70 million by the end of 2018 at a CAGR of approximately 4.10%. The usage of feed additives has been primarily driven by the integral role it plays in providing livestock with the necessary nutrition to ensure proper growth and overall health, resulting in the livestock industry to be heavily dependent on such products (primarily from the poultry segment in Malaysia) for their proper functioning and sustenance. Furthermore, the usage of feed additives is also motivated by increasing demand for meat products in Malaysia, in addition to rising demand for higher quality meat with high nutritional value as consumers begin to be more conscious about their dietary habits and trending towards natural, organic foods. Population growth also served as an indirect driver to feed additives demand over the review period as an increasing population will result in increased consumption of meat products, driving the livestock industry and feed additives market in tandem, and will continue to be a driver with forecasted growth in the Malaysian population in the coming years.

As such, due to these reasons, the animal feed additives market is expected to grow steadily at a CAGR of approximately 4.20%, increasing from approximately RM918.70 million in 2019 to approximately RM1,083.00 million by the end of 2023.

Total value of the feed additives market in Malaysia, 2013–2023f

In RM million



Source: Ipsos analysis

Export volume of animal feed additive products (i.e. premixes, feed additives, supplements) in Malaysia increased from approximately 2,331.82 tons in 2013 to approximately 69,482.07 tons in 2018 at a CAGR of approximately 97.17%. A year-on-year increment of 42.63% from the previous year was observed, with the top export countries being the United States, China, and Pakistan.

In late 2018, China saw a decline in 2018 due to the on-going outbreaks of African Swine Fever in the country, which has been very disruptive to the country's livestock. This fatal pig disease has reduced China's hog herd significantly since August 2018. As a result, several local governments, as well as the Ministry of Agriculture and Rural Affairs, have reported a sharp drop in pig numbers across the country. Output in China is expected to gradually resume as China

INDUSTRY OVERVIEW

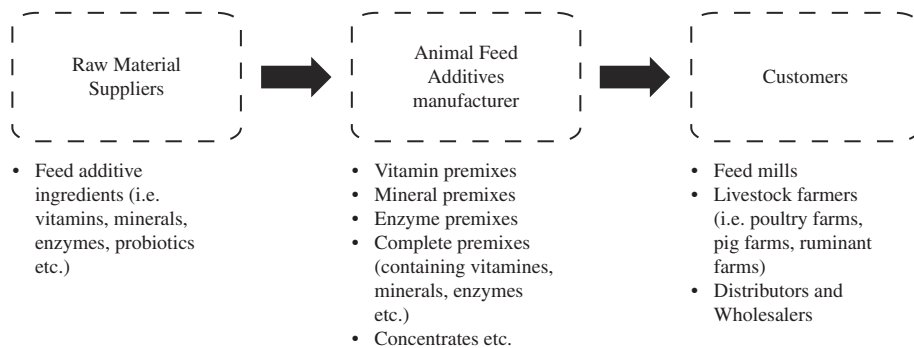
continues to control the domestic outbreak via stringent policies and measures to curb the spread of the epidemic. The gradual increase in output is also further supported by on-going modernisation and industrialisation of the supply chain of the swine industry in China.

By the beginning of 2020, the world was alarmed with the emergence of a new disease, the Coronavirus COVID-19, which later became a pandemic on a global scale. Malaysia till date has reported 4,987 case of infection. While the government of Malaysia imposed a nationwide movement control order till 28th April 2020, essentials services including food supplies were allowed to operate as usual. As part of the supply chain for food suppliers, the feed additives industry is expected to operate as usual, where demands for food and food supplies are expected to remain consistent.

In general, overall export outputs and the value of the feed additives market is expected to remain resilient in the near future as demand is motivated by increasing demand for food products (i.e. meat products) and population growth.

The supply chain of the animal feed additives market

The supply chain of the animal feed additives market is illustrated in the figure below:



Source: Secondary research; Ipsos analysis

Animal feed additives manufacturers are generally located at the midstream sector, with raw material suppliers and customers of animal feed additives occupying the upstream and downstream sectors respectively. In certain cases, customers are also end-users of animal feed additive products, notably livestock farmers that purchase these products to be mixed with their self-procured animal feed during the feeding of their livestock. International suppliers of animal feed additives raw materials and/or products (i.e. chemical and feed ingredients companies) are also present in Malaysia, and generally rely on local distributors to distribute and conduct sales of their products.

To ensure effective long-term business operations, it is essential for market participants (international suppliers, distributors, customers) within the animal feed additives market to build and maintain a stable and productive relationship between one another. International suppliers generally rely on one/a few local distributors to distribute their products across Malaysia, as it is difficult for these suppliers to establish their own distribution channel within the nation to reach their customers in a cost-effective manner. Furthermore, many local distributors already have well-established logistics and sales networks in place, which is beneficial for international suppliers to utilise in driving sales of their products. For distributors, international suppliers grant them access to stable supplies of reliable and quality products, which are typically of high demand from their customers due to their international branding. In terms of distributors and customers (i.e. other downstream distributors, end-users), a stable relationship is necessary to ensure that distributors receive a reliable source of income whilst customers receive stable sources of product. This creates an important mutual reliance between market participants within the animal feed additives market, with the development of healthy relationships being essential as switching costs tend to be associated with various financial and operational risks.

The livestock industry in Malaysia

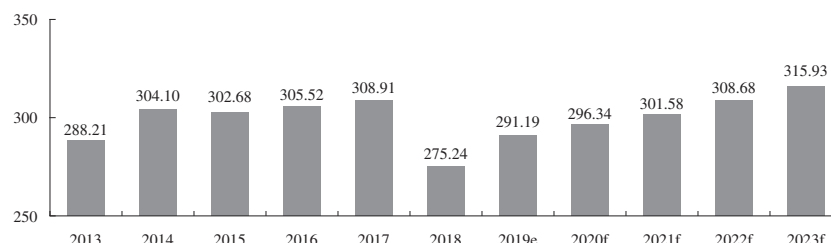
Overall, the total livestock population in Malaysia (excluding Kedah) increased from approximately 244.84 million animals in 2013 to approximately 254.6 million animals in 2018 at a CAGR of approximately 0.78%, largely driven by population growth within the poultry segment which also comprise a significant portion of the entire livestock industry. Moving forward, total livestock population is anticipated to increase from approximately 291.19 million in 2019 to

INDUSTRY OVERVIEW

approximately 315.93 million in 2023 at a CAGR of approximately 2.06%, further driven by growth in the poultry segment due to its importance in providing food security for Malaysians and serving as a key producer of livestock export products for the nation.

Total livestock population in Malaysia, 2013–2023f

In million



Source: DVS

****Note:** The decrease in total livestock population for Malaysia from 2017 to 2018 was primarily attributed to the change in the chicken population for the state of Kedah. This revision is due to the change in calculation parameters by the state of Kedah; whereby in 2018, Kedah stopped taking into account the number of chickens reared in “backyard” farms (e.g. the number of chicken less than 500 birds) to compute for their total chicken population. This has accounted for the decrease (or revision) of approximately 30 million birds from 2017 to 2018 (which consequently contributed to the sharp decline of the total livestock population in Malaysia). Prior to 2018, Kedah has included small-scale farms in their data set, and the inconsistent operations of these small-scale farms (i.e. being in and out of business at irregular intervals) has caused inconsistencies in their calculation, which has subsequently led to variations in the chicken population. As such, for consistency and reporting purposes, the state of Kedah revised their calculation parameters to exclude the following above in their computation of total livestock population moving forward¹.

Total chicken population in Kedah, 2013–2019e

In million

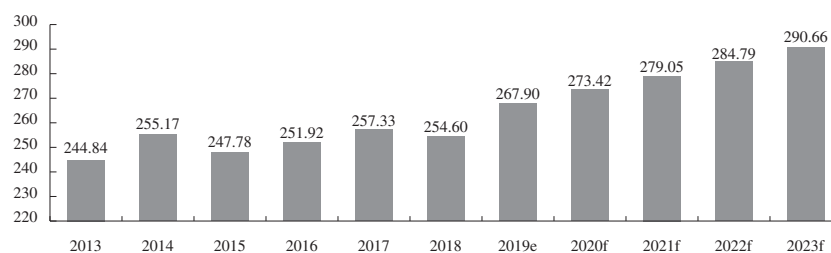
	2013	2014	2015	2016	2017	2018	2019e
Kedah	42.07	47.60	53.86	52.71	50.71	19.93	22.21

Source: DVS; Ipsos analysis

Also attached below is the total livestock population in Malaysia (excluding Kedah) from 2013–2023f for reporting purposes, and similar to the total livestock population in Malaysia, the growth throughout the forecasted period will be supported with by growth in the poultry segment due to its importance in providing food security for Malaysians and serving as a key producer of livestock export products for the nation.

Total livestock population in Malaysia (excluding Kedah), 2013–2023f²

In million



Source: DVS; Ipsos analysis

¹ *Source: DVS; Ipsos analysis*

² The 2019 figure is an official estimation from DVS, upon which Ipsos’ forecasted figures from 2020 to 2023 are based.

Price trend of animal feed additives raw materials

On average, the price of vitamin raw materials³ increased from approximately EUR15.33 per kg in 2013 to approximately EUR42.96 per kg in 2018 at a CAGR of approximately 22.88%. Average vitamin prices experienced a notable increase in 2016 due to BASF SE (BASF), one of the world's leading producers of animal feed additives vitamins, increasing their vitamin A product prices globally due to tight supply and demand issues. Prices further experienced a 57.37% year-on-year increase in 2017 as BASF's manufacturing plant in Germany experienced a shutdown in late 2017, resulting in a global shortage of vitamins A and E. 2019 saw a decrease in average vitamin price in general to EUR34.12 per kg as supply and demand stabilise. Moving forward, average vitamin prices are expected to remain stable, increasing from approximately EUR34.12 per kg in 2019 to approximately EUR34.75 per kg by 2023 at a CAGR of approximately 0.46%⁴.

On average, the price of amino acid raw materials⁵ decreased from approximately EUR5.00 per kg in 2013 to approximately EUR3.84 per kg in 2018 at negative CAGR of approximately 5.12%. The decrease was primarily attributed to reduction of prices for the amino acids tryptophan and threonine in 2015 and 2016. Prices for amino acids tryptophan and threonine saw a decrease in 2015 and 2016 mainly due to the significant capacity issues especially in China, whereby large conglomerates continued to restructure and expand their production capacities despite the overcapacity situation. Faced by increasing industrial competition, these large conglomerates continued to expand their production capacity to not only satisfy growing market demand but also to enlarge its market share. Prices, however, are expected to gradually increase and stabilise in the future as the supply of amino acids steadies. Further, producers are also forced to steadily increase their prices to support higher production cost pressured by environmental protection issues. Therefore, prices for amino acids, in general, are expected to rise progressively in the coming few years. As such, Ipsos forecasts that the average amino acid prices are expected to remain stable and would progress at a CAGR of approximately 0.63% steadily to the end of 2023⁶.

On average, prices for mineral raw materials⁷ increased from approximately US\$2.85 per kg in 2013 to approximately US\$3.16 per kg in 2018 at a CAGR of approximately 2.14%. As various minerals are global commodities, the average price for minerals are influenced by the global economy and market. Prices experienced a decrease from 2012 to 2016 as China's economy grew at a slower pace from 2012 to 2016, leading to weakened demand for certain minerals from the nation and contributing to price decline. In addition, the historical decline in mineral prices and the decline in price from 2018–2019 in this context was also influenced by the overall price volatility of phosphate rocks, whereby its price was very much affected by the global supply availability from reserves. However, moving forward in the future, long term phosphate price is forecasted to increase slowly if not steadily from increasing fertiliser and additive demands. This is further substantiated as demand for phosphate continues to grow as feedstock for manufacturing processes in a wide range of application such as fertilisers, industrial and animal feed increases in tandem. Therefore, riding on this, prices for general minerals are expected to stabilise in the coming future gradually. Moving forward, Ipsos forecasts that the average mineral prices are expected to remain stable, and would progress at a CAGR of approximately 0.79% steadily to the end of 2023.

3 Prices of vitamin A, vitamin B, vitamin D and vitamin E were used to derive the average vitamin raw material prices.

4 The price for vitamins disclosed in the Ipsos report was an average of prices for Vitamin A, B2, D3 500 and E. However, the overall price hike historically was primarily influenced by the changes for Vitamin A, which was largely attributed to the tight supply situation as the production of one of the world's leading vitamin manufactures decreased substantially. Vitamin A prices remained at a higher side throughout the end of 2017 right up until the first half of 2018 and subsequently remained above EU50.00 per kg for the rest of 2018 and into 2019. Moving forward, vitamin prices are expected to gradually increase as demand and stabilises as demand continues to rise steadily over the next few years.

5 Prices of methionine, lysine, threonine and tryptophan were used to derive the average amino acid raw material prices.

6 The overall price decline from 2018 to 2019 was primarily influenced by the changes for tryptophan whereby a few large producers were seen to increase their supply to capture market share during this period.

7 Prices of phosphate rock, copper and zinc were used to derive the average mineral raw material prices.

INDUSTRY OVERVIEW

Average price of vitamin raw materials, 2013 to 2023f

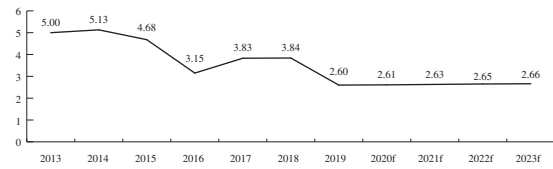
EUR/kg



Source: Ipsos analysis

Average price of amino acid raw materials, 2013 to 2023f

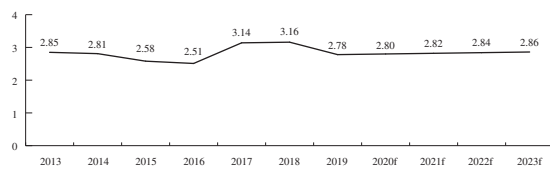
EUR/kg



Source: Ipsos analysis

Average price of mineral raw materials, 2013 to 2023f

US\$/kg

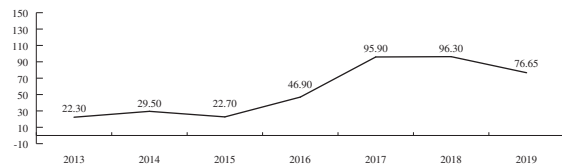


Sources: World Bank; Ipsos analysis

Price trend of Vitamin A and E

Price of vitamin A (Yearly, 2013 to 2019)

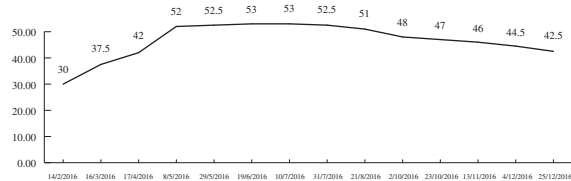
EUR/kg



Price of vitamin A (By point, 2016 to 2019)

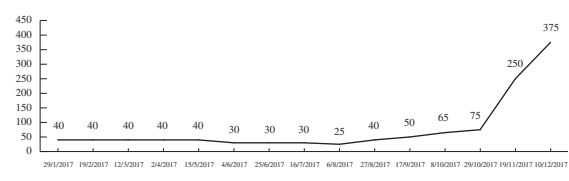
Year 2016

EUR/kg



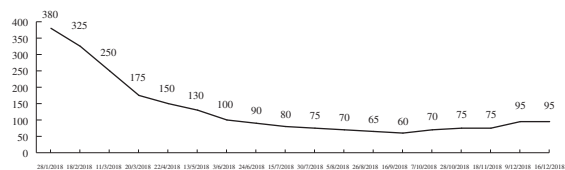
Year 2017

EUR/kg



Year 2018

EUR/kg

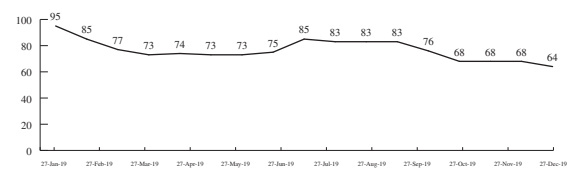


Source: Secondary research

Year 2017

Year 2019

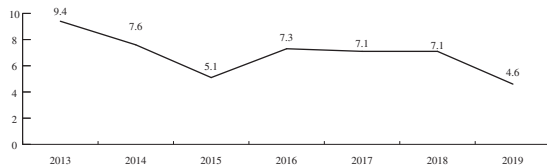
EUR/kg



INDUSTRY OVERVIEW

Price of vitamin E (Yearly, 2013 to 2019)

EUR/kg

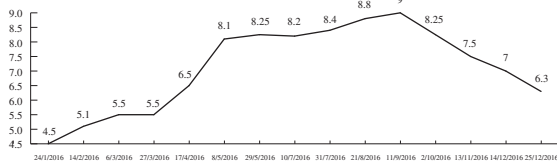


Source: Ipsos analysis

Price of vitamin E (By point, 2016 to 2019)

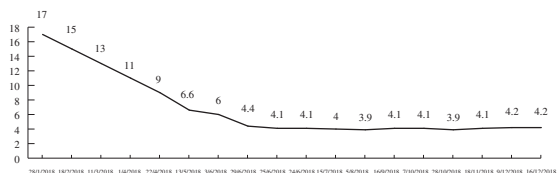
Year 2016

EUR/kg



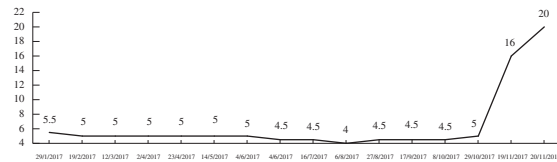
Year 2018

EUR/kg



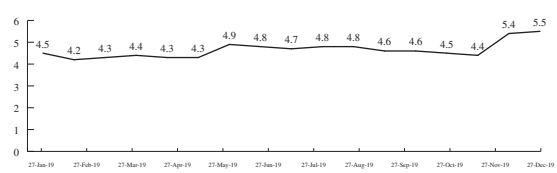
Year 2017

EUR/kg



Year 2019

EUR/kg



Source: Secondary research

COMPETITIVE LANDSCAPE OF THE ANIMAL HEALTH AND NUTRITION INDUSTRY IN MALAYSIA

Market size and comparable companies

In 2018, the total value of the animal feed additives market in Malaysia was approximately RM884.70 million. For the same period, our Group's revenue generated from its animal feed additives segment recorded at approximately RM113.06 million. As such, the Group's market share was estimated to be approximately 12.78% in the overall animal feed additives market based on the Group's revenue by the end of 2018.

To estimate the market ranking of the Group compared to other comparable companies in the animal feed additives market, a consolidation of metrics was used and these are as follow: (a) establishments with similar business activities as the Group; (b) establishments with similar business segments; (c) total revenue indication (if available); (d) the research results from various industry reports, annual reports and news articles; and (e) the research results from various databases such as the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia, SSM). Subsequently, a list of companies is selected with reference to available published revenue for the year 2018 with Ipsos assumptions, which will then be ranked for market ranking comparisons. As information related to the financials of most of the identified comparable were limited and not readily or publicly available for these companies, based on preliminary findings and upon further screening, Ipsos has identified four other comparable companies (excluding the Group) for market ranking comparison purposes in Malaysia.

INDUSTRY OVERVIEW

Animal feed additives market players in Malaysia, 2018⁸

Rank	Comparable	Products and services	% Estimated market share
1	Competitor i	The company is involved in the distribution of animal health and nutrition products, including animal feed additives.	14.41%
2	Competitor ii	The company is engaged in the distribution of animal feed additives and other animal health products.	13.00%
3	The Group	The Group is an animal health and nutrition solution provider and is engaged in the manufacturing and distribution of animal feed additives in the form of premixes, blends, concentrates and related products.	12.78%
4	Competitor iii	The company is involved in the manufacturing and distribution of animal health and nutrition products, such as feed additives and premixes.	3.74%
5	Competitor iv	The company is engaged in the manufacturing and marketing of animal health products such as feed supplements and premix products.	2.71%
	Others		53.36%

Sources: Secondary research; Published reports; Ipsos analysis

Notes:

- i. Competitor i and ii are private companies that are based in Malaysia; Competitor iii operates as a subsidiary of a company listed on the Kuala Lumpur Stock Exchange that is based in Malaysia; Competitor iv is a public listed company on the Kuala Lumpur Stock Exchange that is based in Malaysia;
- ii. The total market value of the animal feed additives market in Malaysia was estimated based on calendar year 2018, and compared with the Group's revenue which was based on financial year ended 2018;
- iii. The above figures only provide an indication and are not considered directly comparable due to the following reasons: a) not all market players have the same financial year end; and b) not all companies carry out activities that are entirely similar to one another;
- iv. The above list of companies is selected with reference to available published revenues only for year 2018, compiled based on the following assumptions: a) the estimated revenue for selected companies used as comparable above are values for domestic market only; b) the revenues of companies used as comparable above are computed with weighted assumptions based on Ipsos analysis, whereby a certain percentage of the selected company's total revenue is applied to represent the sales animal feed additives of the company selected as comparable.

THE ANIMAL HEALTH AND NUTRITION INDUSTRY PROSPECTS IN MALAYSIA

Market drivers

Increase in overall population

The population size of a country will help to spur growth and demand for livestock products as food consumption increases over time. Furthermore, with Malaysians being large consumers of poultry products, the expanding population will be a driver for the poultry segment and subsequently the animal health and nutrition industry, notably for the animal feed additives market, due to the integral role it plays towards the proper functioning and sustenance of the livestock industry. As such, this serves as a key driver towards increased demand for animal health and nutrition products, such as animal feed additives, moving forward.

Increasing demand for high quality meat products

High quality food is crucial in achieving expected quality of life, and the rising affluence being experienced across Malaysia has led to consumers of meat product to trend towards higher quality meats. Furthermore, Malaysian consumers are becoming more health-conscious and particular about the food they consume, placing heavy emphasis on balanced diets and healthy ingredients. This results in the demand for meats that are rich in proteins, vitamins and other

⁸ Total sum may differ due to variance in rounding of decimals.

INDUSTRY OVERVIEW

nutritional contents, ultimately derived from healthy livestock that are rid of health complications and diseases. As such, increased demand is expected for animal health and nutrition products, such as animal feed additives, as they are key in ensuring the overall health of animals and in producing high-quality livestock that are suitable for human consumption.

Thriving livestock industry in Malaysia

Being highly dependent on the livestock industry, animal health and nutrition products such as animal feed additives have been experiencing growth in tandem with the livestock population over the years. The livestock industry in Malaysia not only produces livestock products for food security but also serves as a key producer of livestock/livestock products for export purposes, illustrated by a substantial trade balance of live animals and strong exports of poultry-related livestock products such as poultry meat and chicken and duck eggs. This has led to the livestock industry to become a notable contributor to Malaysia's agricultural sector and overall economy and will continue to be so due to supporting policies such as the National Agro-Food Policy (2011–2020) (NAP4) which aims to develop and strengthen the local poultry segment and overall livestock industry. For example, the NAP4 includes strategies to strengthen the poultry segment by encouraging the adoption of modern technologies in poultry farm production systems, with the objective to increase poultry and poultry-related commodity production efficiency in Malaysia. The anticipated development and expansion of the poultry industry under the NAP4 is expected to bolster demand for animal health and nutrition products, primarily due to the important role of animal health and nutrition products (such as animal feed additives) towards the livestock industry's proper functioning and sustenance. As such, these factors bode well for the animal health and nutrition industry, with animal feed additives being expected to benefit from anticipated increased demand.

Entry barriers

Proven track record and relationship with customers

In general, customers tend to engage providers of animal health and nutrition products such as animal feed additives which have good and established track record in product reliability, quality and safety. A proven track record in product offerings is particularly important as these products play an integral role in ensuring proper growth and overall health of the livestock, with customers being unlikely to procure other brands of feed additives for which they are uncertain about their performance. As such, new entrants with little or no track record in their product offerings would have a lower chance to establish trust with customers and convince them to switch away from their existing providers of animal health and nutrition products.

Regulatory structures

New entrants to the animal health and nutrition industry are subject to the strict regulatory guidelines relating to animal health and nutrition products. For the case of animal feed additives, all manufacturers of feed additives are subject to the rules, regulations and guidelines stipulated in the Feed Act 2009, including the quality, safety, content and distribution aspects of feed additives, among others. For details, please refer to the section headed "Regulatory overview" in this prospectus. These laws and regulations contribute to a strict regulatory landscape for the manufacturing of animal feed additives, posing as a challenge and deterrent for new entrants into the animal health and nutrition industry.

Market opportunities

Potential growth in non-antibiotic feed additives and antibiotic substitutes

The use of antibiotics in animal feed has been scrutinised worldwide, illustrated by the complete ban of the use of antibiotics as growth promoters by the EU and US in 2006 and 2009 respectively primarily due to residual antibiotics being present in livestock meat which leads to negative health effects which may arise after human ingestion of antibiotic-contaminated meat. Malaysia has been following suit, with the public trending towards meats that are antibiotic free and with the banning of the antibiotic colistin (polymyxin E) by the Ministry of Agriculture and Agro Based Industry effective on 1 January 2019. These factors serve as opportunities for further growth of key antibiotic substitutes within the feed additives industry. For further details, please refer to the paragraph headed "Analysis of market opportunities" below.

Rising demand for complete premix products

Animal feed additives are typically sold as individual feed additives products, premix products or complete premix products. In general, the market demand for complete premix products are higher than for individual feed additives, largely due to the added convenience and advantage of these products in supplying numerous feed additives at once to livestock during feeding. Demand for complete premix products is also fuelled by its ability in supplying a full range of feed additives in an all-in-one product. Due to these reasons, opportunities for complete premix products remain positive within the animal feed additives market in Malaysia moving forward. For further details, please refer to the paragraph headed “Analysis of market opportunities” below.

Potential challenges

Virus outbreaks within the livestock industry

As a key consumer of animal health and nutrition products such as feed additives, the ongoing state and performance of the livestock industry is directly linked to the state of the animal health and nutrition industry. As such, virus or disease outbreaks in the livestock industry would severely hamper the animal health and nutrition industry. Notably, the Nipah virus encephalitis outbreak in 1998 resulted in the culling of more than one million pigs in Malaysia, and various cases of avian influenza (or bird flu) that occur sporadically in Malaysia resulted in the culling of substantial number of chickens throughout Malaysia as a means to contain the virus. These outbreaks directly reduce the demand for animal health and nutrition products such as feed additives as there is less livestock population to sustain, and will continue to do so until the virus has been completely eradicated and/or contained.

Potential issues with antibiotic use

Despite its useful application in controlling bacterial diseases, the continuous and uncontrolled use of antibiotics inevitably leads to the development of antibiotic-resistant bacteria. These bacteria pose a serious threat to livestock population as antibiotics no longer become effective in eliminating them, leading to sick animals that cannot be easily cured and ultimately resulting in a sickly livestock population that are unfit for human consumption. There is also risk of propagation of such bacteria to the human population, leading to potentially harmful and detrimental health complications in humans. Furthermore, with the use of antibiotics becoming increasingly scrutinised by the Malaysian public, animal health and nutrition players offering antibiotic products are anticipated to receive reduced demand for their products. As such, these players will likely be required to focus their resources towards other animal health and nutrition products to maintain their relevance in the industry, incurring additional time and costs in the process.

Political instability

In late February 2020, Tun Dr. Mahathir bin Mohamad tendered his resignation as the Prime Minister of Malaysia, which led to political instability in the country as speculations relating to the appointment of the next prime minister and the formation of the new government grew, and uncertainty over the political landscape persist. Subsequently, Tan Sri Muhyiddin Yassin was appointed as the Prime Minister of Malaysia on 29 February 2020. Ipsos anticipates that any substantial effect resulting from policy changes of the new government, if any, is unlikely to have huge and immediate impact on the business environment. The effect of any new policy implementation is likely to be seen over medium and long term. Moreover, it is believed that if such policy changes were to take place, new policies will be gently introduced to minimise economic impact.

Subsequently, there is no assurance that any prolonged political instability may exacerbate pressure on the lawful currency of Malaysia and may cause short term fluctuation on the Malaysian ringgit against other foreign currencies and may have a material adverse impact on the economic environment of Malaysia and materially affects the financial performance of businesses in Malaysia.

ANALYSIS OF MARKET OPPORTUNITIES

Antibiotics and antibiotic substitutes within the animal feed additives market

Antibiotics have been widely used as animal feed additives as they are essential in the treatment of bacterial infections in animals and for its growth promotion effects (also known as antibiotic growth promoters, or AGPs). However, routine use of antibiotics leads to various negative consequences, including the development of antibiotic-resistant bacteria and leaving trace residuals of the product within the meat of the livestock that may cause negative health effects in

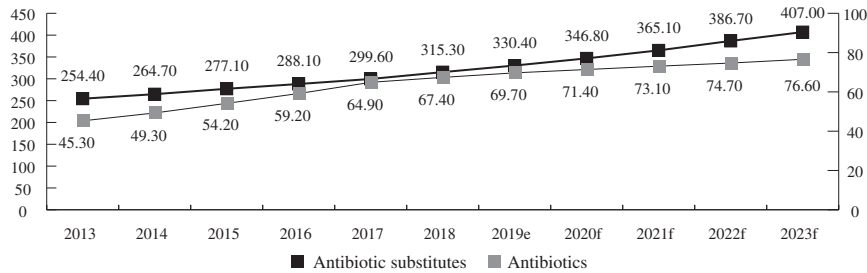
INDUSTRY OVERVIEW

humans after ingestion. Following the complete ban of the use of antibiotics as growth promoters by the EU and US, Malaysia has also banned the use of antibiotic colistin (polymyxin E) as a feed additive with effective on 1 January 2019.

With decreasing use of antibiotics, antibiotic substitutes (AGP replacers) are anticipated to experience rising demand as natural alternatives to antibiotics with similar functions.

Total value of antibiotics and antibiotic substitutes in the feed additives market, 2013 to 2023f

In RM million



Source: Ipsos analysis

Acidifiers as one of the key antibiotic substitutes in the global and Malaysian feed additives market

Acidifiers are organic and/or inorganic acids that improve the digestion and absorption of food material in animals. Furthermore, they act as antimicrobial agents that are effective in destroying harmful bacteria, such as Salmonella and Escherichia coli (E. coli), that will result in detrimental diseases and infections if left uncontrolled, and are also mould inhibitors. Acidifiers also restrict the growth of harmful pathogenic bacteria in the intestinal tract of animals, thus reducing their susceptibility to disease. Although they behave similarly to antibiotics, acidifiers are the preferred alternative to antibiotics as antibiotics inhibit the growth of all microorganisms, including beneficial ones, and due to acidifiers being the natural, organic alternative.

Globally, feed acidifiers increased from approximately US\$2.30 billion in 2013 to approximately US\$2.90 billion in 2018 at a CAGR of approximately 4.75%. Demand for acidifiers has been driven by the ban on antibiotics in the EU and US which provided opportunities for acidifiers due to their similar characteristics to antibiotics. Furthermore, the rising consumption of meat globally and demand for higher quality meat has led to increasing usage of feed acidifiers as it reduces the livestock susceptibility to disease and improves their overall health. Due to their importance towards livestock farming, the global feed acidifiers market is expected to grow from approximately US\$3.10 billion in 2019 to approximately US\$3.80 billion by the end of 2023 at a CAGR of approximately 5.22%.

In the context of APAC, the acidifier market was valued at approximately US\$960.00 million in 2018. Moving forward, the APAC acidifier market is expected to be driven by countries such as China and India due to an increasing population, subsequently increasing meat consumption, and increasing affluence that raises consumer spending power on meat and livestock products. Furthermore, similar to global trends, dry acidifiers are expected to grow at a faster pace as compared to liquid acidifiers due to their added advantages in terms of storage, handling and application methods. As such, the APAC acidifier market is expected to increase from approximately US\$1,030.0 million in 2019 to approximately US\$1,349.00 million by the end of 2023 at a CAGR of approximately 6.98%, with dry acidifiers and liquid acidifiers increasing at a CAGR of approximately 7.33% and 6.56% respectively during the same period.

In Malaysia, the acidifier category has been experiencing steady growth in tandem with antibiotic substitutes. In 2013, acidifiers were valued at approximately RM40.30 million and increased to approximately RM48.50 million by the end of 2018 at a CAGR of approximately 3.77%. Acidifiers are emerging as a more efficient, natural and organic alternative to antibiotics due to increasing public preference and awareness towards antibiotic-free meat products, in addition to the restriction of antibiotic use as feed additives by the Malaysian government. As such, feed acidifiers are expected to grow at a CAGR of approximately 4.66% from approximately RM50.00 million in 2019 to approximately RM60.00 million by the end of 2023.

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In 2019, dry acidifiers accounted for approximately 60% of the overall acidifier market. Demand for dry acidifiers is expected to be higher than liquid acidifiers as they are more advantageous in terms of storage, handling and application methods. Due to their comparatively higher product value propositions, dry acidifiers in Malaysia are forecasted to increase at CAGR of approximately 5.39% from 2019 to 2023, as compared to a CAGR of approximately 3.51% for liquid acidifiers during the same period.

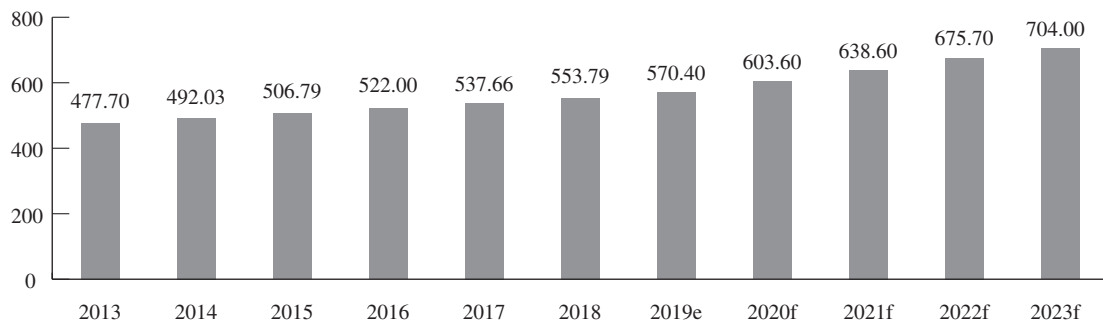
Complete premix products within the animal feed additives market

Animal feed additives are typically sold as individual feed additives products, premix products or complete premix products. Individual feed additives products consist of a single-type feed additive product category, premix products consist of mixtures of the vitamins, minerals and/or enzymes product categories, and complete premix products refer to “all-in-one” products that consist of mixtures that may contain a full range of animal feed additives, including all feed additives product categories.

Total value of complete premix products increased from RM477.70 million in 2013 to RM553.79 million in 2018 at a CAGR of 3.00%. In 2019, complete premix products comprised approximately 62% of the overall animal feed additives market in Malaysia, valuing at approximately RM570.40 million. Demand for complete premix products is anticipated to increase moving forward, growing from approximately RM570.40 million in 2019 to RM704.00 million in 2023 at a CAGR of approximately 5.40%. The growth is anticipated to be driven by the increasing demand for meat products in Malaysia and the integral role played by complete premix products as a comprehensive feed additives that will provide livestock with the necessary nutrition to ensure proper growth and overall health.

Total value of complete premix products in the feed additives market, 2013 to 2023f

Value in RM million



Source: Primary Interviews; Ipsos analysis

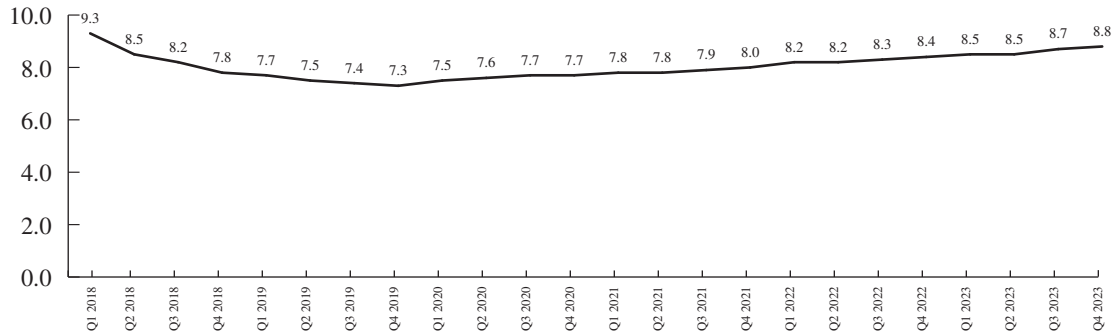
INDUSTRY OVERVIEW

MARKET OUTLOOK

Average selling price of the Group's selected major products

- **Amino Acid**

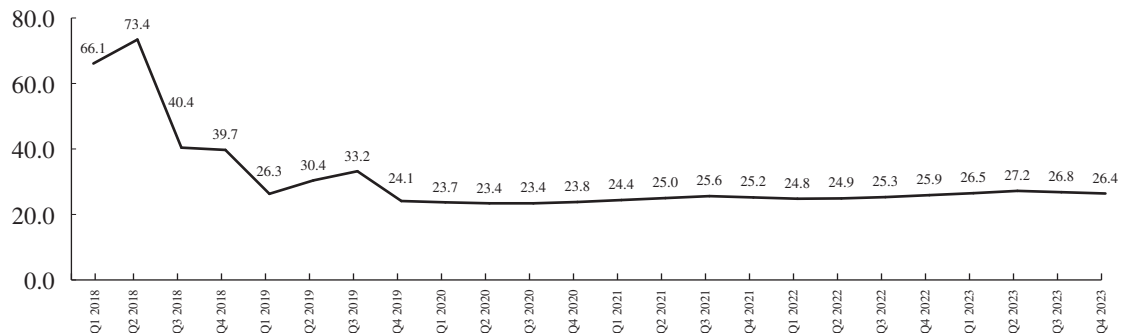
Average selling Price for Amino Acid (RM/KG), Q1 2018 to Q4 2023



Average selling price of amino acid saw a progressive decline from Q1 2018 to Q4 2019 largely due to the market competition, whereby large producers continued to restructure and expand their production capacities to compete for market share. Moving forward, the average selling price for amino acid will see slight improvement beyond 2019 as demand stabilises. Large producers are also seen to slowly reducing their supply in the market, which in turn is progressively strengthening the price as well.

- **Vitamin Premix Products**

Average selling Price for Vitamin Premix Products (RM/KG), Q1 2018 to Q4 2023



The average selling price of vitamin premix products saw a decline from Q1 2018 to Q4 2019 mainly due to the one-off effect of Vitamin A and Vitamin E arising from the fire accident at BASF's production plant in late 2017 and subsequently resumed operation of BASF's production plant after July 2018. Moving forward, the average selling price for vitamin premix products will see improvement beyond 2019, as the usage of vitamin premix products increases, in tandem with the growing awareness of vitamins (e.g. vitamins A and E) required for optimal animal feed health, in light of the recent outbreak of diseases such as bird flu and African Swine Fever. As such, with the expected increase in demand for vitamin products, progressive strengthening of the price is expected in the next few years.

INDUSTRY OVERVIEW

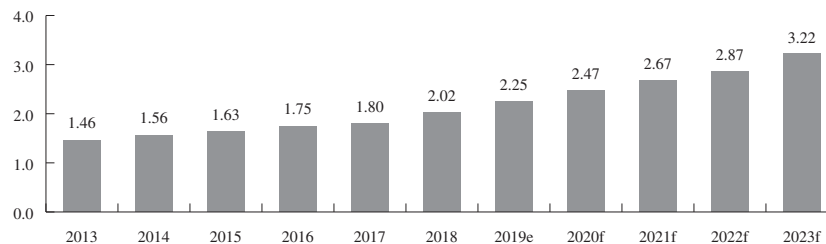
OVERVIEW OF THE FOOD INGREDIENTS INDUSTRY IN MALAYSIA

Overview, prospects, and outlook of the human food ingredients industry

The food ingredients industry in Malaysia was valued at about US\$2.02 billion in 2018 and is expected to reach about US\$3.22 billion by 2023, at a CAGR of approximately 9.4%. The competitive landscape of the human food ingredients industry in Malaysia is relatively concentrated with multinational companies dominating the industry in general. The market share of our Group only represented an insignificant portion of less than 1% in year 2018.⁹ The anticipated growth is largely driven by the changing lifestyle in urban areas, with growing working population resorting to consuming convenience food to cope with their hectic lifestyle.

The total market revenue for the food ingredients industry in Malaysia, 2013–2023f

US\$ billion



Source: Secondary research; Ipsos analysis

Within the food ingredients industry in Malaysia, there are a few product segments that are anticipated to experience robust growth during the forecast period as they are the key ingredients used in the manufacturing of convenience food. These include food emulsifiers, hydrocolloids, acidulants, enzymes, and nutritional supplements.

Acidulants such as phosphoric acid and others are used as a pH regulator in the manufacturing of convenience food. Acidulants are valued at US\$0.12 billion in 2018, and are expected to grow at a CAGR of approximately 11.4% to about US\$0.20 billion by the end of 2023. Enzymes in Malaysia grew from approximately US\$0.09 billion in 2013 to about US\$0.11 billion in 2018. The enzymes category is forecasted to grow from about US\$0.12 billion in 2019 to about US\$0.16 billion in 2023 at a CAGR of approximately 7.0%, as they play an important role in altering the texture and flavour of convenience food.

The food emulsifiers category in Malaysia grew at a CAGR of approximately 6.2% to reach about US\$0.11 billion in 2018. Food emulsifiers prevent the separation of ingredients in convenience food; they play an important role in the production of convenience food in addition to acidulants and enzymes. The category is projected to be valued at about US\$0.16 billion by 2023, growing at a CAGR of approximately 7.6%, from an estimated value of US\$0.12 billion in 2019.

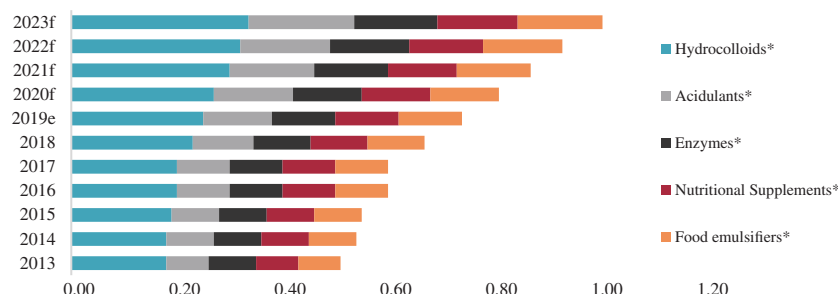
Hydrocolloids including xanthan gum and others are highly versatile and have multiple functions as fat replacers, thickening agents, and others. In 2018, hydrocolloids in Malaysia was valued at approximately US\$0.23 billion and are expected to grow at a robust CAGR of approximately 7.7%, to approximately US\$0.34 billion by the end of 2023. The nutritional supplements category consists of vitamins such as vitamin A, vitamin C, and vitamin E, and other minerals. The nutritional supplements category was valued at approximately US\$0.11 billion in 2018 and is expected to grow beyond 2019 to reach about US\$0.15 billion in 2023, at a CAGR of approximately 6.1% as driven by the consumer preference for convenience food with added nutritional benefits.

⁹ In 2018, the total value of the food ingredients market in Malaysia was approximately US\$2.02 billion and for the same period, the Group's revenue generated from its food ingredients segment recorded at approximately US\$3.77 million (approximately RM15.5 million). As such, the Group's market share was estimated to be less than 1% in the overall food ingredients market based on the company's revenue by the end of 2018, thus deeming it insignificant in the context of the competitive landscape segment in the country.

INDUSTRY OVERVIEW

Selected product segments of the food ingredients industry in Malaysia, 2013–2023f

US\$ billion



Source: Secondary research; Ipsos analysis

Market drivers

Rising global demand for halal export from Malaysia

Halal food ingredients are essential for the manufacturing of processed halal food and in the context of Malaysia, the demand for halal products is highly anticipated as the government is working aggressively towards positioning the country as a global halal food hub. Demand for food ingredients that are manufactured and certified halal in Malaysia thus is expected to grow in tandem with the increase in demand for halal food ingredients or food products exports from Malaysia in the global market.

Changing lifestyle in urban areas

As consumers' lives continue to get hectic with longer working hours and increasing pressure, many are now substituting their meals per day with a variety of grab-and-go snacks, processed and convenience food. The long shelf-life and high accessibility of convenience and processed food today is compatible with the consumers' hectic schedules, made possible by application of safe food ingredients into daily food products. As a result, demand for the use of food ingredients in the manufacturing of processed food and convenience food is expected to increase in tandem.

Market barriers

There is a high barrier of entry for new industry players, as established market players over the years have invested significantly in their fleet of machinery or equipment and their workers to sustain existing operations and initiate new ones. These would include investing in automated equipment or machines and sizeable factories that can manage large production capacity of related food ingredients or products. Newer industry players will less likely have the proper infrastructure, machinery or equipment, setup and adequate investments in place to compete with the currently established food ingredients manufacturers or establishments and will find it difficult to procure contracts with potential customers, gain consumer's trust in the industry or to keep up with the everchanging appetite of consumers. As such, newer industry players will have to compete against industry players who have mature company setup and networks and will likely not be able to develop solid manufacturing experiences and capabilities in a short period.

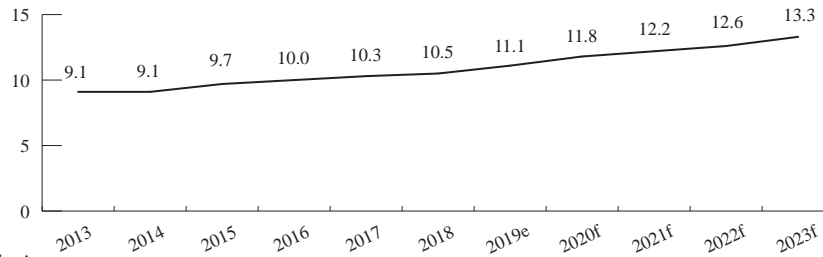
Average price trend of food ingredients in Malaysia

The food ingredients industry is expected to see a gradual increase in its raw material prices during the forecast period. The estimated average raw material price for selected food ingredients as recorded in 2018 was about RM10.5/kg, and it is forecasted to rise to about RM13.3/kg by the end of 2023.

INDUSTRY OVERVIEW

The average price trend for the food ingredients industry in Malaysia, 2013–2023f

RM/kg



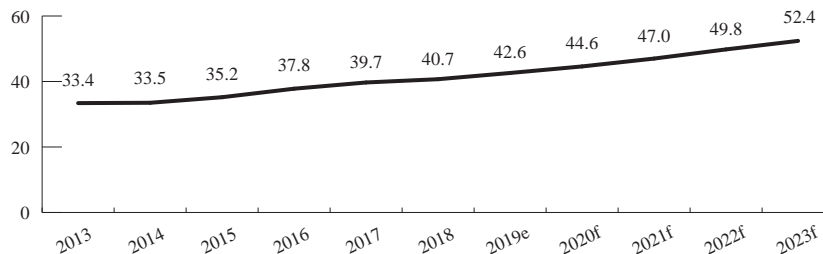
Source: Ipsos analysis

* For the purpose of disclosure and in the context of the company, the product segments considered here are: protein, hydrocolloids, and phosphates and minerals.

The price for hydrocolloids has seen an increasing trend. From about RM40.7/kg in 2018, the price is anticipated to grow to about RM52.4/kg by the end of 2023. The price hike for hydrocolloids will be primarily influenced by the low supply of raw materials such as locust bean gum. As hydrocolloids have a wide range of application in the food and beverages industry, the growing demand for hydrocolloids in the industry is expected to amplify the price hike for hydrocolloids.

The average price trend for the hydrocolloids category in Malaysia, 2013–2023f

RM/kg



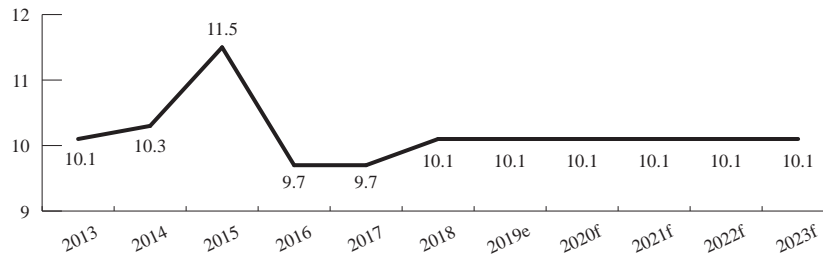
Source: Ipsos analysis

In 2018, the price for protein was recorded at approximately RM10.1/kg. The fluctuating prices of protein could be caused by a mix of factors. Rising demand from the health-conscious consumers who are attempting to lead a healthy lifestyle has driven the prices for nutritional supplements such as protein additives higher. On the other hand, the abundance of raw materials such as soy beans in the United States, Argentina, and Brazil is anticipated to keep the raw material prices worldwide relatively low. As these factors offset their respective effect on the prices for protein, it is anticipated that protein will not see any sharp decline or surges during the forecast period. Hence, the price for protein is forecasted to stagnate at RM10.1/kg from 2018 to 2023.

INDUSTRY OVERVIEW

The average price trend for the protein category in Malaysia, 2013–2023f

RM/kg

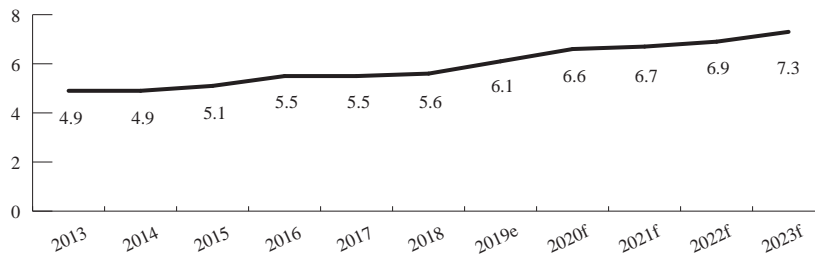


Source: Ipsos analysis

Phosphates and minerals are likely to experience a gradual increase in prices as a result of the rising global health awareness. Consumers who wish to fulfil their daily nutritional requirements demand for food reinforced with minerals. The strong demand is likely to drive the prices for minerals higher. The average estimated price for phosphates and minerals is recorded at approximately RM5.6/kg in 2018, and the price is anticipated to grow at a steady rate, RM7.3/kg by the end of 2023.

The average price trend for the phosphates and minerals category in Malaysia, 2013–2023f

RM/kg



Source: Ipsos analysis

OVERVIEW

During the Track Record Period and up to the Latest Practicable Date, the business activities of our Group are principally carried out in Malaysia and are therefore principally subject to the relevant laws and regulations in Malaysia. This section sets out a summary of certain aspects of the laws and regulations in Malaysia. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

(I) **Laws and Regulations relating to Manufacturing and Trading of Animal Feed Additives and Supplements**

Feed Act 2009

Feed Act 2009 (“**FA 2009**”) is an act to regulate feed quality by controlling the importation, manufacture, sale and use of feed and feed additive and for other matters incidental thereto. FA 2009 provides that no person shall import any feed or feed additive unless he possesses a valid licence under this FA 2009 and such license shall not be transferable. Any person who imports any feed or feed additive without a licence shall, on conviction be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 2 years or to both and for a second or subsequent offence, to a fine not exceeding RM200,000.00 or to imprisonment for a term not exceeding 4 years or to both.

A licence issued shall unless suspended or revoked, be valid for a term expiring not later than the end of the calendar year in which it commences and shall terminate at the expiry of that term. A licensee may apply for a renewal of licence not later than 30 days before the date of expiry of the license.

FA 2009 provides that no person shall introduce any antibiotic, hormone or other chemical directly or through a medium into animals unless in accordance with the prescribed manner and at the prescribed level. No person shall possess any feed or feed additive which contains antibiotics, hormones or other chemicals the addition which are not permitted under FA 2009 or any regulations made thereunder. Any person who contravene this commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 2 years or to both, and for a second and subsequent offence, to a fine not exceeding RM200,000.00 or to imprisonment for a term not exceeding 4 years or to both.

Pursuant to a circular issued by the Department of Veterinary Services (“**DVS**”) dated 9 July 2018, all antibiotics colistin (polymyxin E) (“**Colistin**”) shall be prohibited in animal feed and animal feed additive effective from 1 January 2019.

It is further provided that all feeds imported, manufactured, distributed, possessed, sold or utilised for the feeding of animals shall comply with the prescribed feed specifications and to be kept, stored, packaged, labelled or transported in compliance with the prescribed conditions for proper keeping, storing, packaging, labelling and transporting of feed or feed

additives. Any person who contravenes this section commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 1 year or to both, and for a second or subsequent offence, to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 2 years or to both.

Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012

The Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012 (“**Manufacture and Sale Regulations**”) provides that no person shall manufacture or sell feed or feed additives unless registered with the feed board as defined in FA 2009 (“**Feed Board**”). The Feed Board may, after considering an application issue a certificate of registration of manufacturer or seller of feed or feed additive and such certificate shall be valid for a period of not exceeding 1 year from the date of its issuance. Any renewal of registration shall be made within 3 months before the expiration of the registration. Any late renewal shall be subject to the prescribed fee. Every registered person shall submit to the Feed Board a certified true copy of the annual production or sales report, in respect of the feed or feed additives manufactured or sold by him.

Any person who contravenes any of the provisions of this Manufacture and Sale Regulations commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.00 or imprisonment for a term not exceeding 2 years or both.

Feed (Licence to Import Feed or Feed Additive) Regulations 2012

The Feed (License to Import Feed or Feed Additive) Regulations 2012 (“**Import License Regulations**”) provides that no person shall import (including the importation from Sabah and Sarawak) any feed or feed additive unless that person holds a valid licence issued by the Feed Board.

A licensee may apply for renewal of licence to import feed or feed additive on or before 1 of December each year. The Feed Board may, when approving the renewal of licence, impose any terms and conditions as it thinks fit.

Any person who contravenes any of the provisions of the Import Licence Regulations shall on conviction, be liable to a fine not exceeding RM10,000.00 or imprisonment for a term not exceeding 2 years or both.

Lembaga Kemajuan Ikan Malaysia Act 1971 and Fish Marketing Regulations 2010

Lembaga Kemajuan Ikan Malaysia Act 1971 is an act to incorporate the Lembaga Kemajuan Ikan Malaysia and to provide for matters connected therewith. The Lembaga Kemajuan Ikan Malaysia (“**Lembaga**”)’s function shall be amongst others to promote and develop efficient and effective management of fisheries enterprises and marketing of fish. The

REGULATORY OVERVIEW

Lembaga also shall have the power to do amongst others to regulate the marketing of fish particularly through licensing of wholesalers, retailers, fish processors, importers and exporters.

Any person, other than a body corporate but including a director or officer of a body corporate who commits an offence under this Act or any rule made thereunder in respect which no penalty is expressly provided for, shall be liable on conviction, to imprisonment for a term not exceeding 2 years or to a fine not exceeding RM15,000.00 or to both, and for a second or subsequent offence, to imprisonment for a term not exceeding 5 years or to a fine not exceeding RM25,000.00 or to both.

Any body corporate which commits an offence under any of the provisions of this act or of any rule made thereunder shall be liable on conviction to a fine not exceeding RM25,000.00 and for a second or subsequent offence, to a fine not exceeding RM50,000.00

Fish Marketing Regulations 2010 (“**Fish Marketing Regulations**”) further provides that no person shall have any fish dealings without licence unless at a prescribed wholesale fish market or a retail fish market. No person shall import or export any fish without licence and any fish to be exported or imported shall pass through a legal entry or exit. No person shall process any fish without licence and any fish processing shall be carried out at a place or premise prescribed. A licence issued or renewed shall be valid for a period of 1 year from the date of the licence issued and subject to such prescribed terms and conditions.

Any person who contravenes or fails to comply with any provision of the above shall be guilty of an offence and where no special penalty is provided in relation thereto, such person shall be liable in all other cases, to a fine not exceeding RM20,000.00 or a term of imprisonment not exceeding 2 years or both.

Animal Act 1953

Section 84 of the Animals Act 1953 provides that no person shall knowingly import into Peninsular Malaysia or shall have in his possession any living noxious insect, or any living pest, or any living disease germ or virus or any bacterial culture, of a nature harmful or dangerous to animals or birds without the previous written permission of the Director General. Any person who contravenes this section shall be liable on conviction to a fine of RM100.00.

Trade Description Act 2011

Trade Description Act 2011 (“**TDA 2011**”) is an act for the purpose of promoting good trade practices by prohibiting false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services and to provide for matters connected therewith or incidental thereto.

REGULATORY OVERVIEW

TDA 2011 provides that any person who applies a false trade description to any goods, supplies or offers to supply any goods to which a false trade description is applied, or exposes for supply or has in his possession, custody or control for supply any goods to which a false trade description is applied commits an offence and shall on conviction be liable, if such person is a body corporate, to a fine not exceeding RM250,000.00 and for a second or subsequent offence, to a fine not exceeding RM500,000.00.

A trade description is an indication, whether direct or indirect and by any means given, with respect to any goods or parts of goods, which includes amongst others, quantity, length, width, height, area, volume, capacity, weight, size, method of manufacture, production, processing or reconditioning, date of expiration of the goods, place and person who manufacture, produce, process or recondition the goods. A trade description or statement published in any newspaper, book or periodical or in any film or sound or television broadcast or any other medium, including through electronic means shall not be deemed to be a trade description or a statement unless it is or forms part of an advertisement.

A false trade description is:

- (a) A trade description which is false to a material degree;
- (b) A trade description which, though not false, is misleading, that is to say, likely to be taken for an indication of any of the matters specified in TDA 2011 as would be false to a material degree, is deemed to be a false trade description;
- (c) Anything which, though not a trade description, that is to say, likely to be taken for an indication of any of the matters specified in TDA 2011 as would be false to a material degree, is deemed to be a false trade description; or
- (d) A false indication, or anything likely to be taken as an indication which would be false, that any goods comply with a standard specified or recognised by any person or implied by the approval of any person is deemed to be a false trade description, if there is no such person or no standard so specified, recognised or implied.

TDA 2011 further provides that a person who offers to supply any goods shall not make any false or misleading indication, by any means, whether direct or indirect:

- (a) That the price at which the goods are offered is equal to or less than the recommended price;
- (b) That the goods are being offered at a price less than that at which they are in fact being offered; or
- (c) That the goods are being offered at a price less than being offered by any other person.

REGULATORY OVERVIEW

Where “false” or “misleading” means any conduct, representation, statement or practice which is capable of leading any person into error.

Any person who make any false or misleading indication shall, on conviction be liable, if such person is a body corporate, to a fine not exceeding RM500,000.00 and for a second or subsequent offence, to a fine not exceeding RM1,000,000.00.

The relevant provisions of halal in Malaysia are governed under the TDA 2011. The Department of Islamic Development Malaysia (JAKIM) and State Islamic Religious Council, are the responsible authority in the affairs of halal in Malaysia.

Pursuant to the Trade Description (Definition of Halal) Order 2011, “halal” food means food that followed the requirements that has been imposed by the Islamic law on food and goods, i.e food that neither consist nor contains any part of an animal that is prohibited by Islamic laws or has not been slaughtered in accordance with Islamic laws.

The Trade Descriptions (Certification and Marking of Halal) Order 2011 (“**TDO 2011**”) provides that all the foods and goods cannot be described as halal or described in any other way to show that the food or goods can be consumed by Muslims unless it is certified by the competent authority as halal or marked with the logo as specified in the first schedule of the TDO 2011.

Any person who (i) applies a false trade description to any goods; (ii) supplies or offers to supply any goods to which a false trade description is applied; or exposes for supply or has in his possession, custody or control for supply any goods to which a false trade description is applied, commits an offence and shall, on conviction, be liable, if such person is a body corporate, to a fine not exceeding RM250,000, and for a second or subsequent offence, to a fine not exceeding RM500,000.

(II) Laws and Regulations relating to Food Production and Food Safety

The Food Act 1983

The Food Act 1983 (“**FA 1983**”) (together with the Food Regulations 1985) was enacted to protect the public against health hazards and fraud in the preparation, sale and use of food, and for matters incidental thereto or connected therewith.

The FA 1983 is applicable to all foods sold in Malaysia either locally produced or imported, covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalty.

Sections 13 to 17 of FA 1983 provides that any persons that prepare and sell food containing substances injurious to health, unfit for human consumption, and adulterated food commits an offence under the Act and shall be liable, upon conviction to a fine that could

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range from RM20,000.00 to RM100,000.00 respectively or to imprisonment for a term ranging from 5 to 10 years or both. In addition, the Director General of Health may, by notice in writing, order that food be recalled, removed or withdrawn from sale from any food premises.

The Food Regulation 1985

Regulation 9 of the Food Regulations 1985 (“**FR 1985**”) provides that no person shall advertise for sale or sell food contained in a package if the package does not bear all the particulars required to be contained on a label required by the regulations; or if the label contains something that is prohibited by the regulations; or if the label contains particulars that are not in the position or manner required by these regulations.

Pursuant to regulation 11 of the FR 1985, every package containing food for sale shall include among others, the appropriate designation of the food containing the common name of its principal ingredients.

Regulation 14 of FR 1985 also provides that no person shall advertise for sale or sell the types of food listed in the schedule unless it is date marked. Date marking is defined as a date permanently marked or embossed on the package or label on the package signifying the expiry date or date of minimum durability. Expiry date is defined as the date after which the food, when kept in accordance with any storage conditions set out in the label, may not retain the quality attributes normally expected by a consumer. Date of minimum durability on the other hand means the date until which the food, when kept in accordance with any storage conditions set out in the label, will retain any specific qualities for which tacit or express claim has been made.

Regulation 19 of the FR 1985 provides that no person shall import, manufacture, advertise for sale or sell or introduce into or on any food any food additive other than a permitted food additive; or any food additive which does not comply with the standard prescribed in FR 1985.

Regulation 397 of FR 1985 provides that any person who contravenes or fails to comply with the provisions of FR 1985 commits an offence and where no penalty is provided by the FR 1985, the offender will be liable to a fine not exceeding RM5,000.00 or imprisonment of a term not exceeding 2 years.

(III) Laws and Regulations relating to Poisons and/or Drugs

Poisons Act 1952

Poisons Act 1952 (“**PA 1952**”) is an act that regulate the importation, possession, manufacture, compounding, storage, transport, sale and use of poisons and which is under the purview of Ministry of Health. “Poison” is defined as any substance specified in the first column of Poisons List at First Schedule of PA 1952 which includes, among others, sodium bicarbonate, potassium phosphate, magnesium sulphate and sodium chloride.

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The Director General of Health may issue a Type A license to a pharmacist to import, store and deal generally by wholesale and retail or by wholesale only or by retail only, subject to PA 1952 in all poisons. Group A poison shall not be sold or supplied by wholesale or retail except by a licensed wholesaler to a licensed pharmacist or to another licensed wholesaler or by a licensed wholesaler to be immediately exported to a purchaser outside Malaysia.

The licences issued by the Director General of Health shall be personal to the licensee and shall not in any event, be transferable to another person. Such licences shall not authorise the sale of any poison by any person other than the licensee. Further thereto, the Director General of Health has the discretion to amend the address of the premise on a licence at which the person licensed carries on business.

Any person who contravenes with the above provisions shall be guilty of an offence and shall be liable to a fine not exceeding RM3,000.00 or to a term of imprisonment not exceeding one year or to both.

The Poisons Regulations 1952

The Poisons Regulations 1952 (“**Poisons Regulations**”) which came into force on 1 September 1952 provides that no person shall store any poison, consign any poison for transport, keep, or have in his possession or under his control, any poison except as prescribed in Poisons Regulations.

PA 1952 provides that any person guilty of an offence against the PA 1952 for which no other penalty is specifically provided by any regulations under thereunder, shall be punishable by a fine not exceeding RM3,000.00 or by imprisonment for a term not exceeding 1 year or both.

Sale of Drugs Act 1952

Sale of Drugs Act 1952 (“**SODA 1952**”) is an act relating to the sale of drugs and “drug” is defined in SODA 1952 which includes any substance, product or article intended to be used or capable, or purported or claimed to be capable, of being used on human or any animal, whether internally or externally, for a medicinal purpose. The definition of “medicinal purpose” includes amongst others for general maintenance or promotion of health or wellbeing.

SODA 1952 provides that when any drug is sold or exposed or offered for sale, it shall, unless the contrary is proved, be deemed sold or exposed or offered for sale for human or animal consumption or use and that there is no defence that offence not willfully committed unless he took all reasonable steps to ascertain that the sale of the article would not constitute an offence against this Act or against any regulations made thereunder.

SODA 1952 further provides that the general penalty that any body corporate who commits an offence against this Act or any regulation made under this Act for which no penalty is expressly provided shall be liable on conviction to a fine not exceeding RM50,000 and for a second and subsequent offence it shall be liable on conviction to a fine not exceeding RM100,000.

Control of Drugs and Cosmetics Regulations 1984

Regulation 7 of the Control of Drugs and Cosmetic Regulations 1984 (“**Control Regulations 1984**”) provides that no person shall manufacture, sell, supply, import or possess or administrator any product unless- (a) the product is a registered product; and (b) the person holds the appropriate license required and issued under the Control Regulations 1984.

The Director of Pharmaceutical Services may issue the following licenses: (a) manufacturer’s licence authorising to sell by wholesale or supply the products; (b) wholesaler’s license authorising licensee to sell by wholesale or supply the registered products from the address of the business premises; (c) an import licence authorising the licensee to import and sell by wholesale or supply the registered products from the address of premises specified in the licence.

Any person who contravenes any of the provisions of these Regulations or any condition of any licence issued under these Regulations or any condition subject to which a product is registered under these Regulations commits an offence.

For avoidance of doubt, “product” means a drug in a dosage unit or otherwise, for use wholly or mainly by being administered to one or more human beings or animals for a medicinal purpose; “registered product” means a product currently registered in accordance with the provisions of these Regulations.

(IV) Laws and Regulations relating to Business Operation

The Local Government Act 1976 and Business Professions and Trades Licensing Ordinance

It is a requirement for a company carrying out business in Malaysia to obtain a business licence for each operating premise from the relevant local authority which is empowered under the Local Government Act 1976 (“**LGA 1976**”).

LGA 1976 confers the power to the local authority to make by-laws which provide that no person shall use any premise within the jurisdiction of respective Municipal Council without a licence issued by respective Municipal Council.

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The validity of a business license shall be valid for a period not exceeding 3 years and subject to renewal. It is provided under LGA 1976 that any person who fails to exhibit his license at all times in some prominent place on the licensed premises or to produce such license when required shall be liable to a fine not exceeding RM500.00 or to imprisonment for a term not exceeding 6 months or to both.

It is provided under the Businesses, Professions and Trades Licensing Ordinance that any person who, whether alone or in partnership or association with others, and whether as principal, agent or manager, or in any other capacity, carries on in Sarawak any business in respect of which a trading licence is not for the time being in force, or who carries on such business in any premises or place, or by means of any vessel or vehicle or other means or thing whatsoever, to which such licence does not extend, shall be guilty of an offence. The penalty of in compliance is a fine of RM1000.00.

Factories and Machineries Act 1967

The Factories and Machinery Act 1967 (“**FMA 1967**”) provides that no person shall operate or cause or permit to operate any machinery in respect of which certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under FMA 1967.

The period of validity of every certificate of fitness shall ordinarily be fifteen (15) calendar months from the date of inspection or such longer period not exceeding three (3) years as the Chief Inspector of the Factories and Machinery in his discretion may consider appropriate.

In the case of contravention, an inspector of the Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of such machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

Any person who operates any machinery without a certificate of fitness shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding 3 years or both.

No one shall install or cause to be installed any machinery in any factory or any machinery in respect of which a certificate of fitness is prescribed except with the written approval of the inspector. Any person who contravenes the same, shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or imprisonment for a term not exceeding two years or both.

It is provided under FMA 1967 that any contravention under FMA 1967, the occupier of a factory or the owner (as the case may be) shall be guilty of an offence. However, if it is proved to the satisfaction of a court that a contravention under FMA 1967 has been committed by any person other than the occupier or owner of the factory or machinery in respect of

which the contravention has been committed, the owner or the occupier as the case may be shall also be held to be liable for that contravention and to the penalty provided therein, unless he shall prove to the satisfaction of the court that the same was committed without his knowledge or consent and that he had taken all the reasonable means to prevent the same and to ensure the observance of the FMA 1967.

The Sale of Goods Act 1957

The Sale of Goods Act 1957 (“**SOGA 1957**”) governs the law on the sale of goods in Malaysia. The formation of a contract for sale takes place when there is a transfer in the property of the goods for a price.

SOGA 1957 provides that a stipulation in a contract of sale with reference to goods which are the subject thereof may be a condition or warranty. A condition is a stipulation essential to the main purpose of the contract, the breach of which gives rise to a right to treat the contract as repudiated. A warranty is a stipulation collateral to the main purpose of the contract, the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated. Whether a stipulation in a contract of sale is a condition or a warranty depends in each case on the construction of the contract. The stipulation may be a condition, though called a warranty in the contract.

In a contract of sale, unless the circumstances of the contract are such as to show a different intention, there is an implied condition on the part of the seller, that, in the case of a sale, he has a right to sell the goods, and that, in the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass; an implied warranty that the buyer shall have and enjoy quiet possession of the goods; and an implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time when the contract is made.

Where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description; and if the sale is by sample as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample if the goods do not also correspond with the description. Implied warranty or condition as to the quality or fitness for any particular purpose of goods supplied takes place where the buyer expressly or by implication makes known to the seller that the particular purpose for which the goods are required so as to show that the buyer relies on the seller’s skill or judgement, there is an implied condition that the goods shall be reasonably fit for such purpose; and where goods are bought by description from a seller who deals in goods of that description there is an implied condition that the goods shall be of merchantable quality.

Where there is a contract for the sale of goods by sample there is an implied condition that the bulk shall correspond with the sample in quality; that the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and that the goods shall be free from any defect rendering them unmerchantable which would not be apparent on reasonable examination of the sample.

Where there is a breach of warranty by the seller, or where the buyer elects or is compelled to treat any breach of a condition on the part of the seller as a breach of warranty, the buyer is not by reason only of such breach of warranty entitled to reject the goods; but he may set up against the seller the breach of warranty in diminution or extinction of the price or sue the seller for damages for breach of warranty. The fact that a buyer has set up a breach of warranty in diminution of the price does not prevent him from suing for the same breach of warranty if he has suffered further damage.

The performance of the contract is complied with wherein the sale is carried out with the seller complying with its duties and that delivery of the product is in line with the SOGA 1957.

Prevention and Control of Infectious Diseases (Measures within the Infected Local Areas) (No.3) Regulations 2020

The Government of Malaysia exercised its power under its power under the Prevention and Control of Infectious Diseases Act 1988 issued the Prevention and Control of Infectious Diseases (Measures within the Infected Local Areas) (No.3) Regulations 2020 (“**PCIDR 2020**”) which took effective from 15 April 2020 and currently set to be ended on 28 April 2020 (“**Effective Period**”).

The PCIDR 2020 regulates amongst others, the control of movement, control of gathering and requirement to those arriving in Malaysia to undergo compulsory health examination.

During the Effective Period, no person shall move from one place to another place within any infected local area or from one infected local area to another infected local area except for the following purposes: (a) to purchase food, medicine, dietary supplement or daily necessities; (b) to supply or deliver food, medicine, dietary supplement or daily necessities; (c) to seek healthcare or medical services; (d) to procure any essential services as specified in the schedule of PCIDR 2020 and the essential services include any activity and process in the supply chain of such essential services; (e) to perform any official duty; or (f) to provide any essential services or perform any duty in relation to any essential services. In the event where due to a special and particular reason, a person needs to move from one place to another place within infected local area or from one infected local area to another infected local area, that person shall obtain prior written permission of the police officer in charge of the police station nearest to the residence of such person. The PCIDR 2020 also provides for conditions for movement to carry out works on infrastructure.

It also states that:

- no person shall gather or be involved in any gathering in any premises within any infected local area whether for religious, sports, recreational, social or cultural purpose.

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- a citizen or permanent resident of Malaysia returning from overseas shall undergo compulsory health examination upon arrival in Malaysia.

Any person who contravenes the PCIDR 2020 commits an offence and shall, on conviction, be liable to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 6 months or to both. Where any person who commits an offence under the PCIDR 2020 is a company or other body of persons, a person who at the time of the commission of the offence was a director, compliance officer, partner, manager, secretary or other similar officer of the company or other body of persons or was purporting to act in the capacity or was in any manner or to any extent responsible for the management of any of the affairs of the company or other body of persons or was assisting in its management: (a) may be charged severally or jointly in the same proceedings with the company or the body of persons; and (b) if the company or the body of persons is found guilty of the offence, shall be deemed to be guilty of that offence and shall be liable to the same punishment or penalty as an individual unless, having regard to the nature of his functions in that capacity and to all circumstances, he proves that the offence was committed without his knowledge, consent or connivance; and that he took all reasonable precautions and had exercised due diligence to prevent the commission of the offence.

Road Transport Act 1987

Section 7 of the Road Transport Act 1987 (“**RTA 1987**”) provides that no person shall possess or use a motor vehicle unless that vehicle is registered under the RTA 1987. Vehicle is defined as a structure capable of moving or being moved or used for the conveyance of any person or thing and which maintains contact with the ground when in motion. Any person who contravenes section 7(1) shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM2,000.00. Pursuant to section 10 of the RTA 1987, every application for registration shall be made in the prescribed form to the director of a registration area and shall be signed by the person for the time being entitled to the possession of the motor vehicle. Upon the registration of the vehicle, the director shall assign to the motor vehicle the prescribed index mark indicating among others the registration area, the registration number and status of the owner of the motor vehicle.

Section 12 read together with Section 66B of the RTA 1987 provides that the Director General of the Road Transport or a Director (as defined in RTA 1987) may at any time before the registration of a vehicle require the motor vehicle to be brought to a certain area for inspection. Further, certain classes or categories of vehicles are required to undergo periodic inspection for the purposes of determining that the vehicles comply with the requirements as to construction, equipment and its use. Following the inspection, if the motor vehicle is found to be in compliance with the requirements, a person licensed to carry out the said inspection shall issue an inspection certificate in respect to the said motor-vehicle.

REGULATORY OVERVIEW

Pursuant to section 66A, no person shall use or cause or permit to be used a motor vehicle belonging to a class or category wherein inspection is necessary unless there is in force an inspection certificate. Contravention of section 66A is an offence and carries a fine not exceeding RM5,000.00 or an imprisonment for a term not exceeding five years or both.

Land Public Transport Act 2010

The Land Public Transport Act 2010 (“**LPTA 2010**”) provides that no person shall operate or provide a goods vehicle service using a class of goods vehicles for the carriage of goods for hire or reward or in connection with any trade or business unless he holds an operator’s license. Pursuant to the LPTA 2010, a person would be deemed to be operating or providing a goods vehicle service if he drives the vehicle or employs one or more persons to drive the vehicle.

In the case of a contravention by a company, the company will be deemed to have committed an offence and upon conviction shall be liable to a fine not exceeding RM200,000.00. In the event that a person contravenes the same, the person shall be liable to a fine not exceeding RM10,000.00 or an imprisonment for a term not exceeding one year or both.

Street, Drainage and Building Act 1974

The Street, Drainage and Building Act 1974 (“**SDBA 1974**”) is an act to amend and consolidate the laws relating to street, drainage and building in local authority areas in Peninsular Malaysia. The SDBA 1974 provides that the state authority shall have the power to make by-laws for or in respect of every purpose which is deemed by it necessary for carrying out the provisions of the SDBA 1974.

The Uniform Building By-Laws 1984 regulates the construction of buildings and the time, manner and procedure for the issuance of the certificate of completion and compliance (“**CCC**”). The certificate of fitness for occupation (“**CF**”) was previously issued by the local authority prior to April 2007 and was replaced by the CCC in 2007 with the enactment of the Street, Drainage and Building (Amendment) Act 2007 (“**SDB(Amendment)A 2007**”). The CCC is to be issued by a qualified person (i.e. professional architect, professional engineer or building draughtsman) who submits building plans to the local authority for approval. A temporary permit for a limited time may be issued by the local authority for *inter alia* the erection of a builders’ working shed or a store or other shed to be used in connection with building works.

The SDB(Amendment)A 2007 provides that any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or both.

(V) Laws and Regulations relating to Employment

Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 (“**OSHA 1994**”) provides a legislative framework to promote standards for safety and health at work. Pursuant to OSHA 1994, an employer has a duty to ensure, so far as is practicable, the safety, health and welfare of the employees at work. It is the duty of employers to provide the employees with the training, knowledge, information and supervision to provide a safe working environment without risks to their health, safety and welfare. It is a duty of every employer to prepare a written statement of his general policy with respect to the safety and health at work of his employees.

Where a body corporate contravenes any provisions of the OSHA 1994 or any regulations made thereunder, every person, who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

Industrial Relations Act 1967

The Industrial Relations Act 1967 (“**IRA 1967**”) provides the legal framework and procedures for employees who have been unfairly dismissed and/or constructively dismissed by their employers. The IRA 1967 provides an avenue to seek redress via the Malaysian industrial court, which specialises in handling industrial relation matters only.

Employment Act 1955

The Employment Act 1955 (“**EA 1955**”) is the principal legislation that governs the employment practice and employer-employee relationship in Malaysia. EA 1955 regulates all labour relations including contracts of service, payment of wages, employment of women, maternity protection, rest days, hours of work, holidays, termination, lay-off and retirement benefits, employment of foreign employees and keeping of registers of employees.

EA1955 further provides that ‘employee’ means any person, irrespective of his occupation, who has entered into a contract of service with an employer under which such person’s wages do not exceed RM2,000 a month and employees involve in manual labour, supervisors of such manual labourers, domestic servants and drivers, irrespective of their monthly wages.

All terms and conditions of the contract of service or of an agreement which is less favourable to an employee than the terms prescribed in EA 1955 shall be void and of no effect where the more favourable terms under the EA 1955 or any other relevant regulations shall be substituted therefor.

REGULATORY OVERVIEW

Any person who commits any offence under, or contravenes any provision of EA 1955, or any regulations, order or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000.

Employees Provident Fund Act 1991

The Employees Provident Fund (“**EPF**”) is a social security institution formed in accordance to the Employees Provident Fund Act 1991 (“**EPFA 1991**”) providing for the retirement benefits for employees through management of their savings in an efficient and reliable manner.

Under the EPFA 1991, both the employer and employee are required to make contributions into the employee’s individual account in the EPF. The employers are required to contribute EPF to employees who are Malaysian citizens or permanent residents. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee.

Every employer shall before the end of the first week in the first month in which he is paying wages in respect of which he is required to pay contributions under EPFA, register with the EPF Board unless he is already registered with the EPF Board.

If the employer fails to pay to the EPF any contributions within the prescribed period, the company and the directors are liable to pay in respect of or on behalf of any employee shall, on conviction, be liable to imprisonment for a term not exceeding 3 years or to a fine not exceeding RM10,000 or both.

Employees’ Social Security Act 1969

Social Security Organization (“**SOCSSO**”) was mandated to administer and enforce the Employees’ Social Security Act 1969 (“**ESSA 1969**”) and Employee Social Security General Rules 1971 (“**ESSGR 1971**”). Through the ESSA 1969 and ESSGR 1971, SOCSSO is able to provide free medical treatment, facility for physical or vocational rehabilitation, and financial assistance to employees if they have lost their abilities due to accidents or disease that have reduced their abilities to work or rendered them incapacitated.

If the employer fails to make the required contribution to SOCSSO, the company and the directors shall be punishable with imprisonment for a term which may extend to 2 years, or with fine not exceeding RM10,000.00 or with both. The court may also order the employer to pay to the SOCSSO the amount of any contributions, together with any interest credited on it, due and payable to SOCSSO.

The Employment Insurance System Act 2017

Employment Insurance System Act 2017 (“**EISA 2017**”) is an employment insurance system which aims to provide certain benefit and re-employment placement programme for insured persons in the event of loss of employment which will promote active labour market policies. The said system was administered by SOCSO.

With effect from January 2018, an employer that has registered his industry with SOCSO in accordance to ESSA 1969 shall be deemed to have registered his industry under EISA 2017 and shall make contribution at the rate as specified in the Second Schedule of EISA 2017 based on the amount of the monthly wages of the employees insured under EISA 2017. Such contribution shall cease when the employee attains the minimum retirement age.

Any employer who fails to register his industry shall on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years or to both. Any question, dispute, claim, or appeal by an insured person, employer, training provider or any person in relation to any matter under EISA 2017 shall be filed to the Social Security Appellate Board instituted under Section 83 of the ESSA 1969 for decisions.

Pembangunan Sumber Manusia Berhad Act 2001

A corporation under the name of Pembangunan Sumber Manusia Berhad (“**Corporation**”) had been incorporated under the CA 1965 to impose and collect human resource development levy for the purpose of promoting the training and development of employees, apprentices and trainees and for the establishment and administration of the Human Resource Development Fund (“**HRDF**”).

Pursuant to Section 1(2) read together with Section 13(1) of the Pembangunan Sumber Manusia Berhad Act 2001 (“**PSMBA 2001**”), an employer in the industries specified in Part 1 of the First Schedule of PSMBA 2001 shall register with the Corporation within such time and in such manner as may be prescribed. An employer who fails to do the same commits an offence and shall on conviction be liable to a fine not exceeding RM10,000.00 or to imprisonment not exceeding one year or both.

Pursuant to Section 14(1) of the PSMBA 2001, an employer to whom the PSMBA 2001 applies shall pay a human resource development levy in respect of each of his employees at the rate of one (1) percent of the monthly wages of the employees. Any employer who fails to pay the said HRDF within such period as may be prescribed commits an offence and shall on conviction be liable to a fine not exceeding RM20,000.00 or to imprisonment for a term not exceeding two years or both.

REGULATORY OVERVIEW

Pursuant to the First Schedule of the PSMBA 2001, up to 31 March 2017, an employer who fall within category A, i.e. an employer in the manufacturing sector with ten or more employees or an employer in the manufacturing sector with ten or more but less than fifty employees and with a paid up capital of RM2.5 million and above, shall register with the Corporation.

Effective 1 April 2017, pursuant to the Pembangunan Sumber Manusia Berhad (Amendment of First Schedule) Order 2017, an employer in the manufacturing sector with ten (10) or more employees shall register with the Corporation.

Minimum Wages Order 2018 and Minimum Wages Order 2020

The Minimum Wages Order 2018 and Minimum Wages Order (Amendment) 2018 (“**MWO 2018**”) impose minimum wages on all employees. With effect from 1 February 2020, the MWO 2018 is revoked and the Minimum Wages Order 2020 (“**MWO 2020**”) comes into operation.

Pursuant to the MWO 2018, the minimum wages rates payable to an employee in Malaysia is RM1,100.00 per month or RM5.29 per hour.

Effective 1 February 2020, MWO 2020 revised the minimum wages rates payable to an employee who works in a place of employment in any city council or municipal council specified in the Schedule of MWO 2020 to RM1,200.00 per month or RM5.77 per hour.

Under National Wages Consultative Council Act 2011, any party who fails to comply with the order, if convinced, can be fined up to RM10,000.00 for each offence and RM1,000.00 per day for a continuing offence. Repeat offenders may face penalties of up to RM20,000.00 or five years’ jail, or both.

Immigration Act 1959

Section 6 of the Immigration Act 1959 (“**IA 1959**”) provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit, his name is endorsed upon a valid entry permit, he is in the company of the holder of the permit and he is in possession of a valid pass lawfully issued to him to enter Malaysia.

Section 55E of the IA 1959 provides that no occupier shall permit any illegal immigrant to enter or remain at any premises. Any occupier who contravenes this shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than five thousand ringgit (RM5,000.00) and not more than thirty thousand ringgit (RM30,000.00) or to imprisonment for a term not exceeding twelve (12) months or both for each illegal immigrant found at the premises and, in the case of a second or subsequent conviction, to a fine of not less than ten thousand ringgit (RM10,000.00) and not more than sixty thousand ringgit (RM60,000.00) or to

imprisonment for a term not exceeding two (2) years or to both for each illegal immigrant found at the premises. For clarification purpose, occupier in this case means any person having the charge, management or control of the premises.

For the purpose of Section 55E, it shall be presumed and shall not be rebutted unless the occupier proves that he has taken all reasonable measures, including all prescribed measures to prevent any illegal immigrant from entering or remaining at the premises. The presumption is that an occupier in the case where an illegal immigrant is found at the premises had permitted the illegal immigrant to enter or remain at the premises and had knowledge that he is an illegal immigrant.

Where the offence has been committed by a body corporate, any person who at the time of the commission of the offence was a member of the board of directors, a manager, a secretary or a person holding an office or a position similar to that of manager or secretary of the body corporate shall be guilty of that offence and shall on conviction be liable to the same punishment to which stated above.

(VI) Laws and regulations relating to Taxation

Income Tax Act 1967

Pursuant to the Income Tax Act 1967 (“**ITA 1967**”), income tax shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. Section 7 of ITA 1967 defines tax resident as an individual who has been residing in Malaysia for 182 days of the tax year.

The income tax rate payable by a resident company differs depending on the amount of the group company’s paid-up capital in relation to the particular year of assessment. For the year of assessment 2017 and 2018, a company with paid-up capital of RM2.5 million and less (“**SME**”) is subject to tax rate of 18% for the first RM500,000.00 and 24% for any sum in excess of RM500,000.00. In cases where a company has paid-up capital of RM2.5 million or more, the company is subject to tax rate of 24% with effect from year of assessment 2016. A non-resident company is subject to flat corporate tax rate of 24% for the year of assessment 2017.

The aforesaid 18% corporate tax rate for the resident SME has been proposed to be reduced to 17% by the Malaysia Minister of Finance in the 2019 Budget Malaysia on 2 November 2018. Subject to the proposed budget passed by the Parliament of Malaysia, such proposal will be effective on the date as stipulated therein.

Pursuant to Rule 3 of Income Tax (Deduction from Remuneration) Rules 1994 (“**ITDRR**”) and Income Tax (Deduction from Remuneration) (Amendment) Rules 2015, it is mandatory for employers to make deductions from their employees’ remuneration every month

REGULATORY OVERVIEW

in accordance with the Monthly Tax Deduction (“**MTD**”) Schedule. Employer shall then pay to the Director General the deducted remuneration by the 15th day of the month following the month of deduction.

Goods and Services Tax 2014

The Goods and Services Tax 2014 (“**GSTA 2014**”) provides for imposition of the collection of goods and services tax (“**GST**”) and for the matter related therewith.

GSTA 2014 provides that GST, presently at 6%, is chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia and importation of goods into Malaysia by a taxable person. A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000.00 and who is required to be registered with the Royal Malaysian Customs. At present, GST is not chargeable on zero rated supply, exempt supply and supply granted relief.

An unregistered business is not allowed to charge and collect GST on the supply of goods and services made to their customer.

Effective from 1 June 2018, the Goods and Services Tax (Rate of Tax) (Amendment) Order 2018 pronounced that the GST rate at 6% shall be reduced to 0% on all taxable supplies of goods and services.

Sales Tax Act 2018

With effect from 1 September 2018, Sales Tax Act 2018 (“**STA 2018**”) has come into force. Pursuant to STA 2018, sales tax is charged and levied on all the taxable goods, manufactured and sold, used or disposed of in Malaysia by a registered manufacturer; or imported into Malaysia by any person. The Sales Tax (Total Sale Value of Taxable Goods) Order 2018 further provides that the total sale value of taxable goods for the purpose of registration of any manufacturer shall be RM500,000.00. The sales tax return shall be submitted not later than the last day of the month following the taxable period specified. Each registered manufacturer is required to submit sales tax return whether there are any taxable goods manufactured, sold, disposed of other than sale, disposed of apart from to be used as a material in manufacturing and whether any sales tax paid or not for the taxable period.

All goods specified in column 3 of schedule A the Sales Tax (Goods Exempted from Tax) Order 2018 are exempted from the sales tax.

(VII) Laws and Regulations relating to Customs

The Customs Act 1967, Customs (Prohibition of Imports) Order 2017 and Customs (Prohibition of Exports) Order 2017

Under the Customs Act 1967 (“CA 1967”), the Minister of Finance of Malaysia may from time to time fix the custom duties to be levied on any goods imported into or exported from Malaysia and any customs duty payable under CA 1967 may be recovered as a civil debt due to the Government of Malaysia.

Under the CA 1967, the Minister of Finance of Malaysia has the power to prohibit the importation of certain goods absolutely or except under an import licence issued by the Director General of Customs and Excise or the proper officer of customs appointed by the Director General of Customs and Excise to act on his behalf at the ministry, department or statutory body as specified in the Customs (Prohibition of Imports) Order 2017. Whether or not an import permit is required depends on the identity of the food being imported.

Under the CA 1967, the Minister of Finance of Malaysia has the power to prohibit the exportation of certain goods absolutely or except under an export licence issued by the Director General of Customs and Excise or the proper officer of customs appointed by the Director General of Customs and Excise to act on his behalf at the ministry, department or statutory body as specified in the Customs (Prohibition of Exports) Order 2017. Whether or not an export permit is required depends on the identity of the food being exported.

Malaysian Quarantine and Inspection Services Act 2011

Section 11 of the Malaysian Quarantine and Inspection Services Act 2011 (“MAQIS Act 2011”) provides that no person shall import and export any plant, animal, carcass, fish, agricultural produce, soil or microorganism without a permit, license or certificate issued under this act.

Section 15 of the MAQIS Act 2011 provides that any person who is involved in the importation or exportation of plants, animals, carcasses, fish, agricultural produce, soils or microorganisms shall comply with any import conditions as specified in the permit, licence or certificate or export conditions as specified in the permit or license.

Any person who is involved in the importation and exportation of any plant, animal, carcass, fish, agriculture produce, soil or microorganism who contravenes the above commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 6 years or to both and, for a second or subsequent offence to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding 7 years or to both.

(VIII) Laws and regulations relating to Intellectual Property Right

Trademarks Act 2019

The Trademarks Act 2019 (“**TA 2019**”) came into force on 27 December 2019, repealing the previous Trade Marks Act 1976.

Under TA 2019, “trademark” means any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. A sign may constitute a trademark even though it is used in relation to a service ancillary to the trade or business of an undertaking and whether or not the service is provided for money or money’s worth.

It is provided under the TA 2019 that any person who claims to be the bona fide proprietor of a trademark may apply for the registration of the trademark if: (a) the person is using or intends to use the trademark in the course of trade; or (b) the person has authorized or intends to authorize another person to use the trademark in the course of trade. The filing date of a trademark application will be determined based on the last day on which all filing formalities are fulfilled.

Under the TA 2019, when an application for registration of trademark has been accepted and either: (a) the application has not been opposed and the period for opposition has expired; or (b) the application has been opposed and the opposition has been decided in favour of the applicant, the registrar shall, unless the application has been accepted in error, register the trademark in the register in the name of the proprietor, and the trademark so registered shall be registered as at the date of filing of the application for registration and that date shall be deemed to be the date of registration. On the registration of trademark, the registrar shall issue to the proprietor a notification of the registration of trademark with the seal of the registrar. A application for a certificate of registration shall be made by the registered proprietor in the form as determined by the registrar together with the payment of the prescribed fee.

It is also provided that the registered proprietor of trademark has the exclusive rights to use the trademark and to authorize other persons to use the trademark in relation to the goods and services for which the trademark is registered.

Under TA 2019, the registered proprietor has the right to obtain relief for infringement of his trademark. A person infringes a registered trademark if, without the consent of the proprietor of the trademark, uses in the course of trade a sign that is identical or similar to the trademark and is used in relation to goods and services identical or similar to those which the trademark is registered. The registered proprietor shall have the right to institute proceedings against any person who has infringed or is infringing the registered trademark.

The registration of a trademark shall be for a period of 10 years from the date of registration and is renewable for further periods of 10 years.

(IX) Laws and regulations relating to Foreign Exchange Control

The Financial Services Act 2013

The Financial Services Act 2013 (“**FSA 2013**”) provides regulations and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and for related, consequential or incidental matters.

Foreign Exchange Administration provides for the regulations and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market.

Pursuant to Notice 4 issued by Central Bank of Malaysia, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency.

Foreign exchange administration rules allows non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

Non-resident means any person other than amongst others, a body corporate incorporated or established or registered with or approved by any authority in Malaysia.

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 October 2018. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interest of four subsidiaries, namely, Ritamix International, Gladron Chemicals, Ritamix and Kevon.

OUR BUSINESS DEVELOPMENT

The history of our Group can be traced back to November 1982 when Mr. SS Lee, being the father of Dato’ Sri Howard Lee, Mr. HH Lee and Mr. HS Lee, and his business partner who is an Independent Third Party, Mr. Foo Kok Toon, set up Gladron Chemicals out of their own funds to engage in distribution of animal feed additives products in Malaysia. Dato’ Sri Howard Lee, Mr. HH Lee and Mr. HS Lee, became shareholders of Gladron Chemicals in May 1992 while Mr. SS Lee and Mr. Foo Kok Toon ceased to be shareholders of Gladron Chemicals in June 1997. For details of the changes in shareholding, please refer to the paragraph headed “Our corporate development — Gladron Chemicals” in this section below. As at the Latest Practicable Date, Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw are regarded as a group of Controlling Shareholders.

Our Group initially focused on distribution of animal feed additives products. Over the years, our Group has diversified its product offerings to different kinds of animal feed additives products as well as human food ingredients. Our Group expanded our business of distribution of human food ingredients by setting up Kevon in June 2004. In May 2007, foreseeing future opportunity and business potential, Ritamix was incorporated to tap into manufacturing business of animal feed additives premixes by operating the manufacturing plant acquired from BASF in Malaysia. For details of our relationship with BASF, please refer to the section headed “Business — Our suppliers — Relationship with BASF” in this prospectus.

Our Group endeavours to enhance its management system and provide quality services to customers. In September 2018, Gladron Chemicals, Ritamix and Kevon were accredited with ISO 9001:2015 for compliance with the requirements of quality management system standard applicable to distribution of feed ingredients, animal health supplement and pharmaceuticals, manufacturing of feed ingredients and animal health supplement and distribution of food ingredients.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The key milestones in our Group's development to date are set out below.

Year	Events
1982	Gladron Chemicals was incorporated and our Group commenced its business to engage in distribution of animal feed additives products in Malaysia.
1985	Our Group began distributing the products of Supplier A, a manufacturer of chemical products headquartered in Germany and a Forbes Global 2000 company.
2003	Our Group began to act as a distributor for BASF, a Fortune 500 company and one of the largest chemical producers in the world.
2004	Kevon was incorporated to expand our Group's product offerings to include human food ingredients.
2006	Our Group expanded our business by leasing its office and warehouse in UEP Industrial Park of Shah Alam Selangor in Malaysia.
2007	Our Group acquired the premix business including the manufacturing plant in Malaysia from BASF, a Fortune 500 Company and one of the largest chemical producers in the world, to tap into the manufacturing business of animal feed additives premixes.
	Ritamix was incorporated to expand our Group's product offerings in own brand animal feed additives premixes.
2009	Gladron Chemicals was awarded the Enterprise 50 Award organised by SME Corporation Malaysia.
	Gladron Chemicals was awarded the Golden Bull Award 2009, the 7th Malaysia's 100 Outstanding SMEs, jointly organised by Business Media International and Sphere Exhibits.
	Our Group began to act as the distributor of Amlan International, a subsidiary of a company listed on the New York Stock Exchange.
2011	Our Group was appointed by Schaefer Kalk (Malaysia) Sdn. Bhd., a manufacturer of chemical products, as a distributor.
2015	Ritamix was awarded the Gold Distributor Award by BASF.
2018	Gladron Chemicals, Ritamix and Kevon were accredited with ISO 9001:2015 standard.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Group's subsidiaries.

Ritamix International

Ritamix International was incorporated in BVI with limited liability on 21 September 2018. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. It is an investment holding company.

On the date of its incorporation, Ritamix International allotted and issued one share with a par value of US\$1.00 credited as fully paid to Garry-Worth. All the issued shares of Ritamix International then became wholly owned by Garry-Worth.

Gladron Chemicals

Gladron Chemicals (formerly known as Age D'or Chemicals Sdn. Bhd.) was incorporated in Malaysia with limited liability on 20 November 1982. Gladron Chemicals engages in distribution of animal feed additives products in Malaysia. The issuance and/or allotment of shares and the share transfers since its incorporation are set out below:

<u>Date of transfer or allotment</u>	<u>Details of the transfer or allotment</u>	<u>Amount and basis of consideration</u>	<u>Shareholding after the transfer or allotment</u>	<u>Reasons for the transfer or allotment</u>
20 November 1982 (Date of incorporation)	one share in Gladron Chemicals was allotted and issued to Mr. SS Lee and Mr. Foo Kok Toon, respectively	par value of RM1.00 per share	(1) one share (50%) by Mr. SS Lee (2) one share (50%) by Mr. Foo Kok Toon	Establishment of Gladron Chemicals
From 23 August 1983 to 22 December 1987	Gladron Chemicals underwent a series of allotment and 499,999 shares in Gladron Chemicals were allotted and issued to Mr. SS Lee and Mr. Foo Kok Toon, respectively	par value of RM1.00 per share	(1) 500,000 shares (50%) by Mr. SS Lee (2) 500,000 shares (50%) by Mr. Foo Kok Toon	Capital contribution
From 13 September 1989 to 6 November 1991	Gladron Chemicals underwent a series of allotment where: (1) 300,000 shares in Gladron Chemicals were allotted and issued to Mr. SS Lee and Mr. Foo Kok Toon, respectively; and (2) 1,350,000 shares in Gladron Chemicals were allotted and issued to Chew Keng Yin and Goh Mui Hoon, respectively.	par value of RM1.00 per share	(1) 800,000 shares (18.6%) by Mr. SS Lee (2) 800,000 shares (18.6%) by Mr. Foo Kok Toon (3) 1,350,000 shares (31.4%) by Chew Keng Yin (4) 1,350,000 shares (31.4%) by Goh Mui Hoon	Capital contribution

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of transfer or allotment	Details of the transfer or allotment	Amount and basis of consideration	Shareholding after the transfer or allotment	Reasons for the transfer or allotment
29 May 1992	Mr. Chew Keng Yin transferred 540,000 shares, 540,000 shares and 270,000 shares in Gladron Chemicals to Mr. Foo Yung Chieh, Dato' Sri Howard Lee and Mr. HS Lee, respectively. Ms. Goh Mui Hoon transferred 540,000 shares, 540,000 shares and 270,000 shares in Gladron Chemicals to Ms. Foo Wei Li, Mr. HH Lee and Mr. HS Lee, respectively.	par value of RM1.00 per share	<ol style="list-style-type: none"> (1) 800,000 shares (18.6%) by Mr. SS Lee (2) 800,000 shares (18.6%) by Mr. Foo Kok Toon (3) 540,000 shares (12.56%) by Dato' Sri Howard Lee (4) 540,000 shares (12.56%) by Mr. HH Lee (5) 540,000 shares (12.56%) by Mr. HS Lee (6) 540,000 shares (12.56%) by Mr. Foo Yung Chieh (7) 540,000 shares (12.56%) by Ms. Foo Wei Li 	Mr. Chew Keng Yin and Ms. Goh Mui Hoon would like to realise their investments in Gladron Chemicals
From 14 November 1994 to 11 September 1995	Gladron Chemicals underwent a series of allotment where: <ol style="list-style-type: none"> (1) 919,880 shares in Gladron Chemicals were allotted and issued to Mr. SS Lee and Mr. Foo Kok Toon, respectively; and (2) 620,919 shares in Gladron Chemicals were allotted and issued to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee, Mr. Foo Yung Chieh and Ms. Foo Wei Li, respectively. 	par value of RM1.00 per share	<ol style="list-style-type: none"> (1) 1,719,880 shares (18.6%) by Mr. SS Lee (2) 1,719,880 shares (18.6%) by Mr. Foo Kok Toon (3) 1,160,919 shares (12.56%) by Dato' Sri Howard Lee (4) 1,160,919 shares (12.56%) by Mr. HH Lee (5) 1,160,919 shares (12.56%) by Mr. HS Lee (6) 1,160,919 shares (12.56%) by Mr. Foo Yung Chieh (7) 1,160,919 shares (12.56%) by Ms. Foo Wei Li 	Capital contribution/ Succession planning of Mr. SS Lee and Mr. Foo Kok Toon
18 June 1997	Mr. SS Lee transferred 343,976 shares, 687,952 shares and 687,952 shares in Gladron Chemicals to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee, respectively. Mr. Foo Kok Toon transferred 343,976 shares, 687,952 shares and 687,952 shares in Gladron Chemicals to Dato' Sri Howard Lee, Mr. Foo Yung Chieh and Ms. Foo Wei Li, respectively.	RM1.00 for each transfer	<ol style="list-style-type: none"> (1) 1,848,871 shares (20%) by Dato' Sri Howard Lee (2) 1,848,871 shares (20%) by Mr. HH Lee (3) 1,848,871 shares (20%) by Mr. HS Lee (4) 1,848,871 shares (20%) by Mr. Foo Yung Chieh (5) 1,848,871 shares (20%) by Ms. Foo Wei Li 	Succession planning of Mr. SS Lee and Mr. Foo Kok Toon

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Date of transfer or allotment	Details of the transfer or allotment	Amount and basis of consideration	Shareholding after the transfer or allotment	Reasons for the transfer or allotment
6 June 2001	Mr. Foo Yung Chieh transferred 1,232,581 shares and 616,290 shares in Gladron Chemicals to Dato' Sri Howard Lee and Mr. HS Lee, respectively. Ms. Foo Wei Li transferred 1,232,581 shares and 616,290 shares in Gladron Chemicals to Mr. HH Lee and Mr. HS Lee, respectively.	RM2.11 per share	(1) 3,081,452 shares (33.33%) by Dato' Sri Howard Lee (2) 3,081,452 shares (33.33%) by Mr. HH Lee (3) 3,081,451 shares (33.33%) by Mr. HS Lee	Mr. Foo Yung Chieh and Mr. Foo Wei Li would like to realise their investments in Gladron Chemicals
3 December 2001	Mr. HS Lee transferred 2,002,943 shares and 616,290 shares in Gladron Chemicals to Dato' Sri Howard Lee and Mr. HH Lee, respectively.	par value of RM1.00 per share	(1) 5,084,395 shares (approximately 55%) by Dato' Sri Howard Lee (2) 3,697,742 shares (40%) by Mr. HH Lee (3) 462,218 shares (approximately 5%) by Mr. HS Lee	Adjustment of shareholding between siblings to reflect actual involvement in Gladron Chemicals
28 November 2014	Mr. HH Lee transferred 1,617,762 shares in Gladron Chemicals to Mr. HS Lee.	par value of RM1.00 per share	(1) 5,084,395 shares (approximately 55%) by Dato' Sri Howard Lee (2) 2,079,980 shares (approximately 22.5%) by Mr. HH Lee (3) 2,079,980 shares (approximately 22.5%) by Mr. HS Lee	Adjustment of shareholding between siblings to reflect actual involvement in Gladron Chemicals

Mr. Foo Kok Toon, Mr. Chew Keng Yin, Ms. Goh Mui Hoon, Mr. Foo Yung Chieh and Ms. Foo Wei Li are Independent Third Parties.

After the above share transfers and allotments, Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee owned 5,084,395, 2,079,980 and 2,079,980 shares of Gladron Chemicals, representing approximately 55%, 22.5% and 22.5% of the issued share capital of Gladron Chemicals, respectively.

On 30 October 2018, as part of the Reorganisation, each of Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee executed the share transfer forms in favour of Ritamix International, pursuant to which Ritamix International acquired 5,084,395, 2,079,980 and 2,079,980 shares in Gladron Chemicals from Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee, respectively, for a nominal consideration of RM1.00 to each of Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee, respectively. Upon completion of the acquisitions, Gladron Chemicals became a wholly-owned subsidiary of Ritamix International.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Ritamix

Ritamix was incorporated in Malaysia with limited liability on 29 May 2007. Our Group acquired the manufacturing plant from BASF in May 2007 and Ritamix was incorporated to engage in the manufacturing of animal feed additives premixes in Malaysia. The issuance and/or allotment of shares and the share transfers since its incorporation are set out below:

<u>Date of transfer or allotment</u>	<u>Details of the transfer or allotment</u>	<u>Amount and basis of consideration</u>	<u>Shareholding after the transfer or allotment</u>
29 May 2007	104 shares, 45 shares, 45 shares and 6 shares in Ritamix were allotted and issued to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively	par value of RM1.00 per share	(1) 104 shares (52%) by Dato' Sri Howard Lee (2) 45 shares (22.5%) by Mr. HH Lee (3) 45 shares (22.5%) by Mr. HS Lee (4) 6 shares (3%) by Datin Sri Emerlyn Yaw
21 September 2007	156,000 shares, 67,500 shares, 67,500 shares and 9,000 shares in Ritamix were allotted and issued to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively	par value of RM1.00 per share	(1) 156,104 shares (52%) by Dato' Sri Howard Lee (2) 67,545 shares (22.5%) by Mr. HH Lee (3) 67,545 shares (22.5%) by Mr. HS Lee (4) 9,006 shares (3%) by Datin Sri Emerlyn Yaw
21 March 2008	2,443,896 shares, 1,057,455 shares, 1,057,455 shares and 140,994 shares in Ritamix were allotted and issued to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively	par value of RM1.00 per share	(1) 2,600,000 shares (52%) by Dato' Sri Howard Lee (2) 1,125,000 shares (22.5%) by Mr. HH Lee (3) 1,125,000 shares (22.5%) by Mr. HS Lee (4) 150,000 shares (3%) by Datin Sri Emerlyn Yaw

After the above allotments, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw owned 2,600,000, 1,125,000, 1,125,000 and 150,000 shares of Ritamix, representing 52%, 22.5%, 22.5% and 3% of the issued share capital of Ritamix, respectively.

On 30 October 2018, as part of the Reorganisation, each of Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw executed the share transfer forms in favour of Ritamix International, pursuant to which Ritamix International acquired 2,600,000, 1,125,000, 1,125,000 and 150,000 shares in Ritamix from Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively, for a nominal consideration of RM1.00 to each of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively. Upon completion of the acquisitions, Ritamix became a wholly-owned subsidiary of Ritamix International.

Kevon

Kevon was incorporated in Malaysia with limited liability on 21 June 2004. It engages in distribution of human food ingredients in Malaysia.

On the date of its incorporation, Kevon allotted and issued one and one subscriber shares to Datin Sri Emerlyn Yaw and Ms. Chia Chooi Kwan, respectively, representing 50% and 50% of the issued share capital of Kevon, respectively. Ms. Chia Chooi Kwan is an Independent Third Party.

On 11 September 2006, Ms. Chia Chooi Kwan transferred one share in Kevon to Dato' Sri Howard Lee, for a consideration of RM1.00. Upon completion of the above transaction, Kevon became owned as to 50% and 50% by Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw, respectively.

On 18 January 2007, Kevon allotted and issued 50,999 and 48,999 shares to Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw, respectively. After such allotment, Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw owned 51,000 and 49,000 shares in Kevon, representing 51% and 49% of its share capital, respectively.

On 1 November 2018, as part of the Reorganisation, Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw executed the share transfer forms in favour of Ritamix International, pursuant to which Ritamix International acquired 51,000 and 49,000 shares in Kevon from Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw, respectively, for a nominal consideration of RM1.00 to each of Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw, respectively. Upon completion of the acquisitions, Kevon became a wholly-owned subsidiary of Ritamix International.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

Incorporation of Garry-Worth

On 17 September 2018, Garry-Worth was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 per share.

On the date of its incorporation, Garry-Worth allotted and issued 5,337 shares, 2,017 shares, 2,017 shares and 629 shares with a par value of US\$1.00 as fully paid to Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively, representing 53.37%, 20.17%, 20.17% and 6.29% of all the issued shares of Garry-Worth, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Ritamix International

Ritamix International was incorporated in BVI with limited liability on 21 September 2018. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 per share.

On the date of its incorporation, Ritamix International allotted and issued one share with a par value of US\$1.00 credited as fully paid to Garry-Worth. All the issued shares of Ritamix International became wholly owned by Garry-Worth.

Incorporation of our Company

On 29 October 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each.

On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to a nominee subscriber. On the same day, the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to Garry-Worth at a consideration of HK\$0.01.

Upon completion of the acquisition, our Company became wholly owned by Garry-Worth.

Acquisition of Gladron Chemicals, Ritamix and Kevon by Ritamix International

Immediately before the Reorganisation:

- (i) Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee held 5,084,395, 2,079,980 and 2,079,980 shares in Gladron Chemicals, respectively, representing 55%, 22.5% and 22.5% of the issued share capital of Gladron Chemicals;
- (ii) Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw held 2,600,000, 1,125,000, 1,125,000 and 150,000 shares in Ritamix, respectively, representing 52%, 22.5%, 22.5% and 3% of the issued share capital of Ritamix; and
- (iii) Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw held 51,000 and 49,000 shares in Kevon, respectively, representing 51% and 49% of the issued share capital of Kevon, respectively.

On 30 October 2018, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw (as vendors) and Ritamix International (as purchaser) entered into a sale and purchase agreement, pursuant to which Ritamix International acquired:

- (i) the entire issued share capital of Gladron Chemicals from Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee at a nominal consideration of RM1.00 to each of Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee, respectively;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (ii) the entire issued share capital of Ritamix from Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw at a nominal consideration of RM1.00 to each of Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, respectively; and
- (iii) the entire issued share capital of Kevon from Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw at a nominal consideration of RM1.00 to Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw, respectively.

Such transactions were properly and legally completed and settled. Upon completion of the above transactions, Gladron Chemicals, Ritamix and Kevon became wholly-owned subsidiaries of Ritamix International.

Acquisition of Ritamix International by our Company

On 5 November 2018, Garry-Worth (as vendor) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which our Company acquired one share in Ritamix International from Garry-Worth, being all the issued share of Ritamix International. In consideration of the acquisition, our Company allotted and issued 99 Shares, credited as fully paid, to Garry-Worth.

Such transaction was properly and legally completed and settled. Upon completion of the above transaction, Ritamix International became a wholly-owned subsidiary of our Company.

ACTING IN CONCERT UNDERTAKING

Pursuant to the Acting in Concert Undertaking, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw confirmed that they have been acting in concert in respect of all corporate matters relating to the operations of our Group since the commencement of the Track Record Period and undertake to continue to be acting in concert from the date of the Acting in Concert Undertaking and during the period they (by themselves or together with their associates) remain in control of our Group.

By virtue of the Acting in Concert Undertaking, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw will together be entitled to exercise and control approximately 67.5% of the entire issued share capital upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme).

PRE-IPO INVESTMENT

In or around December 2017, our executive Directors had a discussion with Mr. Voon Sze Lin, one of the beneficial owners of the Pre-IPO Investor and an acquaintance and a friend of Dato' Sri Howard Lee, on our existing business and strategies for growth and development and our plan for Listing. Mr. Voon Sze Lin also introduced his acquaintance, Mr. Lee Soo Kai to our executive Directors and both of them apparently share similar business philosophy and views with

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

our executive Directors. Our executive Directors considered that both Mr. Voon Sze Lin and Mr. Lee Soo Kai can bring in strategic benefits to the future development of our Group by sharing their expertise and specialised knowledge and experience on financial management, capital markets, investors relation and corporate governance, therefore invited them to invest in our Company. After several rounds of negotiations, on 10 December 2018, Garry-Worth (as vendor) entered into a sale and purchase agreement (the “**Pre-IPO Investment Agreement**”) with the Pre-IPO Investor (as purchaser), pursuant to which the Pre-IPO Investor acquired ten Shares of our Company, representing 10% of the issued share capital of our Company at the relevant time, from Garry-Worth at a consideration of RM7,263,800.00 (equivalent to approximately US\$1,743,312.00).

Immediately following the completion of the Pre-IPO Investment, our Group was owned as to 90% by Garry-Worth and 10% by the Pre-IPO Investor. Details of the Pre-IPO Investment are set out in the table below.

	Pre-IPO Investment
Name of the Pre-IPO Investor	Warrants Capital Ltd
Date of the sale and purchase agreement	10 December 2018
Number of Shares acquired	10 Shares
Amount of consideration paid	RM7,263,800.00 (equivalent to approximately US\$1,743,312.00)
Settlement date of the consideration	17 December 2018
Basis of determination of the consideration	The consideration was determined based on arm’s length negotiations with reference to the financial position and the net asset value of our Group at the time of negotiation (i.e. FY2017) and the business prospects of our Group, after taking into account (i) strategic benefits brought by the Pre-IPO Investor to our Group; (ii) the Pre-IPO Investment Agreement with non-recourse protection to the vendor; and (iii) liquidity of our Shares in private market.
Shares held after the Capitalisation Issue	37,500,000
Effective cost per Share paid (taking into account the Capitalisation Issue)	Approximately HK\$0.37

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

	<u>Pre-IPO Investment</u>
Discount to the Offer Price (based on the Offer Price of HK\$1.10 per Offer Share, being the mid-point of the Offer Price range)	Approximately 66.5%
Use of Proceeds	Not applicable since the Pre-IPO Investor acquired existing shares from Garry-Worth.
Strategic benefits brought to our Group	Our Directors believe that the Pre-IPO Investment can diversify the shareholders' portfolio of our Group and will bring in strategic benefits to our Group by providing strategic advice to our Group for development and expansion of our Group and enhance the accounting and financial management of our Group.
Shareholding in our Company immediately upon completion of the Capitalisation Issue and the Share Offer without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme	7.5%
Lock-up	There is no lock-up period pursuant to the Pre-IPO Investment Agreement.
Public float	The Shares held by the Pre-IPO Investor are considered as part of the public float for the purposes of Rule 8.24 of the Listing Rules as (i) the Pre-IPO Investor and its ultimate beneficial owners are not a director, chief executive or Substantial Shareholder of our Company or its subsidiaries or a close associate of any of them (the " Non-Public Shareholder(s) "); (ii) the acquisition of the Shares by the Pre-IPO Investor was not financed by the Non-Public Shareholders; and (iii) the Pre-IPO Investor is not accustomed to take instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by the Pre-IPO Investor.
Special rights	Nil

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of the Pre-IPO Investor

The Pre-IPO Investor was incorporated in BVI on 6 November 2018 and owned as to 50% and 50% by Mr. Lee Soo Kai and Mr. Voon Sze Lin, respectively. The Pre-IPO Investor principally engages in investment holding. To the best knowledge of our Directors, other than holding the investment in our Company, the Pre-IPO Investor had no other business activity. Save for the Pre-IPO Investment, the Pre-IPO Investor and its ultimate beneficial owners are Independent Third Parties. Mr. Lee Soo Kai and Mr. Voon Sze Lin both are sophisticated investors with over 15 years of experience in the field of equity investment. Mr. Lee Soo Kai and Mr. Voon Sze Lin considered that the animal feed additives business is a stable business to invest in and were confident in the prospect of the animal feed additives industry in Malaysia and the performance of our Group. Therefore, they decided to invest in our Group and financed the Pre-IPO Investment with their personal funds. Mr. Lee Soo Kai was a research analyst in various investment banks and has been a chartered financial analyst since November 2000 and thus would be able to advise on the accounting and financial management of our Group. With his experience as a research analyst, our Directors believe that Mr. Lee Soo Kai could provide valuable insights in company valuation methodology, industry review, company operational review as well as key management review. He may also provide strategic advice on potential acquisition of our Company. As at the Latest Practicable Date, he does not hold any directorship in any listed company in Hong Kong. Mr. Voon Sze Lin is an acquaintance of Dato' Sri Howard Lee and each of them holds 21.25% and 21.25%, respectively, of the equity interest in Perfect Heritage Sdn. Bhd., a company incorporated in Malaysia with limited liability on 16 June 2016 and engaging in music entertainment business. Mr. Voon Sze Lin served as an executive director of Silver Ridge Holdings Berhad (stock code: 0129 and stock name: SRIDGE), a company listed on the ACE Market of Bursa Malaysia Securities Berhad and principally engaged in the provision of telecommunication solutions and distribution of digitalized mobile content, from September 2013 to October 2019. Since October 2019, he has served as a non-independent and non-executive director of Silver Ridge Holdings Berhad. With his experience as an executive director of a listed company, Mr. Voon Sze Lin is able to offer strategic advice in corporate governance and management and share his management experience as a director of a listed company. To the best knowledge and belief of our Directors and save as disclosed above, Mr. Lee Soo Kai and Mr. Voon Sze Lin did not have any past or present relationship (business, financing and otherwise) with our Group, Controlling Shareholders, Directors, members of senior management or their respective associates.

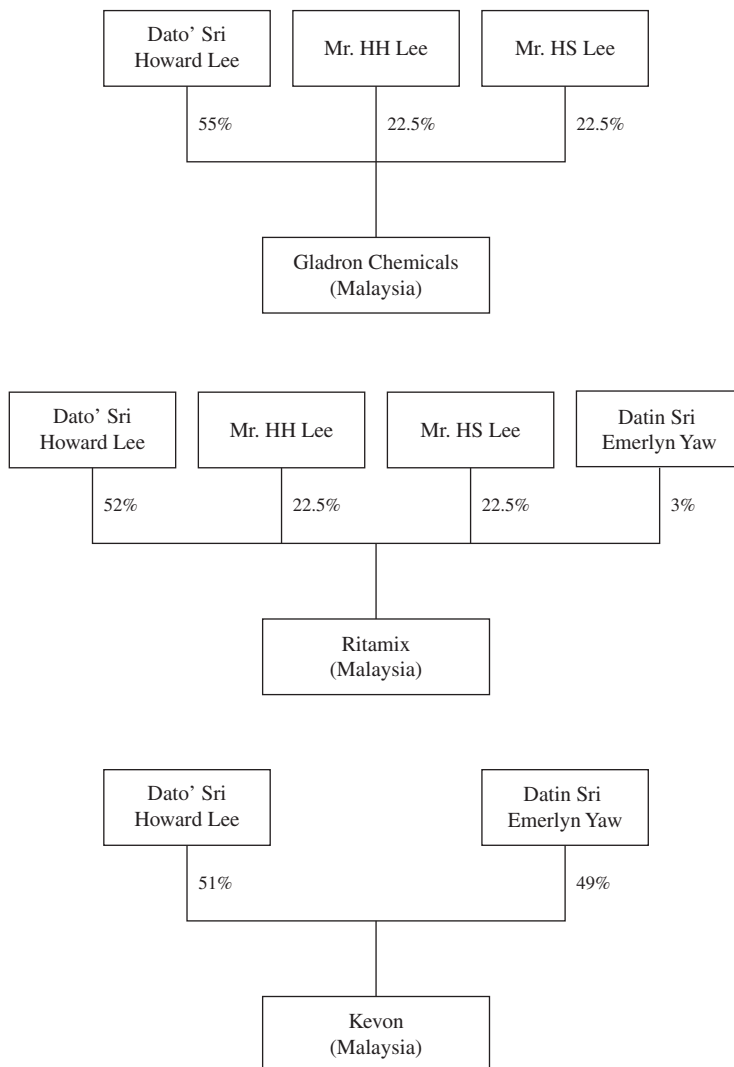
Sponsor's confirmation

The Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with (i) the Interim Guidance on Pre-IPO Investments HKEx-GL29-12 issued on 13 October 2010 and updated in January 2012 and March 2017 by the Stock Exchange as the consideration for the Pre-IPO Investment was all settled more than 28 days before the date of the first submission of the listing application to the Stock Exchange in relation to the Listing, (ii) the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and (iii) the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

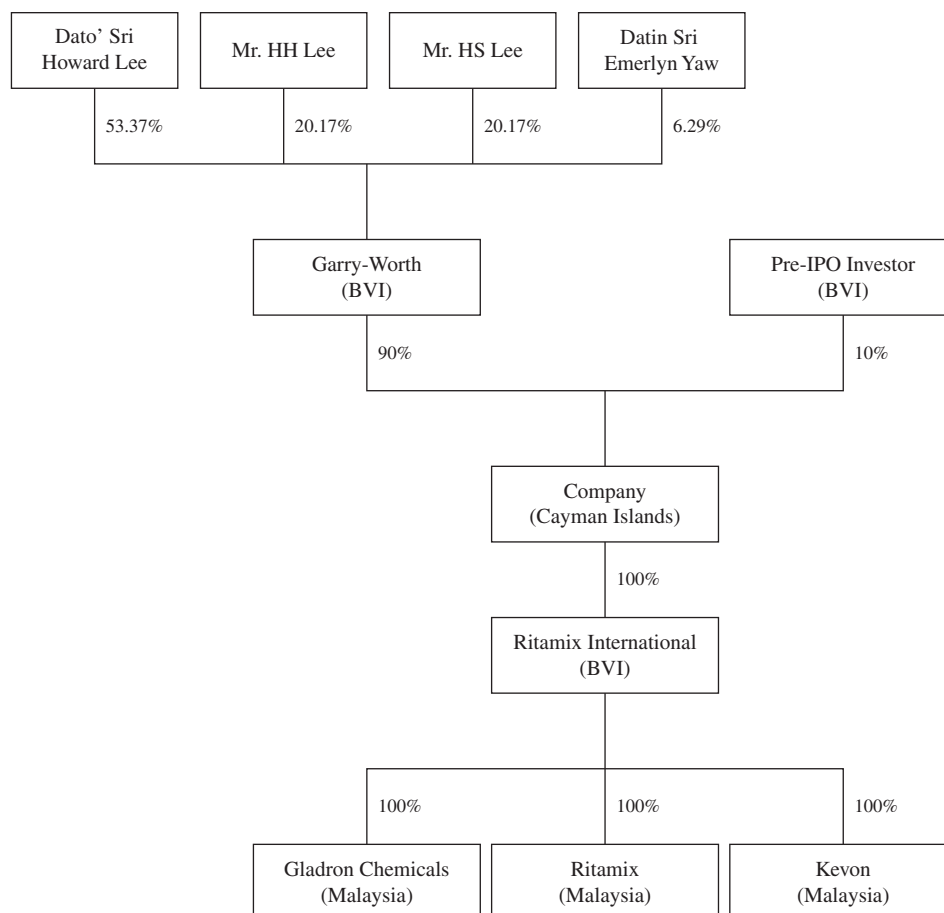
CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding and corporate structure immediately before the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding and corporate structure immediately after the Reorganisation and the Pre-IPO Investment but before the Capitalisation Issue and the Share Offer:

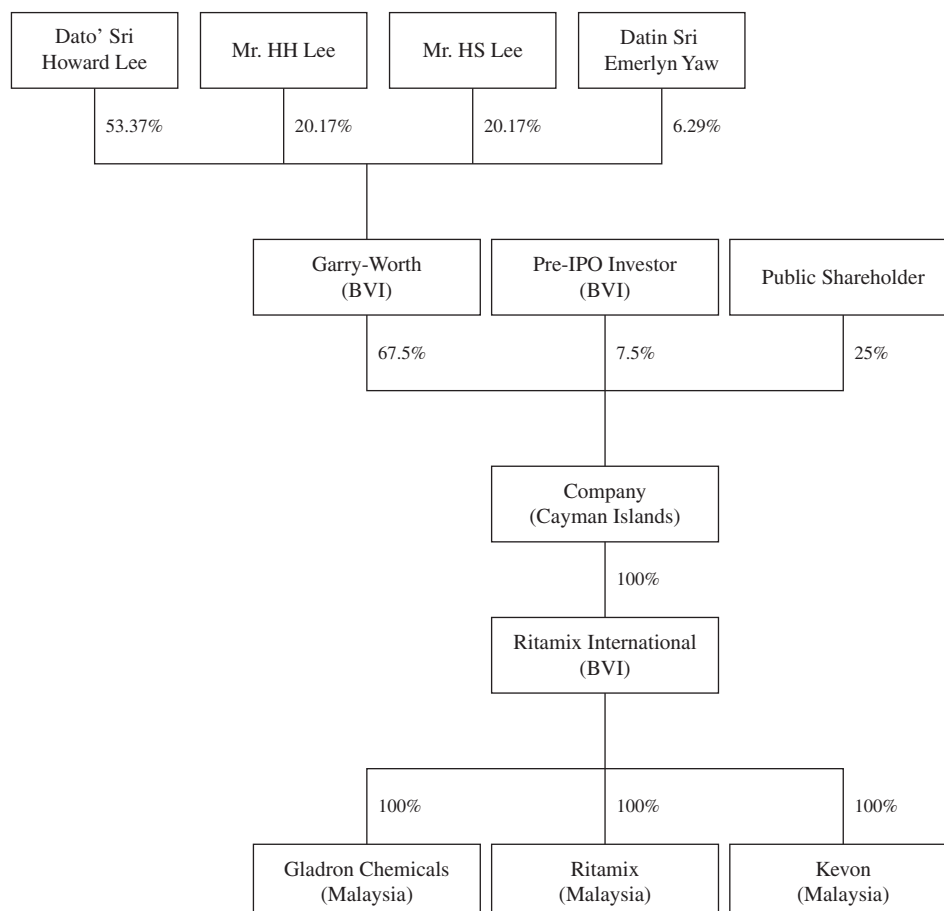


Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Listing, our Directors are authorised to capitalise an amount of HK\$3,749,999 standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of 374,999,900 Shares for allotment and issue, immediately prior to the Share Offer, to Garry-Worth and the Pre-IPO Investor so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute 75% of the issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding and corporate structure immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme):



OVERVIEW

We are a Malaysia-based company principally engaging in (i) distribution of animal feed additives and, to a lesser extent, human food ingredients; and (ii) manufacturing of animal feed additives premixes. During the Track Record Period, we sourced over 300 brand products from over 70 suppliers of different brand names to promote and distribute their products in Malaysia. We also produced over 150 own brand animal feed additives premixes for sales in Malaysia and overseas. Our Group started out as an animal feed additives distributor in 1982 and subsequently tapped into the manufacturing of animal feed additives premixes after acquiring the manufacturing plant from BASF in 2007. During the Track Record Period and up to the Latest Practicable Date, we had a diversified product portfolio of over 450 products, approximately 67% of which are brand products sourced from suppliers while the remaining 33% are comprised of our own brand products. We have been primarily serving in the agricultural industry in Malaysia for over 37 years.

For our distribution business, we offer a wide range of animal feed additives including amino acids, vitamins, minerals, enzymes and phytogetic ingredients produced by some of the largest chemical and feed ingredients companies of international brand names. Our Group has further diversified our product portfolio to include human food ingredients such as baking soda, minerals, hydrocolloids, emulsifiers and vitamins since 2004. As at the Latest Practicable Date, our product portfolio had more than 300 brand products sourced from over 70 suppliers from Europe, the United States and China, 16 of which have entered into distribution agreements with us as at the Latest Practicable Date. For each of the three years ended 31 December 2019, revenue attributable to distribution of brand products sourced from the abovementioned 16 suppliers amounted to approximately RM29.6 million, RM33.6 million and RM33.2 million, respectively, representing approximately 27.4%, 26.1% and 26.4% of our total revenue for the respective years. During the Track Record Period, our Group principally focused on identifying, sourcing and distributing quality products from renowned international chemical and feed ingredients companies to customers including feedmills, integrators, home mixing farms and distributors in Malaysia through our proprietary sales channel.

For our manufacturing business, we possess a manufacturing plant installed with a seven-storey automated mixer to sieve, weigh and homogenise our own brand animal feed additives premixes in accordance with different formulae. We provide customised services to customers by formulating premixes with specific dosage and combination of ingredients that fit our customers' needs to, among others, improve fertility and livability of poultry, strengthen egg shell and colouring properties of egg yolks and improve feed conversion rate of livestock. During the Track Record Period and up to the Latest Practicable Date, we produced over 150 own brand animal feed additives premixes.

BUSINESS

The following table sets forth a breakdown of our Group's revenue by business segments during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	<i>RM'000</i>	%	<i>RM'000</i>	%	<i>RM'000</i>	%
Distribution	75,543	69.9	82,656	64.3	78,571	62.3
Manufacturing	32,519	30.1	45,944	35.7	47,482	37.7
Total	<u>108,062</u>	<u>100.0</u>	<u>128,600</u>	<u>100.0</u>	<u>126,053</u>	<u>100.0</u>

During the Track Record Period, 69.9%, 64.3% and 62.3% of our total revenue was generated from the distribution business of brand products sourced from suppliers while 30.1%, 35.7% and 37.7% of our total revenue was generated from our own brand products produced by our manufacturing plant for each of the three years ended 31 December 2019 respectively. Approximately 86.1%, 87.9% and 85.7% of our total revenue during the Track Record Period was contributed by sales of animal feed additives while the remaining 13.9%, 12.1% and 14.3% was contributed by sales of human food ingredients for the respective year.

Our Directors are of the view that our continuous success depends on, among others, (i) our capability to cultivate relationships and build close rapport with our suppliers and customers; and (ii) quality services and product solutions delivered by our experienced sales and technical team. We have established a solid customer base with over 700 customers during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that such well established customer base created an edge for our Group to partner with some of the renowned international chemical and feed ingredients companies in distributing their products in Malaysia.

During the Track Record Period, procurement from suppliers was generally made on a transaction basis through individual purchase orders. In view of enhancing the partnership with our suppliers, we have also entered into distribution agreements with them for the sales of animal feed additives and human food ingredients in Malaysia. Our Directors are of the view that the 16 distribution agreements entered into with our suppliers as at the Latest Practicable Date signify our solid relationships with the relevant suppliers. Our Directors consider that our solid partnership with suppliers enables us to secure stable and sufficient supplies to satisfy our customers' demand which in turn solidify our market position in the industry. For details of the distribution agreements with suppliers, please refer to the paragraph headed "Our suppliers — Distribution agreements with suppliers" in this section below.

We also offer certain own brand product ranges such as LUTAMIX, POWERMIN and GRAINPHOS to our customers. We offer customised animal feed additives premixes to customers after consulting with them and understanding their specific needs and requirements in farming practice. We also produce standardised products for sales in Malaysia and overseas. As at the Latest Practicable Date, we have entered into a distribution agreement with Customer H and a customer

from India who is responsible for promoting and selling our own brand products in the Philippines and Chennai of India. For details, please refer to the paragraph headed “Our customers — Distribution agreements with distributors” in this section below.

For details of our product portfolio, please refer to the paragraph headed “Our product portfolio” in this section below.

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2019

Significant decrease in gross profit

Our gross profit decreased significantly by approximately RM7.2 million or 19.7% from approximately RM36.4 million for the year ended 31 December 2018 to approximately RM29.3 million for the year ended 31 December 2019 which was mainly because of the decrease in gross profit margin. Gross profit margin decreased from 28.3% to 23.2% for the respective year which was mainly attributable to the decrease in gross profit margin in both distribution business and manufacturing business in the absence of one-off effect of vitamin A and E arising from the fire accident at BASF’s production plant and, to a lesser extent, the outbreak of African Swine Fever.

Resumption of operation of BASF’s production plant

Back in October 2017, a fire accident occurred at the production plant of BASF which is one of the largest suppliers of vitamin A and vitamin E worldwide and one of our Group’s top suppliers during the Track Record Period. The fire accident caused a temporary shutdown of the BASF’s production facilities and resulted in a market shortage of vitamin A and E ingredients for around eight months that boosted their unit price. Since our Group was well stocked with the ingredients during the time of market shortage, we were able to provide stable supply to our customers when the BASF’s production plant was shut down. This one-off fire accident and the associated surge in global market price of vitamin A and E contributed to the significant increase in our Group’s gross profits for the year ended 31 December 2018. Following the resumption of operations of BASF’s production plant in July 2018 and the normalisation of market price of vitamin A and E, our Group recorded a significant decrease in gross profits for the year ended 31 December 2019 as compared with the previous year which was mainly attributable to the decrease in average selling price of vitamin type products. Without the one-off effect of vitamin A and E arising from the aforementioned BASF’s fire accident, our Group still managed to increase sales volume of our own brand premix products, in particular vitamin premix and complex mixing through our persistent sales efforts. For further details, please refer to the section headed “Financial information — Comparison of results of operations” in this prospectus.

Outbreak of African Swine Fever

Our Directors considered the outbreak of African Swine Fever in China since late 2018 that subsequently spread to other Asian countries has resulted in our competitors to shift some export sales of vitamin type products to local sales and brought about a more competitive market environment in Malaysia for the year ended 31 December 2019. While the competitive market

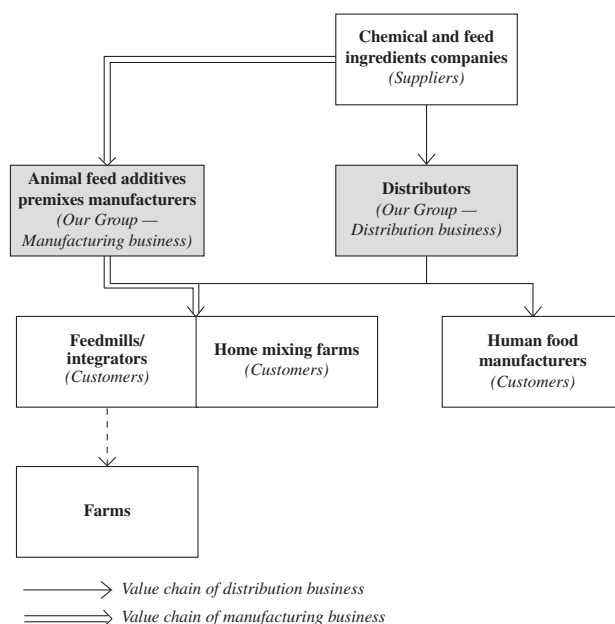
environment derived from the outbreak of African Swine Fever has exerted pressure on our business operations and financial performance, in particular the lowering of selling price and compression of profit margins of some of our vitamin type products, our Directors are of the view that the negative impact on our Group was temporary, indirect and insignificant because (i) sales to customers involved in the swine farming value chain only accounted for an immaterial portion of approximately 3.5%, 3.3% and 3.3% of our total revenue for the three years ended 31 December 2019 respectively; and (ii) Malaysia was not an affected country in accordance with the latest African Swine Fever situation update issued by the Food and Agricultural Organisation of the United Nations. Moreover, with reference to a news article titled “Authorities work to boost pork supplies” published by China Daily on 31 December 2019, the Ministry of Agriculture and Rural Affairs of the PRC reported that “*The stock of hogs increased by 2 percent in November over the previous month, while the stock of breeding sows saw a month-on-month increase of 4 percent, marking the first time since April last year that both stocks had increased*”. Our Directors believe that the gradual recovery of pig production in China will restore the export demand of feed additives for swine and relieve the tension of market competition in the animal feed additives industry in Malaysia.

Measures to improve profitability

Going forward, we will continue to improve profitability and drive our growth in both distribution business and manufacturing business. Our Directors consider that manufacturing business generally gives better profit margins than distribution business mainly because of (i) the premium generally charged on premix products for their customized contents that offer multiple nutrients in one single product; and (ii) the value added by our manufacturing plant in producing premixes with specific dosage and combination of ingredients that satisfy customers’ requirement. Accordingly, we decided to ride on the rapid growth of our manufacturing business attained during the Track Record Period and continue the expansion of this business segment by building a new manufacturing plant and devoting sales and marketing effort on our own brand premix products. For our distribution business, we will continue to enhance the diversity of our product portfolio by exploring new sources of products and securing distributorship of new lines of product from different international brands. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

OUR BUSINESS MODEL

The following diagram sets forth our Group's business model and position in the value chains:



During the Track Record Period, our distribution business was basically a principal to principal business whereby we purchased brand products from suppliers and sold independently to customers on our own account. We will advise on the application of different types of products and provide technical supports to customers through discussion of their needs and targets, as well as provide after sales services to keep track of the effects of the products on poultry and livestock. We bridge the market between upstream manufacturers and local customers in Malaysia. According to the Ipsos Report, international suppliers within the animal feed additives market generally rely on one/a few local distributors to distribute their products across Malaysia as it is difficult for these suppliers to establish their own distribution channel within the nation to deliver products to their customers in a cost-effective manner. For suppliers who we have long standing relationship and have entered into distribution agreements with us, our Group would normally be provided with marketing materials, trainings and technical supports to build a thorough understanding of the products and their application before carrying out any marketing and promotion activities to our customers.

Our manufacturing business involves sourcing of raw materials from suppliers for the production of own brand animal feed additives premixes. Our Directors are of the view that the major reasons for some of our customers to purchase our own brand products are that (i) they require customized products which may not be available in market; and/or (ii) our sales and technical team is able to provide quality product solution and technical support to them. We would basically consult with our customers on the ingredients preferred to be used before our veterinarians and nutritionist formulate a suitable feed formula to achieve the desired performance outcomes for livestock and poultry such as increasing milk production, reducing back fat for lean meat

BUSINESS

production and increasing egg production. Raw materials purchased from chemical and feed ingredients companies are homogenised at our manufacturing plant in accordance with different formulae.

For details of our operating procedures in distribution business and manufacturing business, please refer to the paragraph headed “Operating procedures” in this section below.

During the Track Record Period, our customers were mainly feedmills, integrators and home mixing farms. The following table sets forth a breakdown of our Group’s revenue by types of customers during the Track Record Period:

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>
Feedmill	43	35,776	33.1	50	39,445	30.7	46	45,783	36.3
Integrator	6	22,422	20.8	5	29,747	23.1	4	19,641	15.6
Home mixing farm	133	18,534	17.2	142	17,990	14.0	137	19,415	15.4
Human food manufacturer	158	15,071	13.9	179	15,442	12.0	174	17,652	14.0
Distributor	33	7,778	7.2	32	15,974	12.4	29	12,490	9.9
Others*	375	8,481	7.8	372	10,002	7.8	392	11,072	8.8
Total	748	108,062	100.0	780	128,600	100.0	782	126,053	100.0

* Others include pet shops and veterinary clinics

To the best knowledge of our Directors, feedmills will produce compound feed by mixing the animal feed additives purchased from our Group with other ingredients such as grains, soybean meal and corns which will then be sold to farms for feeding poultry and livestock. Home mixing farms are sizable farms with own feedmills which may purchase products from our Group to produce compound feed for self-consumption. Integrators are sizable corporation engaging in multiple businesses including trading of animal feeds, farming, feed milling and/or other agricultural operations.

During the Track Record Period, we have also made sales to distributors who are independent from our Group. Customer H and a customer from India are the two distributors among others whom our Group has entered into distribution agreements with on contractual terms for the promotion and sales of our own brand products in the Philippines and Chennai of India. Our relationship with all distributors including Customer H and the customer from India were a seller-buyer relationship whereby sales were made to distributors after arm’s length negotiation and on normal commercial terms. Our Directors believe that these distributors may resell our products to markets not covered by our Group. During the Track Record Period, there were no material goods returned from the distributors. For details of the distribution agreement with Customer H and the customer from India, please refer to the paragraph headed “Our customers — Distribution agreements with distributors” in this section below.

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While our Group mainly focused on sales of animal feed additives, approximately 13.9%, 12.1% and 14.3% of our total revenue for each of the three years ended 31 December 2019, respectively, was contributed by sales of human food ingredients. Our Group has imposed internal procedures to ensure that all halal food distributed by our Group would bear valid halal certificates issued by recognised halal bodies. Human food ingredients such as hydrocolloids which are odor absorbent would be stored in a separate pressure-controlled room with air tight door to avoid contamination by outside atmosphere.

The following table sets forth a breakdown of our Group's revenue by geographical location of customers during the Track Record Period:

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>
Malaysia	741	99,392	92.0	770	112,011	87.1	773	109,981	87.2
Overseas (<i>Note</i>)	7	8,670	8.0	10	16,589	12.9	9	16,072	12.8
Total	748	108,062	100.0	780	128,600	100.0	782	126,053	100.0

Note: Overseas includes the Philippines, Bangladesh and India and does not contain any sanctioned countries.

POLITICAL ENVIRONMENT IN MALAYSIA

The recent resignation of Tun Dr. Mahathir bin Mohamad as Prime Minister of Malaysia had casted uncertainties on the political landscape in Malaysia. Since our principal place of business is in Malaysia, as a result of the political uncertainties, the confidence of foreign investors may be affected leading to withdrawal of foreign investment and fluctuation of the Malaysian ringgit. As at the Latest Practicable Date, our business operations were not affected by the resignation of Tun Dr. Mahathir bin Mohamad and we are not aware of any material impact on the quantity of our customers' orders, and our Directors are of the view that the resignation did not have a material impact on our business, financial condition, results of operations and prospects. As our Group generally keeps around three months of inventories readily available in our warehouses, we have sufficient raw materials for production and products to address our customers' demand. Our management also monitor our currency risk exposure closely on daily basis. Nevertheless, any political and social instability in Malaysia, if significant and prolonged, could also have a material adverse effect on our business, financial condition, results of operations and prospects. Please see section headed "Risk factors — Risks relating to Malaysia — Changes in the political, economic and social conditions, laws, regulations and policies of Malaysia may have an adverse effect on us" and "Risk factors — Risks relating to Malaysia — We are subject to significant foreign exchange risk due to our exposure to overseas markets" in this prospectus for further details.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths are keys to our success and will contribute to the future growth of our Group:

We possess strong sourcing capabilities and offer a wide ranging product portfolio to meet the diverse needs of our customers

During the Track Record Period and up to the Latest Practicable Date, we offer a wide ranging selection of animal feed additives and human food ingredients procured from more than 70 suppliers of different international brand names from Europe, the United States and China. With a solid track record of over 37 years in animal feed additives industry, we have established stable relationships with our suppliers which enabled us to source over 300 brand products during the Track Record Period and up to the Latest Practicable Date to satisfy the diverse needs of our customers in Malaysia and overseas. Some of our suppliers are among the top chemical and feed ingredients companies in the world. Our Directors consider that our solid partnership with suppliers in our extensive procurement network is important for us to develop our business since (i) it ensures a reliable and stable supply of quality products; and (ii) it is regarded as an endorsement of our procurement capability and reputation in the industry. As at the Latest Practicable Date, we had a long standing relationship ranging from over 6 years to more than 35 years with our top 5 suppliers.

We have developed a solid customer base in Malaysia and cultivated a long lasting customer relationship with our major customers

In the course of marketing our animal feed additives products, we will advise on the application of different types of products and provide technical supports to customers through discussion of their needs and the target performance outcome of livestock and poultry. Our Group will also provide after sales services to keep track of the effect of the products on poultry and livestock. Capitalising on our diverse product portfolio, our Group is able to provide comprehensive technical support on the use of wide ranging animal feed additives to improve farming performance for our customers. Our Directors consider that we have developed a solid customer base in Malaysia through regular contact with customers. As at the Latest Practicable Date, we had over 700 customers in our customer base. During the Track Record Period, revenue generated from our recurring customers amounted to approximately RM106.0 million, RM107.4 million and RM122.3 million, representing approximately 98.1%, 83.5% and 97.0% of the total revenue of our Group for each of the three years ended 31 December 2019 respectively. This proven record reflected our capability to cultivate relationships and retain close rapport with our customers attributable to the wide variety of quality products offered by us and our technical support. With over 80% of our revenue contributed by our recurring customers and the solid customer base, our Directors believe that we have established and are benefited from the stable and long-term business relationships with our major customers.

We have an experienced sales and technical team to provide professional advice and technical support to customers

Our Group has a strong in-house sales and technical team which consists of four veterinarians, one nutritionist, one biochemist and other sales personnel with solid science background who are capable of advising customers on the application and effect of different animal feed additives on livestock and formulating suitable feed formulae to achieve the desired farming performance. With reference to the Ipsos Report, customers target to improve farming performance in various aspects such as to increase the digestibility of an animal, to improve the appetite of livestock, to extend the feed's shelf-life and prevent deterioration, to improve the feed's physical characteristics, to improve the feed's taste and others. Our sales and technical team will cooperate with customers in identifying the potential problems and area of improvement in their farming practices, thereby suggesting suitable solutions as well as technical support to them in accordance with their individual needs and specifications. We pride our professional sales and technical team on (i) their deep understanding of the nutritional requirements of livestock and poultry; and (ii) ample knowledge of the nutritional composition of the available feedstuffs. With our close rapport with some of the international suppliers, our Group is also provided with marketing materials, trainings and technical supports to build a thorough understanding of the products and their application before carrying out any marketing and promotion activities to our customers. Our Directors are of the view that the technical knowledge and advices provided by our sales and technical team are well perceived by our customers and allow us to stay competitive in the market.

Our manufacturing plant enables us to produce own brand products to capture the animal feed additives premixes market

Our Group is an established manufacturer of animal feed additives premixes in Malaysia. In addition to the distribution of brand products sourced from suppliers, we provide customised services by manufacturing own brand products based on different formulae. Approximately 30.1%, 35.7% and 37.7% of our total revenue for each of the three years ended 31 December 2019 respectively was generated from our own brand products produced by our manufacturing plant. Customers may choose to purchase our standard animal feed additives premixes or customised products to meet their specific needs to improve farming performance. Our Directors are of the view that the major reasons for some of our customers to purchase our own brand products are that (i) they require customized products which may not be available in the market; and/or (ii) our sales and technical team is able to provide quality product solution and technical support to customers. Our premixing capability coupled with technical knowledge enable our Group to formulate products of customized dosage and combination of ingredients that satisfy customers' requirement. Our Directors believe that the capability to deliver own brand products differentiates our Group from other distributors and raises our brand awareness in the market in Malaysia and overseas.

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We are led by a well-seasoned and experienced management team who has substantial experience in the industry

Our Group's experienced and stable management team has motivated the operations and improved the sales revenue of our Group throughout the Track Record Period. Our management team is headed by Dato' Sri Howard Lee, our Controlling Shareholder, executive Director, chairman and chief executive officer who possesses over 20 years of experience in the animal feed additives industry in Malaysia. Our management team jointly manages and leads our Group to an improving sales turnover by offering appropriate products to the market and expanding our supplier and customer bases.

Our management is also highly responsive to market needs. Our management stresses on the variety and the flexibility of our product portfolio. They would source and produce products which have strong market demand and high potential growth at any point of time, and as the market demand changes, our product portfolio would be adjusted accordingly. Our Directors believe that the in-depth knowledge and extensive experience of our capable management team, along with our experienced sales and technical team, could provide our Group with significant competitive advantages in the animal feed additives industry.

BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Build a new manufacturing plant to increase our production capacity and further develop our manufacturing business

During the Track Record Period, revenue generated from our manufacturing business represented approximately 30.1%, 35.7% and 37.7% of our total revenue for each of the three years ended 31 December 2019 respectively. Utilisation rate of our automated mixer was approximately 70.3%, 82.2% and 85.7% for the respective year. In view of the increasing utilisation rate of the automated mixer driven by the growth of our manufacturing business, we plan to increase our production capacity by building a new manufacturing plant installed with automated mixer to pursue expansion of our manufacturing business. The new automated mixer will also be equipped with spray-on manufacturing function that is more advanced than our existing mixer which would enable us to produce acidifiers and/or products containing acidifiers in a more efficient way.

During the Track Record Period, sales of antibiotics products accounted for approximately RM1.6 million, RM1.1 million and RM1.2 million, representing approximately 1.4%, 0.8% and 1.0% of the total revenue of our Group for the three years ended 31 December 2019 respectively. Our Directors are of the view that banning of the use of antibiotics colistin (polymyxin E) as an animal feed additive in Malaysia would not have any material adverse impact on our Group's operations and business. Instead, with the banning of use of antibiotics products and a more health conscious trend in the animal feed additives

market, the increasing demand for antibiotic substitutes (including acidifiers) would open up business opportunities for our Group in the coming years. During the Track Record Period, sales of antibiotic substitutes amounted to approximately RM6.4 million, RM7.5 million and RM5.2 million, representing approximately 5.9%, 5.9% and 4.1% of the total revenue of our Group for the three years ended 31 December 2019 respectively.

Enhance the diversity of our product portfolio through strategic merger, acquisition and business collaboration

Our Directors are of the view that the expansion of our product portfolio is of utmost importance to develop our business in Malaysia. As such, our Group from time to time endeavours to broaden and complement the range and variety of our animal feed additives products from different international brands and also secure distributorship of new lines of product from our suppliers. With reference to the Ipsos Report, international suppliers generally rely on one/a few local distributors to distribute their products across Malaysia. For some of the reputable international brands which have already collaborated with local distributors in Malaysia, it could be difficult for our Group to compete for distributorship especially when the local distributors have established stable relationships with international brands. Accordingly, our Directors consider that strategic merger, acquisition and business collaboration with companies which are distributors selling products that complement our existing product portfolio is a viable and efficient way to expand our product offerings within a shorter period of time as compared with exploring new sources of products individually and expanding product portfolio brick by brick on our own. Upon identification of a potential target in the future, apart from the complementary effect to our existing product portfolio, our Directors will take into account several major factors in determining whether to proceed with the proposed acquisition, including (i) whether the business of the target is profitable and sustainable; (ii) whether its business plans are in line with our Group's business strategies; and (iii) whether the target is in compliance with its own financial, legal and regulatory requirements. As at the Latest Practicable Date, our Company had not identified any specific acquisition and merger targets.

Establish an in-house laboratory to provide testing services to customers

Our Directors are of the view that the ability to provide complementary services to customers is vital for us to keep up with the quality standards of our competitors in Malaysia and stay competitive in market. We plan to establish a new testing laboratory to provide diagnostic services, in particular, bacterial toxin and mycotoxin testing and analysis on customers' feedstuff. Such testing services could assist our customers in identifying quality problems in their feedstuff whereby we could suggest suitable animal feed additives and product solutions accordingly.

Installation of ERP system and supporting software for our operation

Our Directors consider that information system plays an important part to support our business expansion and internal controls. With the expected increase of inventory and transactions following our business expansion, we plan to install a centralised ERP system to support our operations for better sales, production and inventory management. The ERP system can allow us to assess daily data about our inventory levels and movement of stocks in a more efficient manner and provide us with information about stock movements necessary to optimize our inventory, sales planning and management of product portfolio. We would also upgrade our general office software, so as to enable us to maintain our operations in an orderly and efficient manner.

Strengthen our sales and marketing efforts for future growth

During the Track Record Period, our customer base was relatively stable with revenue generated from our recurring customers representing approximately 98.1%, 83.5% and 97.0% of our total revenue for each of the three years ended 31 December 2019, respectively. We plan to propel future growth of our business by broadening our customer base through actively participating in domestic and international trade fairs and exhibitions and conducting other marketing activities.

Expand our workforce and fleet to support our business expansion

We believe a strong workforce equipped with adequate industry knowledge and experience would bring our Group continuous success. We plan to recruit additional staff in our sales and technical team, new manufacturing plant and new testing laboratory to cope with our expansion plan. We also plan to recruit additional supporting staff for our finance and administration department and warehousing department and acquire additional trucks and motor vehicles to support our business expansion.

OUR PRODUCT PORTFOLIO

We are a Malaysia-based company principally engaging in (i) distribution of animal feed additives and, to a lesser extent, human food ingredients; and (ii) manufacturing of animal feed additives premixes. During the Track Record Period and up to the Latest Practicable Date, we had a diversified product portfolio of over 450 products, approximately 67% of which are brand products sourced from suppliers while the remaining 33% of which are own brand products. Our product range of animal feed additives could be broadly classified into amino acids, additives, vitamins, minerals and enzymes, while our product range of human food ingredients includes baking soda, minerals, hydrocolloids, emulsifiers and vitamins.

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The following table sets forth a breakdown of our Group's revenue between animal feed additives and human food ingredients during the Track Record Period:

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of products</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of total revenue</i>
Animal feed additives	431	92,991	86.1	426	113,061	87.9	390	108,042	85.7
Human food ingredients	71	15,071	13.9	71	15,539	12.1	82	18,011	14.3
Total	502	108,062	100.0	497	128,600	100.0	472	126,053	100.0

The following tables set forth a breakdown of our Group's revenue by types of products during the Track Record Period:

Major type of brand products sourced from suppliers (Distribution business)

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>
Amino acid	12	18,797	24.9	11	19,783	23.9	10	22,041	28.1
Human food ingredient	71	15,071	20.0	71	15,539	18.8	82	18,011	22.9
Additives	32	10,269	13.6	33	7,888	9.6	39	7,920	10.1
Vitamin	67	15,148	20.0	74	22,015	26.6	69	10,816	13.8
Mineral	25	8,031	10.6	26	8,474	10.3	26	9,477	12.1
Others	121	8,227	10.9	114	8,957	10.8	89	10,306	13.0
Total	328	75,543	100.0	329	82,656	100.0	315	78,571	100.0

Major type of own brand products (Manufacturing business)

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>	<i>Number of products</i>	<i>RM'000</i>	<i>% of segment revenue</i>
Vitamin premix	62	15,483	47.6	67	24,598	53.5	59	28,460	59.9
Complex mixing (<i>Note</i>)	37	9,446	29.1	34	12,876	28.1	27	10,674	22.5
Mineral premix	63	6,212	19.1	58	6,847	14.9	61	6,438	13.6
Enzyme premix	12	1,378	4.2	9	1,623	3.5	10	1,910	4.0
Total	174	32,519	100.0	168	45,944	100.0	157	47,482	100.0

Note: Complex mixing refers to a mixture of different type of substances (e.g. vitamins and minerals mixing, complete premixes, etc).

A brief description of some selected types of products are as follow:

A. *LUTAMIX product series (Own brand product)*

Homogenised vitamin blend and mixture using spray-dried and coated vitamins to promote growth, immunity and fertility of livestock.

B. *POWERMIN product series (Own brand product)*

Organic trace elements and minerals series that are chelated with amino acid at a 1:1 molecular ratio. Used in animal feed to promote various performance of fast growth of animals.

C. *GRAINPHOS product series (Own brand product)*

Granular and powder form of 6-phytase that are derived from recombinant of 3 aspergillus species to maximise the phosphorous release in animal feed.

D. *Amino acid series*

Essential amino acid series including methionine, lysine, threonine, tryptophan, valine, isoleucine for animal feed supplementation.

E. *Food phosphate series*

Various sodium and potassium salt of food phosphate used as conditioner and stabiliser or pH regulator in various food manufacturing application.

F. *Hydrocolloids*

Food and beverage stabilising agent that are derived for various food manufacturing application.

BUSINESS

The following tables set forth our top selling products for each of the three years ended 31 December 2019:

For the year ended 31 December 2017

	<u>Product description</u>	<u>Product type</u>	<u>Source of supply</u>	<u>Revenue</u> <i>RM'000</i>	<u>Approximate percentage to our total revenue</u> %
1.	A product used to supplement methionine in feed	Amino acid	Supplier A	10,359	9.6
2.	A product used to supplement lysine in feed	Amino acid	Supplier B	5,118	4.7
3.	A buffering and emulsifying salt	Human food ingredient	A supplier from PRC	2,959	2.7
4.	A product to fortify calcium in dairy products	Mineral	A supplier from Germany	2,524	2.3
5.	Food and beverage emulsifier/stabilizer	Hydrocolloids	Supplier B	2,318	2.1

For the year ended 31 December 2018

	<u>Product description</u>	<u>Product type</u>	<u>Source of supply</u>	<u>Revenue</u> <i>RM'000</i>	<u>Approximate percentage to our total revenue</u> %
1.	A product used to supplement methionine in feed	Amino acid	Supplier A	10,453	8.1
2.	A vitamin B2	Vitamin	BASF	7,561	5.9
3.	A product used to supplement lysine in feed	Amino acid	Supplier B	5,517	4.3
4.	A multi-vitamin product	Vitamin premix	Own brand	3,082	2.4
5.	A multi-vitamin product	Vitamin premix	Own brand	3,072	2.4

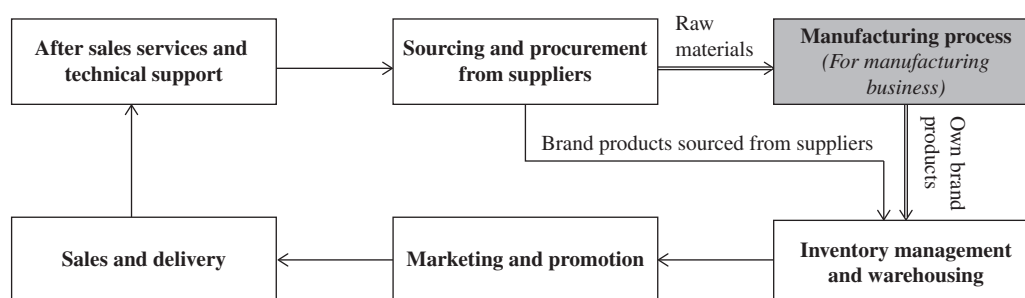
BUSINESS

For the year ended 31 December 2019

	<u>Product description</u>	<u>Product type</u>	<u>Source of supply</u>	<u>Revenue</u> <i>RM'000</i>	<u>Approximate percentage to our total revenue</u> %
1.	A product used to supplement methionine in feed	Amino acid	Supplier A	11,260	8.9
2.	A product used to supplement multivitamins in feed	Vitamin premix	Own Brand	4,250	3.4
3.	Food and beverage emulsifier/stabilizer	Hydrocolloids	Supplier B	3,928	3.1
4.	A product used to supplement threonine in feed	Amino acid	Supplier D	3,800	3.0
5.	A food and beverage PH regulator and leavening agent	Mineral	A supplier from PRC	3,182	2.5

OPERATING PROCEDURES

The following chart illustrates the typical operating procedures of our Group:



1. *Sourcing and procurement from suppliers*

We have established an extensive procurement network with suppliers from Europe, the United States and China. As at the Latest Practicable Date, our suppliers include some of the largest chemical and feed ingredients companies of international brand names and are basically (i) animal feed additives manufacturers; and (ii) human food ingredients manufacturers. During the Track Record Period and up to the Latest Practicable Date, we have sourced products and raw materials from over 70 suppliers.

When assessing potential suppliers and their brand products, we would generally take into account factors including (i) product innovation; (ii) technical knowhow and support of suppliers; (iii) product sustainability; (iv) pricing; (v) product popularity; (vi) reliability of supply; (vii) responsiveness of suppliers to our orders; (viii) competitiveness of credit terms offered; and (ix) delivery lead time. We may also request potential suppliers to provide product samples for our review and testing. Our management will decide on which suppliers to be accepted to our procurement network and what products to be included in our product portfolio. We actively manage our supplier list and product portfolio to accommodate the latest market development. For details of our diversified product portfolio, please refer to the paragraph headed “Business — Our product portfolio” in this section above.

Upon acceptance of new products in our product portfolio or new raw materials to be used in our production of animal feed additives premixes, our quality assurance and control department is responsible for ensuring all imported products are properly registered and included in our import license by obtaining documents including (i) certificate of origin; (ii) certificate of analysis; (iii) statement of manufacturing; (iv) statement of packaging; (v) statement of labeling; and (vi) statement of registration, in relation to the products from suppliers and furnishing the same to the Feed Board of Malaysia for their approval. We would also obtain halal certificates from suppliers for all halal human food ingredients distributed by us. In addition to our import license, other licenses which are material to our business are listed out in the paragraph headed “Licences, certificates and registrations” in this section below. For details of the laws and regulations relating to manufacturing and trading of animal feed additives and supplements, please refer to the section headed “Regulatory overview” in this prospectus.

During the Track Record Period, procurement from suppliers was generally made on transaction basis through individual purchase orders. We have also entered into distribution agreements with suppliers for the sales of animal feed additives and human food ingredients in Malaysia. As at the Latest Practicable Date, we have entered into 16 distribution agreements with our suppliers. For details of the distribution agreements with suppliers, please refer to the paragraph headed “Our suppliers — Distribution agreements with suppliers” in this section below.

Approximately 95.4%, 90.2% and 85.2% of our total purchases were purchased from overseas suppliers while the remaining 4.6%, 9.8% and 14.8% were purchased from local suppliers in Malaysia for each of the three years ended 31 December 2019 respectively. Subject to the availability of products, the delivery lead time during the Track Record Period ranged from approximately 9 to 120 days upon acceptance of purchase orders by our suppliers. Inbound logistics arrangements are basically determined by mutual agreements between our Group and relevant suppliers on transaction basis whereby suppliers may arrange direct shipment to our warehouse or require our Group to pick up at terminal. In certain cases, we will receive regular updates on the availability of different products from suppliers which

could facilitate our procurement process. In order to monitor the shipment from different countries, our shipping team will monitor the shipment schedule which sets out the date and time of the expected arrival of shipments of products.

Raw materials procured from suppliers are used in production of our own brand animal feed additives premixes in accordance with the pre-scheduled production plan. For details of our manufacturing process, please refer to the paragraph headed “Operating procedures — Manufacturing process” in this section below.

2. *Inventory management and warehousing*

Upon receiving the products and raw materials from suppliers, our warehouse personnel will perform stock count and visual inspection. We will basically inspect for any signs of contamination and check whether the specifications in packing list, certificate of origin and certificate of analysis are in conformity with our purchase orders. Raw materials which could directly affect the quality of our own brand products will be sent to third party laboratory(ies) on sampling basis for testing of content activity. Inventory would be stored at warehouse adjacent to our manufacturing plant in Malaysia. Human food ingredients such as hydrocolloids which are odor absorbent would be stored in a separate pressure-controlled room with air tight door to avoid contamination by outside atmosphere. Depending on the outbound delivery schedule and location of relevant customers, our Group may arrange temporary storage of inventory in warehouses operated by third party freight forwarders located in close proximity to customers for timely delivery of products.

We procure products from our suppliers on an ongoing basis to maintain an optimal level of inventory. We manage our inventory level and procurement amount by reviewing historical sales trend and exchanging market information through frequent contact with customers from time to time. A majority of our products have specific shelf life ranging from one to five years. For each of the three years ended 31 December 2019, our inventory turnover days was 91, 85 and 86 days. We usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and loss of sales. We also make procurement in large quantities each time and on an ongoing basis after taking into account the lead time between order and actual delivery of products supplied by our suppliers. Our Directors considered that we have managed our inventory at a reasonable level based on our historical sales and the assessment by our management team, thereby minimising carrying costs and enhanced working capital efficiency which is vital to our operation.

3. *Marketing and promotion*

As at the Latest Practicable Date, our professional sales and technical team consist of 14 members including 4 veterinarians, 2 nutritionists, one biochemist and other sales personnel with solid science background who possess 2 to 36 years of experience in the animal feed

additives market. Our sales and technical team is led by Dato' Sri Howard Lee, our Controlling Shareholder, executive Director, chairman and chief executive officer to develop our business in Malaysia and overseas.

In general, our sales and technical team pays regular visits to our customers to evaluate the effect of our current products and promote new products. During each visit, in particular for sales of animal feed additives products, we would typically (i) discuss with customers on their farming performance and potential problems in their farming practices; (ii) exchange market information such as effect of our competitors' products and supply-demand situation of poultry and livestock in Malaysia to keep abreast of customers' preference and latest market development; and (iii) provide updated quotations of existing products and information of new products to our customers. Our sales and technical team is equipped with veterinary and nutrition knowledge to (i) identify areas of improvement in customers' farming practices; (ii) liaise with our customers to understand their specific needs; and (iii) advise the application of different types of products. Depending on the specific needs and circumstances of each customer including (i) its scale of operations; (ii) nature of its business (i.e. whether it is a feedmill or farm); (iii) requests for customised products or standard products; and (iv) the desired farming performance, we would recommend the use of brand products sourced from suppliers or our own brand products as appropriate.

To enhance the marketability of our products, our Group participates in exhibitions, trade shows and seminars held in Malaysia and overseas. We would invite product and industry experts from some of our renowned international suppliers to partner with us in holding technical seminars and conferences. Our Directors are of the view that these events provide a platform for us to reach out to potential customers and suppliers which enables us to promote our brand name. In addition, we also provide in house technical trainings to our customers to strengthen our business relationship with them.

We receive business referrals from our existing customers from time to time. Our Directors believe that our close relationship with customers established through frequent contact with them places our Group in favourable position to obtain business referrals.

4. *Sales and delivery*

Sales are generally conducted through sales orders on transaction basis. Our sales personnel would provide the latest quotations to customers and, upon agreeing the quantity and price, our customers would place purchase orders with us. During the Track Record Period, some of the customers invited our Group to participate in private tenders for supply of products for 3 to 6 months. These private tenders were basically communicated through emails and we responded by providing quotation for the requested products. Our tender success rates were 95.8%, 68.4% and 78.6% with the corresponding revenue generated from successful tenders amounted to RM5.6 million and RM8.4 million and RM8.3 million for each of the three years ended 31 December 2019 respectively. Sales orders are reviewed and approved by

our management and our sales coordinators would arrange for delivery in accordance with customers' requirement. Depending on the location, we may deploy our own trucks and lorries or engage third party logistics services providers for the delivery.

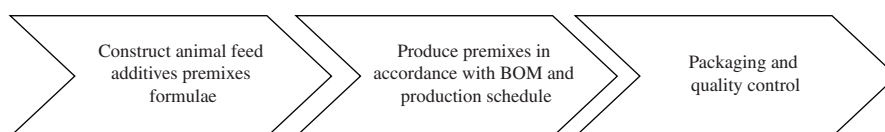
5. *After sales services and technical support*

Our Group provides after sales services and technical support to keep track on the effect of our products on customers' poultry and livestock. Our sales and technical team will visit customers to follow up their farming performance. We may (i) provide advices to the customers about the reasons for the underperformance of poultry and livestock; (ii) adjust the dosage of certain ingredients of the animal feed additives; and (iii) recommend new products. Capitalising on our diverse product portfolio, our Group is able to provide comprehensive technical support on the use of wide ranging animal feed additives to improve farming performance.

Manufacturing process

Manufacturing business is one of our core business segments during the Track Record Period. Raw materials purchased from suppliers are used at our manufacturing plant located at Premier Industrial Park, Shah Alam, Malaysia which is installed with a seven-storey automated mixer to sieve, weigh and homogenise our own brand animal feed additives premixes in accordance with different formulae. Our manufacturing plant has been certified as GMP-compliant by CI International of Malaysia since 9 November 2011 for the premixing of vitamins, minerals, enzymes and organic acids. Our existing GMP certificate is valid for a term of three years till 8 November 2020. We have strictly implemented various control procedures in accordance with the GMP requirements. In particular, our operations are subject to annual inspections by independent accreditation bodies. We also conduct our own review from time to time to monitor the effectiveness of control procedures. Trainings are also provided to our employees on the manuals, procedures and requirements set by the GMP.

As at the Latest Practicable Date, our manufacturing plant was operated and managed by our production operators, technician and production manager. Each production cycle generally takes around 50 minutes to complete and the key manufacturing process is set out below:



1. *Animal feed additives premixes formulae*

Each of our own brand premixes products has a unique formula which refers to a recipe of specific dosage and combination of a mixture of different animal feed additives. We produce both standard products and customised products that fit our customers' needs to, among others, improve fertility and livability of poultry, strengthen egg shell and colouring properties of egg yolks and

improve feed conversion rate of livestock. As discussed previously in our marketing and promotion activities, our sales and technical team would pay regular visits to customers to understand their needs and design suitable feed formulae to achieve desired performance outcomes for their livestock.

When we design and manufacture customised products, our sales and technical team would first obtain certain information from our customers, which include, among others, (i) the type of premix that the customer requested; (ii) details of the livestock and poultry; and (iii) desired performance outcomes. We mainly provide four types of own brand products, namely (i) vitamin premix; (ii) mineral premix; (iii) enzyme premix; and (iv) complex mixing where our customers can choose which type of animal feed additive to be added into their animal feed. Our sales and technical team would formulate the customised animal feed additives premixes with the suggested level of nutrients which depend on various factors such as the (i) species; (ii) breed; (iii) age; and (iv) farming purpose of the livestock and poultry. We would further adjust the dosage and combination of ingredients of the customised animal feed additives premixes product to achieve the customer's desired performance outcomes.

Once we have obtained all the required information from our customers, we will provide our preliminary solution containing the specifications and quotation as to the customised animal feed additives premixes to our customer for their consideration. After confirming the specifications with the customer and receiving their sales order, our production team will proceed to produce the customised animal feed additives premixes for our customers. Our sales and technical team will regularly visit our customers to follow up with their farming performance to ensure that they are satisfied with our customised products.

2. *Production of premixes*

Animal feed additives formulae constructed by our veterinarians and nutritionist are transformed into bill of materials (“**BOM**”) for further handling by our production operators. All required raw materials are supplied to silos of the seven-storey automated mixer in accordance with the BOM. Key work steps performed in the course of production are set out below:

Purgation

The dust collectors and compressors would firstly remove all foreign materials from the automated mixer to avoid unexpected reactions between the raw materials and impurities during the manufacturing process.

Inputting formulae

Our production operators input the work order number to the system and retrieve the corresponding formula from the system server. Following the weighing scales set out in the formula, the automated mixer will weigh the required raw materials and transfer them through the drag chain to the double-circle paddle mixer.

Homogenisation

The double-circle paddle mixer is the core component of our automated mixer which is primarily used for diffusion, shearing and homogenising raw materials in powder form with a pre-set time and blending speed. During the process, the production operators may manually add extra raw materials in liquid form.

3. Packaging and quality control

Once the production process is completed, the premix is transferred to our packaging lines. The packaged premix is labelled to display our brand name, product name, contents and list of ingredients used in our product. Each pack of premix is assigned with a unique code for anti-counterfeit purpose. Samples are collected by our quality control personnel to perform (i) product testing; and (ii) packaging checking. After the packaging and quality control process, the ready-for-sale premixes are transferred for storage in our warehouse adjacent to our manufacturing plant.

KEY MACHINERY AND EQUIPMENT

The key machinery and equipment used by our Group are as below:

<u>Type of machine/ equipment</u>	<u>Number of units</u>	<u>Function and usage</u>	<u>Approximate age</u> (years)	<u>Remaining useful life</u> (years)	<u>Replacement cost</u> RM' million
Automated mixer	1	Homogenise premixes	10	Nil	6.2

Our automated mixer was fully depreciated and carries nil accounting useful life in our books. However, in light of the good condition of the automated mixer under proper maintenance and optimum operating hours, we currently do not formulate any replacement plan for the automated mixer. We will closely monitor the condition and performance of our machinery to avoid any undesirable disruption to our business operation due to mechanical breakdown. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material interruption to our production due to malfunction of our automated mixer.

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Utilisation rates

Based on our internal record, the average utilisation rate of our automated mixer is calculated as the actual production output during each year, divided by the maximum production output based on optimum number of working hours (12 hours shift per working day and 283 working days for each of the three years ended 31 December 2019) as set out below:

	Year ended 31 December		
	2017	2018	2019
	%	%	%
Automated mixer	70.3	82.2	85.7

QUALITY CONTROL POLICY

Our Group has adopted a set of quality control measures to ensure our products are up to standard.

We perform evaluations on new and existing suppliers from time to time based on (i) product innovation; (ii) technical knowhow and support of suppliers; (iii) product sustainability; (iv) pricing; (v) product popularity; (vi) reliability of supply; (vii) responsiveness of suppliers to our orders; (viii) competitiveness of credit terms offered; and (ix) delivery lead time. In order to maintain the licenses with the Feed Board of Malaysia to import, manufacture and distribute animal feed additives products in our product portfolio, we are required to adhere to the laws and regulations relating to manufacturing and trading of animal feed additives and supplements as set out in the section headed “Regulatory overview” in this prospectus. In particular, we furnish product specifications including (i) certificate of origin; (ii) certificate of analysis; (iii) statement of manufacturing; (iv) statement of packaging; (v) statement of labeling; and (vi) statement of registration to the Feed Board of Malaysia for their approval. We will ensure relevant documents are properly obtained from suppliers when new products are introduced in our product portfolio.

Our Group would perform visual inspections and checking on product specification to uncover any product contamination and non-conformity. Raw materials which could directly affect the quality of our own brand products may be sent to third party laboratory(ies) on sampling basis for testing of content activity. During the Track Record Period, expenses on product testing amounted to approximately RM42,000, RM41,000 and RM204,000 for each of the three years ended 31 December 2019 respectively. In case of customer complaint on our product quality, our Group will conduct investigation to find out the root cause and take follow up actions if necessary.

All products sourced from suppliers would be supported by certificate of analysis while our own brand products would be supported by certificate of guaranteed analysis which set out the content, dosage and ingredients of the products for ease of tracking and quality control. During the Track Record Period, there was no record of material goods return, dispute or claim for compensation or litigation with our customers. Our Directors consider that quality control measures of our Group are effectively in place.

BUSINESS

OUR CUSTOMERS

Characteristics of our Group's customers

During the Track Record Period, our Group served over 700 customers in Malaysia and overseas which varied in terms of sizes, operating model and principal business.

Major customers

For each of the three years ended 31 December 2019, revenue attributable to our largest customer amounted to approximately 5.0%, 6.1% and 6.2% of our Group's total revenue, respectively, while revenue attributable to our five largest customers, in aggregate amounted to approximately 21.6%, 25.6% and 26.4% of our Group's total revenue, respectively.

Set out below is a breakdown of our Group's revenue attributable to our Group's top five customers during the Track Record Period:

For the year ended 31 December 2017

	Revenue in distribution business (A) <i>RM'000</i>	Revenue in manufacturing business (B) <i>RM'000</i>	Approximate amount of revenue (A)+(B) <i>RM'000</i>	Approximate percentage to our Group's total revenue %
Customer B	4,312	1,121	5,433	5.0
Customer A	—	4,945	4,945	4.6
Customer C	1,942	2,583	4,525	4.2
Customer E	3,495	796	4,291	4.0
Customer D	4,066	—	<u>4,066</u>	<u>3.8</u>
Five largest customers in aggregate			23,260	21.6
All other customers			<u>84,802</u>	<u>78.4</u>
Total revenue			<u><u>108,062</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2018

	Revenue in distribution business	Revenue in manufacturing business	Approximate amount of revenue	Approximate percentage to our Group's total revenue
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	%
Customer F	348	7,444	7,792	6.1
Customer G	1,632	5,770	7,402	5.8
Customer B	4,471	2,178	6,649	5.2
Customer H	—	5,861	5,861	4.6
Customer C	2,238	2,810	<u>5,048</u>	<u>3.9</u>

**Five largest customers in
aggregate**

	32,752	25.6
All other customers	<u>95,848</u>	<u>74.4</u>

Total revenue 128,600 100.0

For the year ended 31 December 2019

	Revenue in distribution business	Revenue in manufacturing business	Approximate amount of revenue	Approximate percentage to our Group's total revenue
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	%
Customer C	2,338	5,458	7,796	6.2
Customer A	—	7,287	7,287	5.8
Customer H	282	6,916	7,198	5.7
Customer F	217	6,075	6,292	5.0
Customer I	1,430	3,225	<u>4,655</u>	<u>3.7</u>

**Five largest customers in
aggregate**

	33,228	26.4
All other customers	<u>92,825</u>	<u>73.6</u>

Total revenue 126,053 100.0

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The table below sets forth the background information of our Group's top five customers during the Track Record Period:

<u>Customers</u>	<u>Products purchased from our Group</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method</u>
Customer A	Animal feed additives products	Over 8	Letter of credit at sight
Customer B	Animal feed additives products	Over 18	90 days by Interbank GIRO/cheque
Customer C	Animal feed additives products	Over 13	30–60 days by Interbank GIRO/cheque
Customer D	Animal feed additives products	Over 17	30–75 days by Interbank GIRO/cheque
Customer E	Animal feed additives products and human food ingredients products	Over 15	30–90 days by Interbank GIRO/cheque
Customer F	Animal feed additives products	Over 18	60 days by Interbank GIRO/cheque
Customer G	Animal feed additives products	Over 17	60 days by Interbank GIRO/cheque
Customer H	Animal feed additives premixes	Over 11	Letter of credit at sight
Customer I	Animal feed additives premixes	Over 20	30 days by Interbank GIRO/cheque

Profile of our top customers

Customer A is a manufacturer and distributor of poultry, fish, shrimp and cattle feed.

Customer B is an animal feed products manufacturer in Malaysia.

Customer C mainly engages in the manufacturing of animal feed products in Malaysia. Customer C comprises a group of subsidiaries owned by a company listed on the Philippine Stock Exchange with a market capitalisation of over PHP250 billion as at the Latest Practicable Date.

Customer D principally engages in grains trading, flour milling and feed milling in Malaysia. Customer D is a 80% owned subsidiary of a company listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of over RM23 billion as at the Latest Practicable Date.

Customer E mainly engages in flour and grains trading and poultry integration. Customer E is a company listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of over RM468 million as at the Latest Practicable Date.

Customer F principally engages in integrated livestock farming and processing and retail operation. Customer F is a company listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of over RM224 million as at the Latest Practicable Date.

Customer G is a poultry farming company in Malaysia.

Customer H is an animal health and nutrition products distributor in the Philippines. As at the Latest Practicable Date, our Group has entered into a distribution agreement with Customer H for the promotion and sales of our own brand products in the Philippines. For details, please refer to the paragraph headed “Our customers — Distribution agreements with distributors” in this section below.

Customer I is a diversified resource and agricultural-based group with three core principal activities, namely (i) integrated livestock farming; (ii) marine products manufacturing; and (iii) palm oil activities. Customer I is a company listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of over RM12 billion as at the Latest Practicable Date.

All of our Group’s top five customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest (direct or indirect) in any of our Group’s five largest customers during the Track Record Period.

Credit policy

We generally offer sales on credit for a credit period up to 90 days. Payment from our customers are mainly settled by cash, cheque or bank transfer. Our senior management closely monitors the overdue balances and evaluates on a case-by-case basis with respect to the appropriate follow-up actions to be taken.

For each of the three years ended 31 December 2019, the average trade receivable turnover days were approximately 97, 77 and 88 days respectively.

Distribution agreements with distributors

As at the Latest Practicable Date, we have entered into a distribution agreement with Customer H and a customer from India to promote and sell our own brand products in the Philippines and Chennai of India. The principal terms are as below:

- Contract duration : — No definite period of time and is renewed every year automatically unless a prior written notice is served to the other party 120 days indicating otherwise
- Geographical coverage : The Philippines/Chennai of India
- Business relationship : — Our Group as seller and distributors as buyer
- Obligation of the distributor : — Distributors undertake neither directly nor indirectly to market products from suppliers other than our Group that might compete with our own brand products
— Appointment of sub-distributors requires the approval of our Group
— Distributors to maintain in good standing all necessary licenses, permits and approval
- Product : Our own brand products
- Minimum purchase commitment : To be negotiated between the parties based on past sales performance and future market developments
- Termination : Either party can terminate the agreement immediately upon written notice to the other party if
— the other party materially breaches the agreement and such breach is not cured within 30 days of written notice of the breaching party;
— the other party becomes bankrupt or is subject to proceedings for liquidation or dissolution or ceases to carry on business or becomes unable to pay its debts as they become due;
— any government authority having authority over either party requires any provision of the agreement to be revised in such a way as to cause significant adverse consequences to such party;
or
— other party fails to pay any amount due under the agreement within 14 days of such amount falling due for payment

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Our Directors confirm that, as at the Latest Practicable Date, there was no material breach of the terms of the distribution agreement entered into between our Group and distributors.

During the Track Record Period, our relationship with all distributors including Customer H and the customer from India was a seller-buyer relationship whereby sales were made to distributors after arm's length negotiation and on normal commercial terms and there was no material goods return from the distributors. No revenue was generated through distributors acting as agents during the Track Record Period. As such, our Directors consider that sales to distributors were identical to sales to other customers of our Group.

OUR SUPPLIERS

Characteristics of our Group's suppliers

During the Track Record Period and up to the Latest Practicable Date, our Group procures products and/or raw materials from over 70 suppliers, comprising (i) animal feed additives products manufacturers; and (ii) human food ingredient manufacturers, who are primarily located overseas in Europe, the United States and China.

Major suppliers

For each of the three years ended 31 December 2019, purchases attributable to our Group's largest supplier amounted to approximately 11.5%, 11.5% and 11.3% of our Group's total purchases, respectively, while purchases attributable to our Group's five largest suppliers, in aggregate, amounted to approximately 45.5%, 41.3% and 38.0% of our Group's total purchases, respectively.

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Set out below is a breakdown of our Group's purchases attributable to our Group's top five suppliers during the Track Record Period:

For the year ended 31 December 2017

	Approximate amount of purchase	Approximate percentage to our Group's total purchases
	<i>RM'000</i>	<i>%</i>
Supplier A	10,904	11.5
BASF	10,622	11.2
Zhejiang Chemicals	9,806	10.4
Supplier B	7,396	7.8
Thermphos	<u>4,371</u>	<u>4.6</u>
Five largest suppliers in aggregate	43,099	45.5
All other suppliers	<u>51,470</u>	<u>54.5</u>
Total purchases	<u><u>94,569</u></u>	<u><u>100.0</u></u>

For the year ended 31 December 2018

	Approximate amount of purchase	Approximate percentage to our Group's total purchases
	<i>RM'000</i>	<i>%</i>
BASF	10,530	11.5
Supplier A	9,489	10.3
Supplier B	8,315	9.0
Zhejiang Chemicals	5,519	6.0
Supplier C	<u>4,164</u>	<u>4.5</u>
Five largest suppliers in aggregate	38,017	41.3
All other suppliers	<u>53,931</u>	<u>58.7</u>
Total purchases	<u><u>91,948</u></u>	<u><u>100.0</u></u>

BUSINESS

For the year ended 31 December 2019

	Approximate amount of purchase <i>RM'000</i>	Approximate percentage to our Group's total purchases %
BASF	11,648	11.3
Supplier A	10,421	10.1
Supplier B	6,544	6.4
Supplier D	5,391	5.2
Zhejiang Chemicals	<u>5,100</u>	<u>5.0</u>
Five largest suppliers in aggregate	39,104	38.0
All other suppliers	<u>63,862</u>	<u>62.0</u>
Total purchases	<u><u>102,966</u></u>	<u><u>100.0</u></u>

The table below sets forth the background information of our Group's top five suppliers during the Track Record Period:

Suppliers	Products and/or raw materials purchased by our Group	Years of business relationship	Typical credit terms and payment method
Supplier A	Animal feed additives products	Over 35	60 days after BL date by Overseas TT
BASF	Animal feed additives products	Over 17	60 days after Invoice date by Overseas TT/ Interbank GIRO
Supplier B	Animal feed additives products and human food ingredients	Over 22	60 days after BL date by Overseas TT
Thermphos	Human food ingredients	Over 15	30 days after BL date by Overseas TT
Zhejiang Chemicals	Animal feed additives products and human food ingredients	Over 12	30 days after BL date by Overseas TT
Supplier C	Animal feed additives products	Over 24	90 days after Invoice date by Overseas TT
Supplier D	Animal feed additives products	Over 6	Advance payment by Overseas TT

Profile of our top suppliers

Supplier A are the subsidiaries of a global chemical company headquartered in Germany whose shares are listed on Frankfurt Stock Exchange with a market capitalisation of over EUR10 billion as at the Latest Practicable Date.

BUSINESS

BASF are the subsidiaries of BASF SE, which is a global chemical company headquartered in Germany whose shares are listed on the Frankfurt Stock Exchange with a market capitalisation of over EUR43 billion as at the Latest Practicable Date. BASF sold its premix business in Malaysia to us in 2007. For details, please refer to the section headed “Business — Our suppliers — Relationship with BASF” in this prospectus.

Supplier B is a global agricultural food processor and food ingredient provider headquartered in United States whose shares are listed on the New York Stock Exchange with a market capitalisation of over US\$20 billion as at the Latest Practicable Date.

Thermphos is a PRC company principally engaged in manufacturing of food phosphates and other specialty phosphates.

Zhejiang Chemicals is a PRC company principally engaged in import and export of pharmaceuticals, agro-chemicals, food/feed additives and vitamins. Zhejiang Chemicals is distributing its products in over 80 countries covering North America, Europe and Southeast Asia.

Supplier C is a PRC company principally engaged in manufacturing of choline chloride. Supplier C is an indirect wholly owned subsidiary of a chemical company listed on the New York Stock Exchange with a market capitalisation of over US\$7 billion as at the Latest Practicable Date.

Supplier D is an indirect wholly-owned subsidiary of an amino acid and xanthan gum manufacturer headquartered in the PRC whose shares are listed on the Main Board with a market capitalisation of over HK\$6 billion as at the Latest Practicable Date.

All top five suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest (direct or indirect) in any of our Group’s five largest suppliers during the Track Record Period.

Relationship with BASF

We have a long-standing business relationship of approximately 17 years with BASF to promote and distribute their products in Malaysia. Back in 2007, BASF made a strategic move to divest its premix business in a global restructuring program to optimise its portfolio. At that time, our Directors considered that it was an opportunity to tap into the manufacturing business of animal feed additives premixes by acquiring the premix business in Malaysia from BASF. Meanwhile, we have also entered into (i) distribution agreement; (ii) toll manufacturing agreement; and (iii) raw material supply agreement with BASF to enhance our business cooperation. The principal terms of distribution agreements with BASF and the other suppliers are summarised in the paragraph headed

BUSINESS

“Distribution agreements with suppliers” in this section below while the principal terms of toll manufacturing agreement and raw material supply agreement entered into with BASF are as follows:

Toll manufacturing agreement

- Contract duration : Automatically extended unless terminated by either party by giving the other party three months written notice prior to the end of each contractual term
- Business relationship : Our Group as service provider and BASF as customer
- Service : Dilution of granulate enzyme
- Obligation of our Group : — To perform dilution service using ingredients supplied by BASF and/or other suppliers approved by BASF
— Adhere to the specific packaging, labelling and storage requirement
— To follow the production, sampling method and analysis procedures used by BASF
— Title to the materials supplied by BASF, finished products and know-how shall be vested in BASF
- Tolling fee : To be agreed between the parties annually on each cost item including production cost, electric cost, packaging and labelling cost, plus a 5% mark-up
- Termination : Either party may terminate the agreement upon written notice to the other party if:
- the other party discontinues business or is adjudicated a bankrupt, or files a voluntary petition in bankruptcy or reorganisation; or
 - the other party shall make any default on its part and such default shall continue unremedied for 30 days after notice thereof given by the other party.

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Our Directors confirm that, as at the Latest Practicable Date, the toll manufacturing agreement was valid and there was no material breach of the terms of the toll manufacturing agreement entered into between our Group and BASF. During the Track Record Period, we have provided dilution service and received tolling fee from BASF. For details, please refer to the paragraph headed “Overlapping of major customers and suppliers — BASF” in this section below.

Raw material supply agreement

- Contract duration : Initially till 2027 and shall be extended automatically every year thereafter unless terminated by either party by giving the other party three months written notice prior to the end of initial term
- Business relationship : Our Group as customer and BASF as supplier
- Product : Raw materials to be used in the manufacturing business of our Group
- Minimum purchase commitment : To be negotiated between the parties based on historical purchase volume and market dynamics
- Price : To be agreed between the parties based on market price in Malaysia
- Termination : Either party may terminate the agreement prior to expiration upon written notice to the other party if:
- the other party materially breaches the agreement and such breach is not cured within 60 days of written notice to the breaching party; or
 - the other party is subject to proceedings for bankruptcy, liquidation or dissolution, or ceases to carry on business; or
 - any government authority having authority over either party requires any provision of the agreement to be revised in such a way as to cause significant adverse consequences to such party; or
 - the other party fails to pay any amount due within 14 days of such amount falling due for payment.

Our Directors confirm that, as at the Latest Practicable Date, there was no material breach of the terms of the raw material supply agreement entered into between our Group and BASF.

Distribution agreements with suppliers

The principal terms are as below:

- | | | |
|-----------------------------|---|---|
| Contract duration | : | The agreements are generally effective for a fixed period of time and shall be automatically renewed unless terminated by either party prior to an agreed time frame before the commencement of subsequent extended term |
| Geographical coverage | : | Malaysia |
| Business relationship | : | Our Group may act as principal to purchase products on our own account (Distribution business) and/or act as agent to solicit orders for suppliers (Agency business) |
| Obligation of our Group | : | <ul style="list-style-type: none">— We undertake, neither directly nor indirectly, to market products that compete with or perform function similar to the products sourced from the respective suppliers— We shall not appoint sub-distributors to promote the products sourced from the respective suppliers without written consent of that supplier— We shall at all times comply with all applicable laws, regulations and orders of any government of Malaysia and maintain the required licenses, permits or approvals |
| Minimum purchase commitment | : | To be negotiated between the parties based on past sales performance and future market developments |
| Price | : | To be determined mutually by both parties from time to time. Our Group as an independent distributor is free to set the resale price of the products |
| Termination | : | <p>Either party may terminate the agreement with immediate effect by providing written notice to the other party if:</p> <ul style="list-style-type: none">— the other party breaches any material obligation and fails to rectify the breach within a specific period of time after written notice and demand for rectification— the other party ceases to carry on business, becomes insolvent or bankrupt— there is a change in ownership or control that may adversely affect the rights or interests of the other party |

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During the Track Record Period, our Group mainly acted as principal to purchase products from suppliers which are then sold independently to local customers in Malaysia on our own account. Sales solicited in the capacity of agent accounted for an insignificant portion of our business with total commission arising therefrom amounting to approximately RM88,000, RM1,000 and RM117,000 for each of the three years ended 31 December 2019 respectively. Our Directors confirm that, as at the Latest Practicable Date, the distribution agreements were valid and there was no material breach of the terms of the distribution agreement entered into between our Group and the respective suppliers.

Overlapping of major customers and suppliers

BASF

During the Track Record Period, BASF was one of our top five suppliers who supplied raw materials and animal feed additives products to us. BASF also engaged us for the provision of dilution service under the aforementioned toll manufacturing agreement. The percentage of revenue and cost and gross profits generated from our dilution services to BASF during the Track Record Period are set out below:

	Year ended 31 December		
	2017	2018	2019
Purchase from BASF as a percentage of total purchase (%)	11.2	11.5	11.3
Tolling fee from BASF as a percentage of total revenue (%)	0.03	Nil	Nil
Gross profit (RM'000)	26.6	Nil	Nil
Gross profit margin (%)	96.1	Nil	Nil

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Customer E

Customer E is an integrator with business operation in both flour milling and production of animal feeds. During the Track Record Period, Customer E was one of our top five customers who purchased animal feed additives from our Group. We have also purchased semolina from Customer F, who is an approved supplier of BASF to provide ingredients for us to perform dilution service under the aforementioned toll manufacturing agreement. The percentage of revenue and cost and gross profits generated from Customer E during the Track Record Period are set out below:

	Year ended 31 December		
	2017	2018	2019
Purchase from Customer E as a percentage of total purchase (%)	0.01	Nil	Nil
Revenue from Customer E as a percentage of total revenue (%)	4.0	2.0	0.9
Gross profit (RM'000)	401.9	329.2	37.5
Gross profit margin (%)	9.4	12.9	3.1

SALES AND MARKETING

Salient terms of sales orders with our customers

Sales are generally conducted through sales orders on transaction basis. Set out below are the salient terms contained in the sales orders:

Basic information	:	Product name, unit price, quantity and packaging
Payment and credit term	:	Full payment by cash, cheque or bank transfer upon delivery or within a credit period of generally 90 days or letter of credit at sight.
Delivery	:	To deliver the products on or before specific dates, free from harmful substance and attached with certificate of analysis.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any cancellation of orders from our customers.

Pricing policy

Our Group adopts a cost-plus pricing strategy for our products. When we prepare price quotations to customers, we will take into consideration factors including (i) our cost of production or cost of products sourced from suppliers; (ii) transportation cost; (iii) our envisaged gross profit

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set by our management; (iv) historical sales record with the customer; and (v) prices of our competitors' products. On a case-by-case basis, we may also take into consideration the specific requirements from our customers and the value-added services that we are required to provide.

Our Directors believe that we can generally pass on part of the increase in our procurement costs and production costs to our customers under our pricing policy. Comparing the pricing of similar products offered by our competitors from time to time, we believe that our price set for our products during the Track Record Period represented good value for money and remained competitive with those set by our competitors while capable of maintaining reasonable profit margins.

Seasonality

Our Directors consider that our Group's business operations do not have any material seasonality.

COMPETITION

According to the Ipsos Report, the overall animal feed additives market in Malaysia was valued at approximately RM723.5 million in 2013 and has increased to approximately RM884.7 million by the end of 2018 at a CAGR of approximately 4.10%. Our Group accounted for a market share of approximately 12.78% in the Malaysia animal feed additives market in 2018. There are various entry barriers for new market players to establish business presence in the animal feed additives industry in Malaysia including (i) proven track record and relationship with customers; and (ii) regulatory structures. Please refer to the section headed "Industry overview" in this prospectus for further information on the competitive landscape of the animal health and nutrition industry in Malaysia.

OCCUPATIONAL HEALTH AND SAFETY

To prevent work injuries and to promote safe working environment, we have established safety rules and measures to govern workplace safety. We have regular maintenance schedule to keep our production machines and equipment in good condition for its intended use. We also provided staff training to ensure employees are properly trained and are under adequate supervision. We have obtained GMP certification since 9 November 2011 and renewed on 9 November 2017 issued by CI International of Malaysia and the current GMP certification is valid until 8 November 2020. During the Track Record Period, there was no material incident or accident, nor any penalty or fine in relation to any non-compliance of applicable laws, rules and regulations.

CONTINGENCY PLANS AND PREVENTIVE MEASURES REGARDING THE ONGOING CORONAVIRUS COVID-19

In view of the outbreak of Coronavirus COVID-19, our Directors have considered the following business contingency plans which will be implemented in case if we encounter cancellations of sales orders or supply chain disruption:

- maintain minimum headcount to support our operations by placing our staff on unpaid leave; and
- maintain more than one supplier for our major products and/or raw materials.

Our Group has also adopted various preventive measures to protect our employees from the outbreaks of infectious diseases, including the following:

- temperature screening at entry of our offices, warehouses and manufacturing plant;
- keeping records of our employees' travel and health records;
- daily sterilization of our offices, warehouses and manufacturing plant; and
- personal protection control (hand sanitizing and respiratory protection such as wearing face masks, etc.).

For further details of the impact of the Coronavirus COVID-19 on our operation, please refer to the paragraph headed "Summary — Outbreak of Coronavirus COVID-19" in this prospectus.

ENVIRONMENTAL COMPLIANCE

Our Group engages in (i) distribution of animal feed additives and human food ingredients; and (ii) manufacturing of animal feed additives premixes which in general do not have material environmental impact. Due to the nature of our business, our manufacturing business does not emit any form of waste that is subject to the environmental regulations in Malaysia. As such, our Group did not directly incur material cost of environmental compliance during the Track Record Period. Nonetheless, we have put forward a series of production guideline and will take precautionary measures, when necessary, to ensure compliance with the relevant environmental protection regulations (if any) and meet production standards.

During the Track Record Period and up to the Latest Practicable Date, we did not emit any form of waste, water and waste substance which may be deemed as sources of pollution pursuant to the laws and regulations on environmental protection in Malaysia and therefore had not been subject to any material fines or legal action involving non-compliance of any environmental laws and regulations. As at the Latest Practicable Date, we are not aware of any potential environmental liability which might cause adverse impact to our business operations.

INSURANCES

We are covered by the following insurance policies as at the Latest Practicable Date:

- Public liability insurance
- Equipment insurance
- Fire insurance
- Group hospital and surgical insurance
- Employer's liability insurance
- Consequential loss insurance
- Marine Cargo insurance
- Burglary insurance
- All risk insurance
- Product liability insurance

During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims. For each of the three years ended 31 December 2019, our Group incurred insurance expenses of approximately RM351,000, RM345,000 and RM307,000, respectively. Our Directors are of the view that the existing insurance coverage is adequate for our present operation and in line with the industry practice having regard to our current operations and the prevailing industry practice. Please refer to the section headed "Risk factors — Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations" in this prospectus for details.

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LICENCES, CERTIFICATES AND REGISTRATIONS

The table below set out the details of our major licences, certificates and registrations as at the Latest Practicable Date:

<u>Licenses, certificates and registrations</u>	<u>Issuing/certification body</u>	<u>Date of expiry</u>
Certificate of Feed or Feed Additive Seller Registration	Ministry of Agriculture	16 January 2021
Certificate of Feed or Feed Additive Manufacturer Registration	Ministry of Agriculture	16 January 2021
Import License (Feed and Feed Additives)	Ministry of Agriculture	31 December 2020
Import License (Drugs and Cosmetic)	Ministry of Health	31 December 2020
Fishery License	Fisheries Development Authority of Malaysia	31 March 2021
Pharmacist's Poisons License	Ministry of Health	31 December 2020
Operator License	Land Public Transport Commission	28 May 2023
GMP certificate MS 1514:2009	CI International Certification Sdn. Bhd.	8 November 2020
ISO 9001:2015 for distribution of feed ingredients, animal health supplement and pharmaceuticals	British Standards Institution	2 September 2021
ISO 9001:2015 for manufacturing of feed ingredients and animal health supplement	British Standards Institution	2 September 2021

Our Directors confirm that our Group had obtained all necessary licences, certificates and registrations for our business operations in Malaysia in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences, certificates and registrations. Furthermore, our Directors are not aware of any circumstances and our legal advisers as to Malaysian law do not foresee any legal impediment that would significantly hinder or delay

BUSINESS

the renewal of such licences, certificates and registrations upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such registration that would cause material impacts on our Group's operations and business.

EMPLOYEES

Number of employees by function

As at 31 December 2017, 2018, 2019 and the Latest Practicable Date, our Group had a total of 57, 57, 55 and 58 employees, respectively. All of the employees of our Group are stationed in Malaysia. Set out below is the number of employees by function as at the dates indicated:

	As at 31 December			As at the Latest Practicable Date
	2017	2018	2019	
Management	4	4	4	4
Sales & Technical	14	15	13	14
Warehouse management	10	9	8	8
Finance and administration	14	16	17	17
Production	10	10	10	11
Quality assurance and control	5	3	3	4
Total	57	57	55	58

Relationship with employees

Our Directors consider that our Group has maintained good relationship with its employees. Our Directors confirm that our Group has complied with all applicable labour laws and regulations in Malaysia.

Our Directors confirm that our Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has our Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, our employees are not members of any labour union.

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Training and recruitment policies

Our Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our Group's business development. Our Group provides employees' handbook to new employees to explain our Group's internal rules.

Remuneration policy

Our Group entered into separate employment contracts with each of our employees in accordance with the applicable employment laws in Malaysia. Our Group offers remuneration package to its employees, the remuneration package includes salary, bonuses and other cash allowances or subsidies. In general, we determine employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of each employee, which forms the basis of our Group's decisions for the salary raises, bonuses and promotions.

During the Track Record Period and up to the Latest Practicable Date, our Malaysian Legal Advisers are of the view that our Group had been in compliance with all relevant laws and regulations of Malaysia in relation to employers' provident fund and social security.

PROPERTIES

Owned property

As at the Latest Practicable Date, our Group had the following self-owned property:

<u>Address</u>	<u>Gross floor area</u> <i>(in approximate sq.m.)</i>	<u>Usage</u>
No. 1, Jalan Sapir 33/7, Seksyen 33, Shah Alam Premier Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan, Malaysia	Plant: 4,339 Land: 6,868	Manufacturing plant with warehouse

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Leased properties

The following table sets forth the summary of our leased properties as at the Latest Practicable Date:

Tenant	Landlord	Address	Usage	Gross floor area (in approximate sq.m.)	Expiry date
Gladron Chemicals	Lee & Seetho Holding Sdn. Bhd. (Note)	No. 7, Jalan TP 7, UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Office and warehouse	4,535	31 December 2020
Gladron Chemicals	Independent Third Party	Lot 704, Block 233 Kuching North Land District	Office	125	31 October 2021
Kevon	Lee & Seetho Holding Sdn. Bhd. (Note)	No. 7, Jalan TP 7, UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Office and warehouse	269	31 December 2021

Note: Lee & Seetho Holding Sdn. Bhd. is owned by a connected person of our Group. Please refer to the section headed “Relationship with Controlling Shareholders — Transactions entered into before the Listing which would otherwise constitute connected transactions” in this prospectus for details.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in renewing the leases.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we had 17 trademark registrations in Malaysia and 18 trademark registrations overseas. There are two trademark renewal applications filed in the Philippines and Vietnam, that are pending renewal from the regulated authorities. For details of our trademarks, please refer to the paragraph headed “B. Further information about the business of our Group — 2. Intellectual property rights — (a) Trademarks” in Appendix V to this prospectus.

Domain name

As at the Latest Practicable Date, we registered five domain names, being www.gladron.com, www.ritamix.com, www.lutamix.com, www.kevonfoods.com and www.ritamix-global.com. Details of such domain names are set out in the paragraph headed “B. Further information about the business of our Group — 2. Intellectual property rights — (b) Domain names” in Appendix V to this prospectus.

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Our Directors confirmed we had complied with all applicable intellectual property laws and regulations and there were no material dispute or legal proceeding in relation to any infringement of intellectual property rights during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned or being applied by us.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any significant research and development activity.

LITIGATIONS AND CLAIMS

The Controlling Shareholders have entered into the Deed of Indemnity whereby the Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any work injuries, outstanding litigations and claims, and non-compliances of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus.

Legal proceedings

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries that would have a material adverse effect on the results of operations or financial condition of our Group.

NON-COMPLIANCE

Our Directors confirm that, as at the Latest Practicable Date, there were no material non-compliance with applicable laws and regulations during the Track Record Period that would have a material operational or financial impact on our Group.

Our Malaysia legal advisers had opined that we complied with relevant laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT**Hedging**

During the Track Record Period, our sales are mainly received in RM while purchases are mainly denominated in USD. As such, we are exposed to foreign exchange risk. While we currently do not have any hedging policy to mitigate our foreign exchange risk, we have adopted the following measures to mitigate such risk:

- We are generally able to pass on the cost arising from exchange rate fluctuations to our customers by adopting a cost-plus pricing model;
- Our finance and administration department would closely monitor the movement of relevant exchange rates; and
- In the event that the relevant exchange rates fluctuate to a considerable extent, our finance and administration department would report to our Directors such that appropriate actions could be carried out in a timely manner to mitigate any foreign exchange risk for example, we will, upon the approval by our executive Directors, consider entering into foreign currency hedging transactions should the need arise. Our management may seek advice from external financial advisers, where necessary. In determining the amount and duration of each hedging transaction, we generally consider a number of factors including (i) different derivative instruments available in the market; (ii) the level of risk exposure and potential loss; (iii) costs associated with the entering into the hedging transaction; and (iv) our Group's overall cashflow position.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any foreign exchange hedging transaction. Our management will continue to closely monitor its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Investment Risk Management

We engage in investments with surplus cash on hand. Our primary objective for investments is to preserve principal. Our finance and administration department, under the supervision of our executive Directors and/or Chief Financial Officer, is responsible for managing our investment activities. Before making a proposal to invest in treasury products, our finance and administration department must assess our cash flow and operational needs and capital expenditures.

We operate under a treasury policy which governs our investment risk management. We should only invest in approved securities and asset classes as permitted by the treasury policy which include overnight money market products, bank term deposits and other investment products with appropriate level of liquidity to enable the provision of cash flow when required.

Our investment decisions are made on a case-by-case basis that considers multiple factors, such as nature of investments, risk of capital loss or depreciation, potential for capital appreciation, length of the term of the proposed investment and marketability of the proposed investment. Treasury reports have to be reviewed regularly by our executive Directors and/or Chief Financial Officer to ensure compliance with policies, procedures and risk limits.

We believe that our internal treasury policies and the related risk management mechanism are adequate. We may make investments that meet the above criteria after consultation and approval by our board where we believe it is prudent to do so after the Listing.

Internal control review

Our Group has engaged an independent internal control adviser to perform a detailed evaluation of the adequacy and effectiveness of our internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improving our corporate governance.

Our risk management and internal control system and procedures are designed to meet our specific business needs as well as to minimise risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve corporate governance and ensure compliance with the applicable laws and regulations. Our Directors and senior management are responsible for identifying and analysing the risks associated with our operations, preparing risk mitigation plans, assessing and reporting the respective effectiveness. For the purpose of ensuring the sound and proper implementation of risk management and internal control policies, we have also adopted various measures, including the following:

- improve the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters;
- Messis Capital has been appointed as the compliance adviser of our Company, further information on which is set forth in the section headed “Directors and senior management — Compliance Adviser” in this prospectus;
- our Directors have received trainings conducted by the legal advisers to our Company as to Hong Kong law on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;
- we will assess and monitor the implementation of the internal control manual and policies regularly; and
- we will provide necessary internal training to our staff with respect to the internal control and corporate governance procedures.

In November 2018, the independent internal control adviser performed follow up review and arrived at a view that it was not aware of any significant deficiencies in our Group’s internal control design.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme), our Company will be owned as to 67.5% by Garry-Worth. Pursuant to the Acting in Concert Undertaking, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw, being the legal and beneficial owners as to 53.37%, 20.17%, 20.17% and 6.29% of the issued share capital of Garry-Worth, are indirectly holding 67.5% of the issued share capital of our Company and regarded as a group of Controlling Shareholders under the Listing Rules.

Garry-Worth is an investment holding company incorporated in BVI. Dato' Sri Howard Lee has been leading the development and strategic planning of our Group since 1996 and is the chief executive officer of our Group while Mr. HH Lee and Mr. HS Lee are his brothers and Datin Sri Emerlyn Yaw is his spouse. Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw are our executive Directors and Mr. HS Lee is our non-executive Director. For details of their background and experience, please refer to the section headed "Directors and senior management — Directors" in this prospectus. Mr. HH Lee has been a director of Gladron Chemicals and Ritamix since June 1996 and May 2007, respectively.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In addition, each of our Controlling Shareholders has given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed "Non-competition undertakings" in this section below.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Management independence

Our Group has an independent management team comprising its executive Directors and its senior management who have substantial experience in the business of our Group. The management team is able to implement the policies and strategies of our Group and performs its roles in our Company independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our Group's overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Further, each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In case Dato' Sri Howard Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw are required to abstain from voting at Board meetings due to potential conflict(s) of interest, our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that our Group is capable of managing our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal controls procedures to facilitate the effective operation of our business.

Save for the transactions which would otherwise constitute connected transactions should our Company be listed on the Stock Exchange at the time of the relevant transactions as disclosed in the paragraph headed "Transactions entered into before the Listing which would otherwise constitute connected transactions" in this section, our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Group has its own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. Our Group makes financial decisions according to its own business needs.

The accounting and finance department of our Group will be responsible for the financial reporting, liaising with its auditors, reviewing its cash position and negotiating and monitoring its bank loan facilities and drawdowns.

During the Track Record Period, Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee, Datin Sri Emerlyn Yaw and Mr. SS Lee had provided personal guarantees for the banking facilities granted to our Group. All the financial assistance, including the personal guarantees given by Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee, Datin Sri Emerlyn Yaw and Mr. SS Lee will be repaid or released or otherwise settled before or upon the Listing.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the business operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence from major suppliers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Independence from major customers

Our Directors have confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

TRANSACTIONS ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into the following transactions with Lee & Seetho Holding Sdn. Bhd. (“**Lee & Seetho**”) who will, upon the Listing, become our connected person. These transactions were entered into before the Listing and are accounted as one-off in nature under IFRS 16. If these transactions were entered into after the Listing, such transactions would have constituted connected transactions of our Group. Details of such transactions are set out below in order to facilitate potential investors to anticipate that we have, before the Listing, entered into transactions which would otherwise be considered as connected transactions should our Company be listed on the Stock Exchange at the time of the relevant transactions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Connected Person

Upon the Listing, Lee & Seetho, which has entered into the following tenancy agreements with our Group, will be our connected person. Lee & Seetho is owned as to approximately 99.999969% by Dato' Sri Howard Lee and 0.000031% by Datin Sri Emerlyn Yaw and is a 30%-controlled company (as defined under the Listing Rules) of Dato' Sri Howard Lee and our connected person under Rule 14A.07(4) the Listing Rules.

Tenancy Agreements

As at the Latest Practicable Date, our Group has leased the property from Lee & Seetho under the respective tenancy agreements (the “**Tenancy Agreements**”), details of which are set out as follows:

Date of tenancy agreement	Property address	Parties	Gross floor area under the current tenancy agreement (sq.m.)	Total rental	Term	Use of the property
1. 31 December 2019	No. 7, Jalan TP 7, UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia (“ Property 1 ”)	Landlord: Lee & Seetho Tenant: Gladron Chemicals	4,535	RM516,000	1 January 2020 to 31 December 2020 (with an option to renew for another one-year term)	Office and warehouse
2. 30 December 2019	No. 7, Jalan TP 7, UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia (“ Property 2 ”)	Landlord: Lee & Seetho Tenant: Kevon	269	RM96,000	1 January 2020 to 31 December 2021	Office and warehouse

Basis in determining the rental payable

The rents were on normal commercial terms determined after arm's length negotiations based on the prevailing market rents no less favourable to those offered by Independent Third Parties for comparable properties in similar locations.

Reasons for the transactions

Our Group has historically been using the property under the Tenancy Agreements as our office and warehouse. Having considered that the rents of the property under the Tenancy Agreements are comparable to the prevailing market rents of comparable properties in similar locations, and the Tenancy Agreements have been entered into in the ordinary and usual course of business, on terms no less favourable to us than from those available to Independent Third Parties, our Directors consider that the terms of the Tenancy Agreements are fair and reasonable and it is in the interests of our Company and our Shareholders as a whole to continue using the property under the Tenancy Agreements as our office and warehouse.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Accounting treatment of the Tenancy Agreements

Our Group has adopted IFRS 16 for the accounting period beginning on 1 January 2019 as stated in note 3 of the Accountants' Report, pursuant to which, for the accounting period beginning on 1 January 2019, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transactions under the Tenancy Agreements would be regarded as acquisitions of assets by the tenants for the purpose of the Listing Rules.

Implication under the Listing Rules

As the leasing of Property 1 and Property 2 were entered into within a 12-month period and the landlord was Lee & Seetho, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aggregated value of the right-of-use of Property 1 and Property 2 was less than 5% and the aggregated value of the right-of-use was less than HK\$3.0 million, the relevant transactions would constitute *de minimis* connected transactions under Rules 14A.76 of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be listed on the Stock Exchange at the time of the relevant transactions.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders as covenantors (each a "**Covenantor**", collectively, the "**Covenantors**") executed the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and confirm that none of them nor any of their close associates (other than any member of our Group) is engaged in any business which, directly or indirectly, competes or is likely to compete with the business of our Group, or has any interest in such business.

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on the Stock Exchange; (b) the date on which the Covenantors cease to be a Controlling Shareholder; or (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued capital of our Company:

1. Non-competition

He/she/it will not, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (excluding any member of our Group) (the "**Controlled Company**") not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by our Company or any of our subsidiaries in Malaysia and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including (i) distribution of animal feed additives products and human food ingredients; and (ii) manufacturing of animal feed additives premixes (the “**Restricted Business**”).

The Deed of Non-competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed on any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that:

- (a) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;
- (b) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company(ies) is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”):

- (a) He/she/it shall within ten days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable our Company to make an informed assessment of such opportunity; and
- (b) He/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/her/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/her/its attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company(ies) or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholders and to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual review on the compliance with the terms of the Deed of Non-competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue an announcement in relation to any decisions and where applicable the reasons for such decisions, made by our independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) disclose the decision(s) and related basis on matters reviewed by our independent non-executive Directors in relation to our Company's compliance with and enforcement of the Deed of Non-competition and make a declaration in relation to the compliance with and enforcement of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with and enforcement of the Deed of Non-competition are in accordance with the requirements of the Listing Rules;
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company and/or its subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition; and
- (f) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee granting the listing of, and the permission to deal in, our Shares; and (b) the Listing and dealings in our Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth the information concerning our Directors:

<u>Name</u>	<u>Age</u>	<u>Present position</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Director(s), and/or senior management</u>
Executive Directors						
Dato' Sri Lee Haw Yih	50	Chairman of our Board, chief executive officer of our Group and executive Director	29 October 2018	August 1995	Overall management and formulation of business strategies of our Group	Spouse of Datin Sri Emerlyn Yaw and brother of Mr. HS Lee
Datin Sri Yaw Sook Kean	49	Executive Director	29 October 2018	November 1998	Strategic planning and overall financial management of our Group	Spouse of Dato' Sri Howard Lee and sister-in-law of Mr. HS Lee
Non-executive Director						
Mr. Lee Haw Shyang	44	Non-executive Director	18 December 2018	June 1996	Providing advice to our Board	Brother of Dato' Sri Howard Lee and brother-in-law of Datin Sri Emerlyn Yaw
Independent non-executive Directors						
Ms. Ng Siok Hui	51	Independent non-executive Director	8 April 2020	8 April 2020	Providing independent advice to our Board	Nil
Mr. Lim Chee Hoong	59	Independent non-executive Director	8 April 2020	8 April 2020	Providing independent advice to our Board	Nil
Mr. Lim Heng Choon	49	Independent non-executive Director	8 April 2020	8 April 2020	Providing independent advice to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dato' Sri Lee Haw Yih, aged 50, was appointed as a Director on 29 October 2018 and was re-designated as an executive Director on 18 December 2018. He also serves as the chairman of our Board and the chief executive officer of our Group. He is a member of our remuneration committee and nomination committee. He is primarily responsible for the overall management and formulation of business strategies of our Group. He is the spouse of Datin Sri Emerlyn Yaw and brother of Mr. HS Lee.

Dato' Sri Howard Lee has over 20 years of experience in the animal feed additives products industry. In August 1995, Dato' Sri Howard Lee joined our Group and started working as a product development promotion executive in Gladron Chemicals. Since June 1996, he has been serving as a director of Gladron Chemicals and involving in the management of our Group. He currently serves as a director of all the subsidiaries of our Group, namely Ritamix International, Gladron Chemicals, Ritamix and Kevon.

Dato' Sri Howard Lee graduated from McMaster University in Canada in June 1992 with a bachelor's degree in science and obtained a master's degree in business administration from McMaster University in Canada in June 1994.

Datin Sri Yaw Sook Kean, aged 49, was appointed as a Director on 29 October 2018 and was re-designated as an executive Director on 18 December 2018. She is primarily responsible for the strategic planning and overall financial management of our Group. She is the spouse of Dato' Sri Howard Lee and sister-in-law of Mr. HS Lee.

Datin Sri Emerlyn Yaw has over 20 years of experience in the animal feed additives products industry. From July 1993 to March 1994, she worked in Accredited Leasing Corporation Sdn. Bhd., a company engaging in leasing business, as an accounts assistant. From January 1995 to May 1996, she worked in L & M Prestressing Specialist Sdn. Bhd. which engaged in the business of prestressing and post-tensioning of buildings and civil engineering structures as a senior account clerk. She worked in MacFood Services (M) Sdn. Bhd., a producer and supplier of meat and poultry products to restaurants, as an account supervisor in June 1996. In November 1998, Datin Sri Emerlyn Yaw joined our Group and started serving as the financial controller of Gladron Chemicals. Since June 2004 and May 2007, Datin Sri Emerlyn Yaw has been serving as a director in Kevon and Ritamix, respectively.

Datin Sri Emerlyn Yaw completed the senior middle three education from the Chung Hua High School in Seremban, Malaysia in October 1989. She became a member of the Association of Chartered Certified Accountants in May 1999. She became a member of the Malaysian Institute of Accountants in November 2001.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Lee Haw Shyang, aged 44, was appointed as a non-executive Director on 18 December 2018. He is primarily responsible for providing advice to our Board. He is a brother of Dato' Sri Howard Lee and brother-in-law of Datin Sri Emerlyn Yaw.

Since June 1996, he has been serving as a director of Gladron Chemicals. Since May 2007, he has been serving as a director of Ritamix. From September 2002 to June 2013, he served as a director of Johnson Medical International Sdn. Bhd., which engaged in manufacturing of medical equipment. Since November 2012, he has been serving as a director of Magical Milestone Sdn. Bhd., engaging in the letting of properties. Since January 2014, he has been serving as a director of Cross Creation Sdn. Bhd., engaging in medical laboratories, management consultation and trading of medical products. Since November 2017, he has been serving as the managing director of Eemed International Sdn. Bhd., engaging in designing, installing and servicing of medical devices.

Mr. HS Lee graduated from University of Melbourne, Australia, with a bachelor's degree in engineering in March 2001.

Independent non-executive Directors

Ms. Ng Siok Hui, aged 51, was appointed as an independent non-executive Director on 8 April 2020. She is the chairperson of our remuneration committee and a member of our audit committee and nomination committee.

Ms. Ng has over 20 years of experience in the legal industry. From January 1996 to April 1997, she worked in Khaw & Hussein, a law firm in Malaysia, as a legal assistant. From April 1997 to May 1999, she worked in Ng Yook Woon Andrew T C Saw & Co., a law firm in Malaysia, as a legal assistant. Ms. Ng joined Mak, Ng & Lim, a law firm in Malaysia, in 1999 and her current position is partner.

Ms. Ng obtained her bachelor's degree in laws in July 1992 from University of Leicester, United Kingdom. She was admitted as a member of the Malaysian Bar in December 1995.

Mr. Lim Chee Hoong, aged 59, was appointed as an independent non-executive Director on 8 April 2020. He is the chairperson of our audit committee and a member of our remuneration committee.

Mr. Lim Chee Hoong has over 35 years of experience in accounting and auditing field. From May 1981 to August 1988, he worked in Coopers & Lybrand, an accounting firm in Malaysia, as an articled clerk. From August 1988 to January 1990, he worked in Seal Inc. Bhd., a company engaged in property development and management, as an accounts supervisor. From January 1990 to March 1991, he worked in Kinta Properties Sdn. Bhd., a company engaged in property development, as a senior accounts executive. From March 1991 to June 1993, he worked in Kassim Chan & Co, an accounting firm in Malaysia, with his last position as an audit senior. From July 1993 to July 1997, he worked in companies in the commercial sectors as an accountant. From

DIRECTORS AND SENIOR MANAGEMENT

December 2001 to October 2013, he was a partner in Lee Teik Swee & Co, an accounting firm in Malaysia. Mr. Lim Chee Hoong started Lim Chee Hoong & Co (currently known as CHI-LLTC), an accounting firm in Malaysia, in November 1997 and is currently a partner. Since July 2003, Mr. Lim Chee Hoong has been appointed as an independent non-executive director of PRG Holdings Berhad (stock code: 7168 and stock name: PRG), an investment holding company of its subsidiaries engaging in property development and manufacturing of furniture webbing and elastic yarn and listed on the Main Market of Bursa Malaysia Securities Berhad. Since July 2011, Mr. Lim Chee Hoong has been appointed as an independent non-executive director of Choo Bee Metal Industries Berhad (stock code: 5797 and stock name: CHOOBEE), a company engaging in manufacturing and sales of flat-based steel products and listed on the Main Market of Bursa Malaysia Securities Berhad. Since June 2019, Mr. Lim Chee Hoong has also been appointed as an independent non-executive director of Pelikan International Corporation Berhad (stock code: 5231 and stock name: PELIKAN), a company engaging in manufacturing and distribution of writing instruments, art, painting and hobby products, school and office stationery, papeterie products and provision of logistics services and listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Lim Chee Hoong obtained his higher school certificate in 1980. Mr. Lim became a member of the Malaysian Association of Certified Public Accountants in January 1993, a member of the Malaysian Institute of Accountants in July 1993 and a member of the Malaysian Institute of Taxation in September 2008.

Mr. Lim Heng Choon, aged 49, was appointed as an independent non-executive Director on 8 April 2020. He is the chairperson of our nomination committee and a member of our audit committee.

Mr. Lim Heng Choon worked in the Boston Consulting Group in Kuala Lumpur, Malaysia from March 1996 to September 2003, with the last position as a consultant. From November 2004 to September 2010, he worked in hiSoft Technology International Ltd, engaging in IT services, covering positions as a vice president of corporate development department and chief operating officer, with the last position as an advisor. He has been a director and chief financial officer in International Liquid Packaging Solutions Pte Ltd, engaging in industrial packaging, since July 2011. He is also an advisor to Pactera Technology International Ltd, engaging in IT services, since November 2013, and a director in Hyperion Connect Ltd, engaging in consulting services, since August 2016.

Mr. Lim Heng Choon obtained his bachelor's degree in engineering from Monash University in Australia in July 1996 and a master's degree in business administration from Kellogg Graduate School of Management, Northwestern University in the United States in June 2001.

Save as disclosed above, each of our Directors has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Dato' Sri Howard Lee was a director of the following companies, prior to their respective dissolution. Dato' Sri Howard Lee confirmed that there had been no wrongful act on his part leading to the winding-up of the following companies and that their dissolution had not resulted in any liability or obligation against him.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activity prior to cessation of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Gallant Asia Sdn. Bhd. ("Gallant Asia")	Malaysia	Distribution of food ingredients	22 September 2006	Compulsory winding up (Note)
Gladron Sdn. Bhd.	Malaysia	Dormant	12 June 2019	Striking off

Note: Gallant Asia was a company owned as to approximately 65% by Dato' Sri Howard Lee and 35% by a third party and its principal business was distribution of food ingredients. Gallant Asia was unable to locate the business partner and thus unable to continue running its business, including using its funds to settle payments to its creditors and was insolvent at the time of dissolution. A compulsory winding up proceeding was initiated against Gallant Asia upon a petition filed to the High Court of Malaya at Kuala Lumpur by one of its creditors and Gallant Asia was wound up by order of the court. Dato' Sri Howard Lee personally reached a full and final settlement with the creditor after the winding up of Gallant Asia. Dato' Sri Howard Lee confirmed that to the best of his knowledge, there is no outstanding dispute or liabilities in connection with Gallant Asia.

Mr. HS Lee was a director of the following companies prior to their respective dissolution. Mr. HS Lee confirmed that the following companies were solvent and inactive at the time of dissolution and that their dissolution had not resulted in any liability or obligation against him.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activity prior to cessation of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Global Focus Resources Sdn. Bhd.	Malaysia	Dormant	13 May 2016	Striking off
Athlonix Sdn. Bhd.	Malaysia	Trading and manufacturing of electronic products	21 June 2007	Striking off
Johnson Medical Development India Private Limited	Republic of India	Trading of medical products	7 June 2017	Striking off

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lim Heng Choon was a director of the following company, which was incorporated in Singapore, prior to its commencement of dissolution procedure. Mr. Lim Heng Choon confirmed that the following company was solvent and inactive at the time of commencement of its dissolution procedure and that he was not aware of any threatened and potential claims made against him.

<u>Name of Company</u>	<u>Principal business activity prior to cessation of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
IG-Interactive Pte. Ltd.	Dormant	4 February 2020	Striking off

Save as disclosed above, each of our Directors confirms with respect to him/her that: (a) he/she does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (b) he/she does not have any relationship with any other Directors, senior management, Substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (c) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 1. Disclosure of interests” in Appendix V to this prospectus; (d) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is discloseable under the Listing Rules; and (e) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Dato’ Sri Howard Lee has been managing our Group’s business and overall strategic planning for over 20 years. Our Directors believe that the vesting of the roles of chairman of our Board and chief executive officer in Dato’ Sri Howard Lee is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of chairman of our Board and chief executive officer as required by paragraph A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Present position	Date of joining our Group	Relationship with other Director(s), and/or senior management
Dr. Choy Foon Seng	37	Business Development Manager	March 2012	Nil
Dr. Koh Jiun Ting	31	Technical Executive	December 2014	Nil
Ms. Ting Poh Cheng	39	Sales Manager	December 2008	Nil

Dr. Choy Foon Seng, aged 37, is the business development manager of our Group and is responsible for overseeing the animal health and pet division of our Group.

Dr. Choy has over 8 years of experience in the animal feed additives industry. From January 2010 to March 2012, he served as a staff veterinarian in Zoo Taiping and Night Safari. In March 2012, he joined Gladron Chemicals as a business development manager. Dr. Choy obtained the Doctor of Veterinary Medicine degree from Universiti Putra Malaysia in June 2007.

Dr. Koh Jiun Ting, aged 31, is the technical executive of our Group and is responsible for providing technical support to our Group's sales team.

Dr. Koh has over 4 years of experience in the animal feed additives industry. From November 2013 to November 2014, he worked at the Faculty of Veterinary Medicine of Universiti Putra Malaysia as a veterinarian. In December 2014, he joined Ritamix as a technical executive. He obtained the Doctor of Veterinary Medicine degree from Universiti Putra Malaysia in July 2013.

Ms. Ting Poh Cheng, aged 39, is the sales manager of our Group and is responsible for the sales and marketing of the human food ingredients products of our Group.

Ms. Ting has over 10 years of experience in the human food ingredients industry. In December 2008, she joined Kevon as a sales executive. She was promoted to senior sales executive in March 2013, assistance sales manager in May 2015 and further promoted to sales manager in September 2018. She obtained a bachelor's degree in science from Universiti Kebangsaan Malaysia in August 2004 and obtained a master's degree in business management in University of Northumbria in United Kingdom in June 2007.

Save as disclosed above, each of our senior management has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Sir Kwok Siu Man KR (“Sir Seaman Kwok”) (郭兆文黎剎騎士), aged 61, was appointed as our company secretary on 18 December 2018. Sir Seaman Kwok has over 30 years of legal, corporate secretarial and management experience. He is an executive director and the Head of Corporate Secretarial of Boardroom Corporate Services (HK) Limited (“**Boardroom**”) and a director of Boardroom Share Registrars (HK) Limited, our branch share registrar in Hong Kong.

Sir Seaman Kwok was the company secretary of various listed companies (including a Hang Seng Index Constituent stock company) in Hong Kong. From February 2011 to March 2013, he was the group company secretary of the Lai Sun group comprising Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), eSun Holdings Limited (stock code: 571) and Lai Fung Holdings Limited (stock code: 1125), and the company secretary of Crocodile Garments Limited (stock code: 122) concurrently. From February 2015 to February 2016, Sir Seaman Kwok was also an independent non-executive director of Grand Ocean Advanced Resources Company Limited (previously known as DeTeam Company Limited, stock code: 65), a company listed on the Main Board of the Stock Exchange. Since June 2017, he has been an independent non-executive director of Tak Lee Machinery Holdings Limited (stock code: 8142), a company listed on GEM of the Stock Exchange.

Sir Seaman Kwok obtained a professional diploma in company secretaryship and administration and a bachelor’s degree in accounting from Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1983 and November 1994, respectively, and a post-graduate diploma in laws from the Manchester Metropolitan University in the United Kingdom and passed the Common Professional Examination in England and Wales in July 1998. He has been named in the “International WHO’s WHO of Professionals” in 1999. Sir Seaman Kwok was a council member and a chief examiner of the international qualifying examinations of The Hong Kong Institute of Chartered Secretaries (the “**HKICS**”). He has been a fellow member of The Chartered Governance Institute (previously known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom (the “**CGI**”) since October 1990, The HKICS since August 1994, the Institute of Financial Accountants in England since July 1996, The Association of Hong Kong Accountants since June 2014, The Hong Kong Institute of Directors since July 2014 and the Institute of Public Accountants in Australia since April 2015. He has been a member of the Hong Kong Securities and Investment Institute since November 2012 and a Chartered Governance Professional of both the CGI and the HKICS since September 2018. He was conferred as a Knight of Rizal of the Philippines in mid-June 2019.

Sir Seaman Kwok was nominated by Boardroom to act as our company secretary pursuant to an engagement letter entered into between our Company and Boardroom. He will be supported by other staff of Boardroom in providing the corporate secretarial services to our Company. In light of Sir Seaman Kwok’s qualifications and experiences and considering that Sir Seaman Kwok himself will be supported by other staff of Boardroom in providing the corporate secretarial services to our Company, our Directors are of the view that Sir Seaman Kwok has sufficient time and capacity to fulfill his duties as our company secretary.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules pursuant to a resolution of our Directors passed on 8 April 2020. The primary duties of our audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of our Company and perform other duties and responsibilities assigned by our Board.

At present, our audit committee comprises Mr. Lim Chee Hoong, Mr. Lim Heng Choon and Ms. Ng Siok Hui, all being our independent non-executive Directors. Mr. Lim Chee Hoong is the chairperson of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 8 April 2020 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B1.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of remuneration committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determine their own remuneration.

At present, our remuneration committee comprises Ms. Ng Siok Hui and Mr. Lim Chee Hoong, being our independent non-executive Directors, and Dato' Sri Howard Lee, being our executive Director. Ms. Ng Siok Hui is the chairperson of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 8 April 2020 with written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of our nomination committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises Mr. Lim Heng Choon and Ms. Ng Siok Hui, being our independent non-executive Directors, and Dato' Sri Howard Lee, being our executive Director. Mr. Lim Heng Choon is the chairperson of our nomination committee.

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. Our company recognises the benefits of having a diversified Board. In summary, our board diversity sets out that when considering the nomination and appointment of a director, with the assistance of the Nomination Committee, our Board would

DIRECTORS AND SENIOR MANAGEMENT

consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of perspectives that the candidate is expected to bring to our Board and what would be the candidate's potential contributions, in order to better serve the needs and development of our Company. Our board diversity policy also seeks to attract, retain and motivate our Directors and other staff from the widest pool of available talent. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

COMPLIANCE ADVISER

Our Company has appointed Messis Capital as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the Listing Date and ending on the date on which our Company distributes annual report in respect of its financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

Pursuant to Rule 3A.23 of the Listing Rules, our Company shall seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where business activities, developments or results of our Company deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to their performance. Our Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended 31 December 2019, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our Directors by our Group was approximately RM1.1 million, RM1.2 million and RM1.2 million, respectively.

For each of the three years ended 31 December 2019, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our five highest paid individuals (including our Directors) by our Group was approximately RM1.7 million, RM1.9 million and RM1.9 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by our Group to our Directors and our five highest paid individuals in respect of each of the three years ended 31 December 2019.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2020 will be approximately RM1.5 million. Upon completion of the Listing, the remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or our five highest individuals as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on our five highest paid individuals, please refer to the Accountants' Report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which is expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group:

<u>Person/corporation</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares interested in as at the date of submission of application for the Listing</u>	<u>Number of Shares interested in immediately after completion of the Capitalisation Issue and the Share Offer</u> <i>(Note 1)</i>	<u>Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer</u>
Garry-Worth	Beneficial owner <i>(Note 2)</i>	90 Shares	337,500,000 (L)	67.5%
Dato' Sri Howard Lee	Interest in controlled corporation/interest held jointly with others <i>(Notes 2 and 3)</i>	90 Shares	337,500,000 (L)	67.5%
Mr. HH Lee	Interest held jointly with others <i>(Note 3)</i>	90 Shares	337,500,000 (L)	67.5%
Mr. HS Lee	Interest held jointly with others <i>(Note 3)</i>	90 Shares	337,500,000 (L)	67.5%
Datin Sri Emerlyn Yaw	Interest held jointly with others <i>(Note 3)</i>	90 Shares	337,500,000 (L)	67.5%
Pre-IPO Investor	Beneficial owner <i>(Note 5)</i>	10 Shares	37,500,000 (L)	7.5%
Mr. Lee Soo Kai	Interest in controlled corporation <i>(Notes 4 and 5)</i>	10 Shares	37,500,000 (L)	7.5%
Mr. Voon Sze Lin	Interest in controlled corporation <i>(Notes 4 and 5)</i>	10 Shares	37,500,000 (L)	7.5%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. The letter “L” denotes a person’s/corporation’s “long position” (as defined under Part XV of the SFO) in the Shares.
2. Our Company will be owned as to 67.5% by Garry-Worth immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme). Garry-Worth is owned as to 53.37% by Dato’ Sri Howard Lee. By virtue of the SFO, Dato’ Sri Howard Lee is deemed to be interested in the same number of Shares held by Garry-Worth.
3. Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Acting in Concert Undertaking. As such, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under our Share Option Scheme), Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw will together control 67.5% of the entire issued share capital of our Company.
4. Our Company will be owned as to 7.5% by the Pre-IPO Investor immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme). The Pre-IPO Investor is owned as to 50% and 50% by Mr. Lee Soo Kai and Mr. Voon Sze Lin, respectively. By virtue of the SFO, Mr. Lee Soo Kai and Mr. Voon Sze Lin are deemed to be interested in the same number of Shares held by the Pre-IPO Investor.
5. Under the Listing Rules, each of the Pre-IPO Investor, Mr. Lee Soo Kai and Mr. Voon Sze Lin is not a Substantial Shareholder (as defined under the Listing Rules) of our Company.

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and collectively the “**Cornerstone Investment Agreements**”) with Mr. Wong Cheung Wang Philip (黃翔弘先生) (“**Mr. Wong**”) and China Peace Limited (“**China Peace**”) (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for or purchase, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be subscribed for an aggregate amount of approximately HK\$36,000,000 (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.00 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 36,000,000 Shares, representing (a) approximately 28.8% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 25.0% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; (c) approximately 7.2% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised); and (d) approximately 6.9% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK\$1.10 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 32,726,000 Shares, representing (a) approximately 26.2% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 22.8% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; (c) approximately 6.5% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised); and (d) approximately 6.3% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK\$1.20 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 30,000,000, representing (a) approximately 24.0% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 20.9% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; (c) approximately 6.0% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised); and (d) approximately 5.8% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is fully exercised).

CORNERSTONE INVESTORS

To the best knowledge of the our Directors, each of the Cornerstone Investors is an Independent Third Party, independent from our Company, our connected persons and their respective associates and independent of each other. The Cornerstone Investors will subscribe for the Offer Shares pursuant to, and as part of, the Placing.

The Cornerstone Placing forms part of the Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank equally in all respects with the other fully paid Shares then in issue and to be listed on the Stock Exchange upon completion of the Share Offer and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Share Offer other than pursuant to the Cornerstone Investment Agreements. Immediately following completion of the Share Offer, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a Substantial Shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The number of Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer described in the section headed “Structure and conditions of the Share Offer — Reallocation” in this Prospectus.

To the best knowledge of our Company, (i) there is no deferred settlement in payment and/or deferred delivery of the Shares to be subscribed by the Cornerstone Investors; (ii) there are no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (iii) we became acquainted with each of the Cornerstone Investors either through business networking or social gathering; (iv) each of the Cornerstone Investors expects to finance their respective cornerstone investment with his/its own financial resources; (v) none of the Cornerstone Investors are accustomed to take instructions from our Company, the Directors, chief executive of our Company, Controlling Shareholders, Substantial Shareholders or existing Shareholders or any of our subsidiaries or their respective close associates; and (vi) none of the subscription of the Offer Shares by the Cornerstone Investors are financed by our Company, the Directors, chief executive, Controlling Shareholders, Substantial Shareholders, or existing Shareholders or any of our subsidiaries or their respective close associates.

Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about Tuesday, 12 May 2020.

CORNERSTONE INVESTORS

CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with the Cornerstone Investors in respect of the Cornerstone Placing. The details of the investment of our Cornerstone Investors are set forth below:

Based on the Offer Price of HK\$1.00 (being the minimum Offer Price)						
Cornerstone Investor	Investment amount (HK\$)	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is not exercised
Mr. Wong	12,000,000	12,000,000	9.6%	8.3%	2.4%	2.3%
China Peace	24,000,000	24,000,000	19.2%	16.7%	4.8%	4.6%
Total	36,000,000	36,000,000	28.8%	25.0%	7.2%	6.9%

Based on the Offer Price of HK\$1.10 (being the mid-point Offer Price)						
Cornerstone Investor	Investment amount (HK\$)	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is not exercised
Mr. Wong	12,000,000	10,908,000	8.7%	7.6%	2.2%	2.1%
China Peace	24,000,000	21,818,000	17.5%	15.2%	4.3%	4.2%
Total	36,000,000	32,726,000	26.2%	22.8%	6.5%	6.3%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$1.20 (being the maximum Offer Price)						
Cornerstone Investor	Investment amount (HK\$)	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is not exercised
Mr. Wong	12,000,000	10,000,000	8.0%	7.0%	2.0%	1.9%
China Peace	24,000,000	20,000,000	16.0%	13.9%	4.0%	3.9%
Total	36,000,000	30,000,000	24.0%	20.9%	6.0%	5.8%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Mr. Wong

Mr. Wong is a Hong Kong resident and has extensive experience in the mobile technology industry. In 2000, he served as the vice president of e-business of Fortune Tele.com Holdings Limited (now known as China Fortune Holdings Limited, stock code 110), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange. He is the chief executive officer of IGM Limited, a company previously listed on the AIM market of the London Stock Exchange. Mr. Wong is currently a director of IGM Mobile (Asia) Ltd, a mobile platform service provider engaging in the provision of mobile and telecommunication software to operators in the Southeast Asian market and a company incorporated in BVI with limited liability. He is also a non-executive director of (a) ESG Holdings Limited, a company incorporated in Bermuda with limited liability and a facility management company in the PRC; (b) Hydro Pacific Co., Ltd, a company incorporated in Thailand with limited liability and an energy project management company; and (c) 北京威英智通技術發展有限公司 (Beijing Witstart Technology Development Co. Ltd.*), a company incorporated in the PRC and an energy equipment company.

China Peace

China Peace is a company incorporated in Hong Kong with limited liability. Its principal business activity is investment holding and currently invested in a PRC leather manufacturer. China Peace is beneficially and wholly owned by Mr. Koek Tiang Kung (“**Mr. Koek**”). Mr. Koek is a Malaysian and has been in the automotive upholstery leather industry since 1997. He is the founder and managing director of DK Leather Corporation Berhad which engaged in the manufacturing, installation, distribution and retailing of automotive leather upholstery at

the time of listing on the Main Board of Bursa Malaysia Securities Berhad in 2004. DK Leather Corporation Berhad was subsequently privatised in 2009 and tapped into property development business in Malaysia.

Both Mr. Wong and China Peace are interested in the cornerstone investment because they are confident in our Group and prospect of the animal feed additives industry. They are of the view that poultry and livestock are basic necessities for human beings that ensure a promising and stable demand for animal feed additives.

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investors is subject to, among others, the following conditions precedent:

- (i) the Public Offer Underwriting Agreement and the Placing Underwriting Agreement being entered into and having become effective and remain unconditional (in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified therein and not having been terminated in accordance with the terms of the respective agreements;
- (ii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares to be offered pursuant to the Share Offer and that such approval or permission not having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iii) the Offer Price having been agreed upon between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters);
- (iv) the respective representations, warranties, undertakings, confirmations, agreements and acknowledgements of the relevant Cornerstone Investor and our Company in the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and there is no breach of the relevant cornerstone investment agreement on the part of our Company and the relevant Cornerstone Investor; and
- (v) no laws shall have been enacted or promulgated by any regulatory authorities which prohibit the consummation of the transactions contemplated hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions hereunder.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that without the prior written consent of our Company and the Sole Bookrunner, he/it will not, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), directly or indirectly, (i) dispose of, in any way, any of the Offer Shares he/it has purchased pursuant to the Cornerstone Investment Agreements or any interest in any company or entity holding any of such Offer Shares; (ii) agree or

CORNERSTONE INVESTORS

contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such Offer Shares; (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iv) enter into any transaction directly or indirectly with the same economic effect as any aforesaid transaction, and such aforesaid action(s) will result in an effective transfer of such Offer Shares before the end of the Lock-up Period pursuant to the Cornerstone Investment Agreements.

SHARE CAPITAL

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after completion of the Capitalisation Issue and the Share Offer.

Authorised share capital:	<i>HK\$</i>
<u>20,000,000,000</u> Shares of HK\$0.01 each	<u>200,000,000</u>

Assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid	<i>HK\$</i>
100 Shares in issue as at the Latest Practicable Date	1
374,999,900 Shares to be issued pursuant to the Capitalisation Issue	3,749,999
<u>125,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,250,000</u>
<u>500,000,000</u> Shares in total	<u>5,000,000</u>

Assuming the Over-allotment Option is exercised in full and without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer will be as follows:

Issued or to be issued, fully paid or credited as fully paid	<i>HK\$</i>
100 Shares in issue as at the Latest Practicable Date	1
374,999,900 Shares to be issued pursuant to the Capitalisation Issue	3,749,999
125,000,000 Shares to be issued pursuant to the Share Offer	1,250,000
<u>18,750,000</u> Shares to be issued upon exercise of the Over-allotment Option	<u>187,500</u>
<u>518,750,000</u> Shares in total	<u>5,187,500</u>

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and Shares are issued pursuant to the Share Offer. It does not take into account of any Share that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public.

RANKING

The Offer Shares are ordinary Shares and will rank equally with all Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, paid or made on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

Our Company did not have any outstanding share option, warrant, convertible instrument or similar right convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

- (a) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme); and
- (b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Scheme and any option scheme or similar arrangement for the time being adopted.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this general mandate are set out in the paragraph headed “A. Further information about our Group — 5. Written resolutions of our Shareholders” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose in accordance with the applicable laws and requirements of the Stock Exchange (or such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Group — 6. Repurchase of our Shares” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this repurchase mandate are set out in the paragraph headed “A. Further information about our Group — 6. Repurchase of our Shares” in Appendix V to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set forth in the Accountants' Report. The Accountants' Report has been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect of future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk factors" to this prospectus.

OVERVIEW

We are a Malaysia-based company principally engaging in (i) distribution of animal feed additives and, to a lesser extent, human food ingredients; and (ii) manufacturing of animal feed additives premixes. We have been primarily servicing the agricultural industry in Malaysia for over 36 years.

For our distribution business, our Group principally focused on identifying, sourcing and distributing quality products from renowned international chemical and feed ingredients companies to customers including feedmills, integrators and home mixing farms and distributors in Malaysia through our proprietary sales channel.

For our manufacturing business, our Group possesses a manufacturing plant to homogenise our own brand animal feed additives premixes to satisfy customers' specific needs to improve farming performance.

The following table sets forth the breakdown of our Group's revenue by business segments during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%
Distribution	75,543	69.9	82,656	64.3	78,571	62.3
Manufacturing	32,519	30.1	45,944	35.7	47,482	37.7
Total	<u>108,062</u>	<u>100.0</u>	<u>128,600</u>	<u>100.0</u>	<u>126,053</u>	<u>100.0</u>

BASIS OF PRESENTATION

Prior to the Share Offer, our Group had undergone the Reorganisation after which our Company has become the holding company of our Group since 5 November 2018. Please refer to the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus for details.

Our Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows which include the results, changes in equity and cash flows of the companies comprising our Group for the Track Record Period, have been prepared as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where it is a shorter period. The combined statements of financial position of our Group as at 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates.

Our Group has adopted IFRS 9, Financial instruments (“**IFRS 9**”) and IFRS 15, Revenue from contracts with customers (“**IFRS 15**”) in the preparation of our financial information, consistently throughout the Track Record Period and IFRS 16, Leases (“**IFRS 16**”) for the accounting period beginning on 1 January 2019. The adoption of IFRS 9, IFRS 15 and IFRS 16 did not have significant impact on our Group’s financial position and performance throughout the Track Record Period when compared to those that would have been presented under IAS 39, Financial Instruments: Recognition and Measurement, IAS 18, Revenue and IAS 17, Leases, respectively.

KEY FACTORS AFFECTING OUR GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our Group’s financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk factors” in this prospectus:

(i) Economic conditions in Malaysia

During the Track Record Period, majority of our revenue was generated in Malaysia market. For each of the three years ended 31 December 2019, revenue generated in Malaysia market accounted for approximately 92.0%, 87.1% and 87.2% of total revenue respectively. As such, the demand of animal feed additives and human food ingredients are susceptible to the general economic conditions of Malaysia. Any adverse change in the economic conditions of Malaysia may result in difficult operating environment for feedmills, integrators and farms who are the major customers of our Group, thereby adversely affect the demand of our products. If the demand of our products decreases, our business, financial condition and results of operation may be adversely affected.

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(ii) Possible outbreak of animal diseases and any other similar epidemic

During the Track Record Period, approximately 86.1%, 87.9% and 85.7% of our total revenue for each of the three years ended 31 December 2019 respectively was generated from sales of animal feed additives. The outbreak of animal diseases could adversely affect poultry, swine and livestock populations and consumer perceptions of certain protein products, in turn, affecting the demand of animal feed additives products. A decrease in demand of animal feed additives products would adversely affect our revenue and operating results.

(iii) Fluctuation in our cost of goods sold

Cost of brand products and raw materials purchased from suppliers (cost of inventory) represented over 90% of our cost of goods sold during the Track Record Period. Cost of goods sold is the largest component of our operational costs, and has a direct and significant impact on our profit margins. For each of the three years ended 31 December 2019, our total cost of goods sold amounted to approximately RM85.5 million, RM92.2 million and RM96.8 million, respectively, representing approximately 79.1%, 71.7% and 76.8% of our total revenue for the respective years. Any change in the purchase prices of brand products and raw materials sourced from suppliers could directly and significantly impact our cost of goods sold, which in turn could adversely affect our profit margins and results of operations.

The following sensitivity analysis is for reference only and illustrates the impact of hypothetical fluctuations in our cost of inventory on our profit before tax during the Track Record Period. Fluctuations are assumed to be 22.88% for each of the three years ended 31 December 2019, respectively. The hypothetical fluctuation rate of 22.88% is based on the CAGRs of selected vitamin products during the period from 2013 to 2018 as extracted from the Ipsos Report.

<u>Hypothetical fluctuation in our cost of inventory</u>	<u>+/- 22.88%</u>
	<i>RM'000</i>
Decrease/increase in our profit before tax	
Year ended 31 December 2017	-/+ 19,191
Year ended 31 December 2018	-/+ 20,691
Year ended 31 December 2019	-/+ 21,752

Breakeven analysis

Breakeven is defined as profit before tax becomes zero.

For the year ended 31 December 2017, it is estimated that we would record a breakeven with a decrease of approximately 13.5% in revenue or an increase of approximately 17.0% in cost of goods sold, holding all other variables constant.

For the year ended 31 December 2018, it is estimated that we would record a breakeven with a decrease of approximately 17.2% in revenue or an increase of approximately 24.0% in costs of goods sold, holding all other variables constant.

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For the year ended 31 December 2019, it is estimated that we would record a breakeven with a decrease of approximately 15.0% in revenue or an increase of approximately 19.5% in costs of goods sold, holding all other variables constant.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set forth in detail in Note 3 of Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments are of critical importance to us in the preparation of our combined financial statements.

Revenue recognition

Revenues are recognised when or as the control of the good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good may be transferred over time or at a point in time.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for a freehold land that has an unlimited useful life, and accumulated impairment losses. The freehold land has an unlimited useful life and therefore is not depreciated. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of receivables

Provision for expected credit loss is made when our Group will not collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision reflects either

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12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk except for trade receivables and contract assets for which loss allowance is determined on lifetime basis. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of debtors and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss.

Allowance for inventories

The management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

SUMMARY OF RESULTS OF OPERATIONS

Our Group's combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report. As such, the following sections should be read in conjunction with the Accountants' Report.

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Revenue	108,062	128,600	126,053
Cost of goods sold	(85,494)	(92,174)	(96,791)
Gross profit	22,568	36,426	29,262
Other income	1,714	1,575	1,542
Selling and distribution costs	(1,961)	(2,257)	(2,125)
Administrative and other operating expenses	(7,299)	(8,146)	(7,433)
Finance costs	—	(15)	(146)
(Loss allowance) Reversal of loss allowance of trade receivables	(464)	1,388	(287)
Listing expenses	—	(6,806)	(1,928)
Profit before tax	14,558	22,165	18,885
Income tax expenses	(3,702)	(6,259)	(5,167)
Profit and total comprehensive income for the year	<u>10,856</u>	<u>15,906</u>	<u>13,718</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The following table sets forth the details of our Group's revenue by business segments during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	<i>RM'000</i>	<i>%</i>	<i>RM'000</i>	<i>%</i>	<i>RM'000</i>	<i>%</i>
Distribution	75,543	69.9	82,656	64.3	78,571	62.3
Manufacturing	32,519	30.1	45,944	35.7	47,482	37.7
Total	<u>108,062</u>	<u>100.0</u>	<u>128,600</u>	<u>100.0</u>	<u>126,053</u>	<u>100.0</u>

Breakdown of revenue by type of products

(i) *Distribution business*

During the Track Record Period, our Group was engaged in distribution business to identify and source animal feed additives and human food ingredients from international chemical and feed ingredients companies which we then sold independently to local customers in Malaysia on our own account. The following table sets forth the breakdown of (i) revenue contribution; (ii) average unit price; and (iii) sales volume, by major type of brand products sourced from suppliers during the Track Record Period:

Year ended 31 December

Note: N/A denotes not applicable since the relevant category consists of various products with different unit of measurement.

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During the Track Record Period, amino acid which was one of the best-selling type of products contributed approximately 24.9%, 23.9% and 28.1% of segment revenue generated from our distribution business for each of the three years ended 31 December 2019 respectively. Our Group actively managed its product portfolio to accommodate the market development. Segment revenue generated by our Group in a particular year was mainly affected by different product mix in our product portfolio, the average unit price of different products and other market dynamics. Each product type contains various products of a wide range of unit price. Vitamin, being one of the most expensive type of product in our product portfolio during the Track Record Period, had an average unit price of RM9.5/kg, RM14.2/kg and RM10.4/kg for each of the three years ended 31 December 2019 respectively.

(ii) *Manufacturing business*

We were also engaged in manufacturing business to produce our own brand products in accordance with different formulae to satisfy customers' requirement to improve farming performance during the Track Record Period. The following table sets forth the breakdown of (i) revenue contribution; (ii) average unit price; and (iii) sales volume, by major type of own brand products produced by our manufacturing plant during the Track Record Period:

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Year ended 31 December

	2017				2018				2019			
	Average		% of		Average		% of		Average		% of	
	unit price	Sales	Revenue	segment	unit price	Sales	Revenue	segment	unit price	Sales	Revenue	segment
	<i>RM per kg</i>	<i>kg '000</i>	<i>RM '000</i>	revenue	<i>RM per kg</i>	<i>kg '000</i>	<i>RM '000</i>	revenue	<i>RM per kg</i>	<i>kg '000</i>	<i>RM '000</i>	revenue
Vitamin premix	31.3	494	15,483	47.6	31.4	783	24,598	53.5	33.7	845	28,460	59.9
Complex mixing	17.4	542	9,446	29.1	24.1	535	12,876	28.1	17.1	625	10,674	22.5
Mineral premix	4.8	1,304	6,212	19.1	5.0	1,379	6,847	14.9	4.8	1,342	6,438	13.6
Enzyme premix	26.5	52	1,378	4.2	43.9	37	1,623	3.5	33.3	57	1,910	4.0
Total			32,519	100.0			45,944	100.0			47,482	100.0

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Vitamin premix was one of the best-selling type of our own brand products contributing approximately 47.6%, 53.5% and 59.9% of segment revenue generated from our manufacturing business for each of the three years ended 31 December 2019 respectively. Complex mixing, representing a mixture of different types of substances (e.g. vitamins and minerals mixing, complete premixes, etc) was the next best-selling type of product after vitamin premix and contributed approximately 29.1%, 28.1% and 22.5% of segment revenue for the respective year. Each type of premix contains various premix products which are either standard products or customized products of different dosage, combination of ingredients and formulae.

Breakdown of revenue by type of customers

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>
Feedmills	43	35,776	33.1	50	39,445	30.7	46	45,783	36.3
Integrator	6	22,422	20.8	5	29,747	23.1	4	19,641	15.6
Home mixing farm	133	18,534	17.2	142	17,990	14.0	137	19,415	15.4
Human food manufacturer	158	15,071	13.9	179	15,442	12.0	174	17,652	14.0
Distributor	33	7,778	7.2	32	15,974	12.4	29	12,490	9.9
Others*	375	8,481	7.8	372	10,002	7.8	392	11,072	8.8
Total	748	108,062	100.0	780	128,600	100.0	782	126,053	100.00

* Others include pet shops and veterinary clinics

Our Group possesses a solid customers base of over 700 customers. During the Track Record Period, our revenue was mainly contributed by feedmills, integrators and home mixing farms which in aggregate, accounted for approximately 71.1%, 67.8% and 67.3% of our total revenue for each of the three years ended 31 December 2019 respectively.

During the Track Record Period, we have also made sales to distributors who are independent from our Group. Our Directors believe that these distributors may resell our products to markets not covered by our Group. Sales to distributors increased from approximately RM7.8 million, representing 7.2% of our total revenue for the year ended 31 December 2017 to approximately RM16.0 million, representing 12.4% of our total revenue for the year ended 31 December 2018. Such increase in sales to distributors was mainly attributable to (i) one-off sales to two customers from Netherlands and Belgium amounting to RM5.1 million who purchased a vitamin B2 product which the Directors believed to be in shortage in Europe during the period; and (ii) increase in sales to Customer H amounting to RM3.1 million arising from more sales of our own brand premix products in the Philippines. Sales to distributors returned to approximately 9.9% of our total revenue for the year ended 31 December 2019.

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Breakdown of revenue by geographical location of customers

	Year ended 31 December								
	2017			2018			2019		
	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>	<i>Number of customers</i>	<i>RM'000</i>	<i>% of total revenue</i>
Malaysia	741	99,392	92.0	770	112,011	87.1	773	109,981	87.2
Overseas	7	8,670	8.0	10	16,589	12.9	9	16,072	12.8
Total	748	108,062	100.0	780	128,600	100.0	782	126,053	100.0

Our revenue was mainly generated in Malaysia. Sales to customers from overseas increased from RM8.7 million, representing approximately 8.0% of our total revenue for the year ended 31 December 2017, to RM16.6 million, representing approximately 12.9% of our total revenue for the year ended 31 December 2018, mainly because of (i) the aforementioned sales of vitamin B2 product to two distributors from Netherlands and Belgium; and (ii) the general increase in sales of our own brand premix products to customers from overseas which the Directors believe was a result of our sales and marketing efforts.

Sales to customers from overseas remained relatively stable at RM16.1 million, representing approximately 12.8% of our total revenue for the year ended 31 December 2019, mainly because of (i) absence of the aforementioned one-off sales to two distributors from Netherlands and Belgium amounting to RM5.1 million which was largely offset by (ii) an increase in sales of our premix products to (a) Customer A which is a feedmill located in Bangladesh by approximately RM3.8 million or 1.1 times from RM3.5 million for the year ended 31 December 2018 to RM7.3 million for the year ended 31 December 2019 and (b) Customer H which is a distributor located in the Philippines by approximately RM1.3 million from RM5.9 million for the year ended 31 December 2018 to RM7.2 million for the year ended 31 December 2019. Our Directors believe that such dramatic increase in sales to Customer A and Customer H during the period was mainly attributable to the business expansion of both customers. As at the Latest Practicable Date, we received indicative orders from Customer A and Customer H that they expect to increase purchase to approximately RM9.4 million and RM10.4 million for the year ending 31 December 2020 respectively. For details, please refer to the section headed “Future plan and use of proceeds — Indicative orders received from our overseas customers” in this prospectus.

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Cost of goods sold

	Year ended 31 December					
	2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%
Cost of inventories	83,877	98.1	90,432	98.1	95,071	98.2
Freight cost, direct labour cost, manufacturing overheads and others	1,617	1.9	1,742	1.9	1,720	1.8
Total	85,494	100.0	92,174	100.0	96,791	100.0

Our cost of goods sold mainly represents (i) the cost of brand products and raw materials purchased from suppliers (cost of inventories); and (ii) freight cost, direct labour cost, manufacturing overheads and others. The cost of goods sold increased by approximately RM6.7 million from RM85.5 million for the year ended 31 December 2017 to RM92.2 million for the year ended 31 December 2018, representing an increase of approximately 7.8% which is lower than the percentage increase in revenue of approximately 19.0% for the same period. Such significant percentage increase in revenue for the year ended 31 December 2018 was mainly attributable to increase in sales of our own brand vitamin premix and complex mixing containing vitamin A and vitamin E.

The cost of goods sold increased by approximately 5.0% from RM92.2 million for the year ended 31 December 2018 to RM96.8 million for the year ended 31 December 2019 while the revenue decreased by approximately 2.0% during the same period. This indicated a decrease in gross profit margin from 28.3% for the year ended 31 December 2018 to 23.2% for the year ended 31 December 2019 which was mainly because of the absence of one-off effect of vitamin A and E arising from the fire accident at BASF's production plant that happened in late 2017. For details, please refer to the paragraph headed "Comparison of results of operations" in this section below.

A further breakdown of cost of inventory by (i) cost of products for distribution business; and (ii) cost of raw materials for manufacturing business is shown in the table below:

	Year ended 31 December					
	2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%
Cost of products	61,196	73.0	65,022	71.9	64,006	67.3
Cost of raw materials	22,681	27.0	25,410	28.1	31,065	32.7
Total	83,877	100.0	90,432	100.0	95,071	100.0

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Gross profit

The following table sets forth our Group's gross profits and gross profit margins by business segments during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>	<i>Gross profit margin</i>
	<i>RM'000</i>	<i>(%)</i>	<i>RM'000</i>	<i>(%)</i>	<i>RM'000</i>	<i>(%)</i>
Distribution	14,347	19.0	17,634	21.3	14,565	18.5
Manufacturing	8,221	25.3	18,792	40.9	14,697	31.0
Total	<u>22,568</u>	<u>20.9</u>	<u>36,426</u>	<u>28.3</u>	<u>29,262</u>	<u>23.2</u>

The higher gross profit margins attained by our manufacturing business as compared with that by our distribution business was mainly due to (i) the premium generally charged on premix products for their customized contents that offer multiple nutrients in one single product; and (ii) the value added by our manufacturing plant in producing premixes with specific dosage and combination of ingredients that satisfy customers' requirement. Our gross profit margins increased significantly from 20.9% for the year ended 31 December 2017 to 28.3% for the year ended 31 December 2018 mainly because of the surge in gross profit margin of our manufacturing business attributable to products containing vitamin A and vitamin E which were sold at relatively higher price during the year ended 31 December 2018 when there was a shortage of the two ingredients in market while our Group was well stocked prior to the surge in price of these ingredients. Our gross profit margin returned to approximately 23.2% in the absence of the aforementioned vitamin A and E impact for the year ended 31 December 2019. For details, please refer to the paragraph headed "Comparison of results of operations" in this section below. Gross profit margins attained by our Group in a particular year generally depend on the product mix in that year.

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The following table sets forth our Group's gross profits and gross profit margins by type of products during the Track Record Period:

Distribution business

	Year ended 31 December					
	2017		2018		2019	
	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>
Amino Acid	2,150	11.4	1,451	7.3	1,711	7.8
Human Food Ingredient	2,677	17.8	2,839	18.3	3,240	18.0
Additives	1,665	16.2	1,953	24.8	1,446	18.3
Vitamin	3,236	21.4	6,873	31.2	2,241	20.7
Mineral	1,122	14.0	1,406	16.6	2,148	22.7
Others	3,497	42.5	3,112	34.7	3,779	36.7
Segment total	<u>14,347</u>	<u>19.0</u>	<u>17,634</u>	<u>21.3</u>	<u>14,565</u>	<u>18.5</u>

Manufacturing business

	Year ended 31 December					
	2017		2018		2019	
	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>	<i>Gross profit margin</i> <i>RM'000</i>	<i>(%)</i>
Vitamin premix	3,401	22.0	10,645	43.3	7,236	25.4
Complex mixing	2,814	29.8	5,879	45.7	4,778	44.8
Mineral premix	1,774	28.6	2,098	30.6	2,212	34.4
Enzyme premix	232	16.8	170	10.4	471	24.7
Segment total	<u>8,221</u>	<u>25.3</u>	<u>18,792</u>	<u>40.9</u>	<u>14,697</u>	<u>31.0</u>

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Other income

The following table sets forth the breakdown of other income during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Bank interest income	166	255	199
Exchange gain, net	1,141	843	736
Fair value gain on other investments	—	80	68
Gain on disposal of property, plant and equipment	55	—	98
Investment income arising from other investments	195	241	103
Sundry income	<u>157</u>	<u>156</u>	<u>338</u>
	<u><u>1,714</u></u>	<u><u>1,575</u></u>	<u><u>1,542</u></u>

Selling and distribution costs

The following table sets forth the breakdown of selling and distribution costs during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Staff commission	585	630	644
Transportation	982	1,178	1,051
Packaging	193	215	236
Insurance	85	110	88
Others	<u>116</u>	<u>124</u>	<u>106</u>
	<u><u>1,961</u></u>	<u><u>2,257</u></u>	<u><u>2,125</u></u>

Our selling and distribution costs amounted to approximately 1.8%, 1.8% and 1.7% of our total revenue for each of the three years ended 31 December 2019 respectively. Staff commission represents incentive fee paid to salespersons of our Group which is calculated based on a percentage of sales of specific products and/or to target customers. Transportation represents outbound logistics costs, petrol, parking and toll.

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Administrative and other operating expenses

The following table sets out the administrative and other operating expenses during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Audit fee	47	83	67
Depreciation expenses	919	912	1,344 ^(note)
Insurance expenses	191	141	140
Staff costs	3,610	4,120	4,117
Bank charges	41	55	62
Advertising, promotion and exhibition	58	97	80
Rental and utilities	704	735	203 ^(note)
Office expenses	665	767	635
Licenses and registration fee	51	36	43
Laboratory testing expenses	42	41	204
Travelling and transportation	205	404	180
Others	766	755	358
	<u>7,299</u>	<u>8,146</u>	<u>7,433</u>

Our administrative and other operating expenses amounted to approximately 6.8%, 6.3% and 5.9% of our total revenue for each of the three years ended 31 December 2019 respectively. Staff costs include staff's salaries, bonus and EPF contributions. Depreciation expenses mainly include depreciation of our buildings, furniture, fixtures and office equipment and motor vehicles. Rental and utilities represent (i) amount paid to Lee & Seetho Holdings Sdn. Bhd. and an Independent Third Party for the rental of office and warehouse; and (ii) water and electricity bills. Office expenses include security charges, sewage charges, telephone expenses and other day-to-day sundry expenses.

Note: Due to the adoption of IFRS 16 for the year ended 31 December 2019, the rental expenses of approximately RM559,000 was reclassified from rental and utilities to depreciation expenses.

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Income tax expenses

Since our operation is based in Malaysia, our Group is subject to corporate income tax in accordance with the tax regulations of Malaysia. The standard corporate tax rate in Malaysia was 24% throughout the Track Record Period. The income tax for the Track Record Period can be reconciled to the profit before tax as follows:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Profit before tax	14,558	22,165	18,885
Income tax at applicable tax rate	3,494	5,320	4,532
Effect of graduated tax rate	(30)	(30)	—
Non-deductible expenses	169	1,720	598
Tax exempt revenue	(16)	(55)	(43)
Special allowance deduction for increase of taxable income	(20)	(497)	—
Others	105	(199)	80
Income tax expenses	3,702	6,259	5,167

Our effective income tax rate, equal to the sum of our income tax expenses divided by our profit before tax, was approximately 25.4%, 28.2% and 27.4% for each of the three years ended 31 December 2019 respectively. Our effective tax rates for the year ended 31 December 2017 was relatively consistent with the standard corporate tax rate of 24% in Malaysia while the effective tax rate for the years ended 31 December 2018 and 31 December 2019 was higher than the standard rate mainly because of (i) the listing expenses incurred during the year which were tax non-deductible; and (ii) the special allowance for increase in taxable income during the year ended 31 December 2018.

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COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared with the year ended 31 December 2017

Revenue

	Year ended 31 December			
	2017		2018	
	RM'000	%	RM'000	%
Distribution	75,543	69.9	82,656	64.3
Manufacturing	32,519	30.1	45,944	35.7
Total	<u>108,062</u>	<u>100.0</u>	<u>128,600</u>	<u>100.0</u>

Our total revenue increased significantly by approximately RM20.5 million or 19.0% from RM108.1 million for the year ended 31 December 2017 to RM128.6 million for the year ended 31 December 2018 which was attributable to the increase in segment revenue generated from (i) our distribution business amounting to approximately RM7.1 million; and (ii) our manufacturing business amounting to approximately RM13.4 million.

Distribution business

	Year ended 31 December							
	2017				2018			
	Average unit price	Sales volume	Revenue	% of segment revenue	Average unit price	Sales volume	Revenue	% of segment revenue
	RM per kg	kg'000	RM'000		RM per kg	kg'000	RM'000	
Amino acid	10.9	1,727	18,797	24.9	8.0	2,463	19,783	23.9
Human food ingredient	5.3	2,863	15,071	20.0	5.5	2,818	15,539	18.8
Additives	N/A	N/A	10,269	13.6	N/A	N/A	7,888	9.6
Vitamin	9.5	1,593	15,148	20.0	14.2	1,545	22,015	26.6
Mineral	2.0	4,072	8,031	10.6	1.9	4,380	8,474	10.3
Others	N/A	N/A	<u>8,227</u>	<u>10.9</u>	N/A	N/A	<u>8,957</u>	<u>10.8</u>
Total			<u>75,543</u>	<u>100.0</u>			<u>82,656</u>	<u>100.0</u>

Increase in our segment revenue generated from distribution business by approximately RM7.1 million or 9.4% from approximately RM75.5 million for the year ended 31 December 2017 to approximately RM82.7 million for the year ended 31 December 2018 was mainly because of the increase in sales of vitamin of approximately RM6.9 million. Such increase in sales of vitamin of RM6.9 million was mainly attributable to the combined effect of (i) change in product mix where

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sales volume of vitamin A related products which carry relatively high selling price of over RM100 per kg increased, with an impact of approximately RM3.1 million^(Note 1); and (ii) general increase in sales of other non-vitamin A and E products by approximately RM2.0 million mainly due to the increase in average unit price from approximately RM8.2/kg for the year ended 31 December 2017 to approximately RM9.9/kg for the year ended 31 December 2018.

The aforementioned product mix where more high-price vitamin A related products were sold and the increase in average unit price of non-vitamin A and E products had collectively resulted in the overall increase in average unit price of vitamin from RM9.5/kg for the year ended 31 December 2017 to RM14.2/kg for the year ended 31 December 2018.

In October 2017, a fire accident at BASF's production plant resulted in a global surge in market price of vitamin A and E ingredients. While the impact was more significant on our manufacturing business than our distribution business due to the fact that more vitamin A and E were sold by our Group in the form of ingredients in our own brand premix products under our manufacturing business rather than in the form of third-party brand products under our distribution business, the BASF's fire accident gave rise to a general increase in selling price of our vitamin A and E related products. The fire accident which occurred at the production plant of BASF (being one of the major suppliers of vitamin A and vitamin E worldwide) in October 2017 caused a temporary shutdown of its production. BASF declared force majeure for vitamin A and vitamin E until all cleaning process, follow-up inspection and repair and maintenance works were carried out for its plant to restart. This event casted an uncertainty over the global supply of vitamin A and vitamin E and resulted in temporary shortage of the ingredients during the period that boosted their unit price. With reference to the Ipsos Report, the market price to vitamin A and E rocketed from approximately EUR75 per kg and EUR5 per kg, respectively, in October 2017 to EUR375 per kg and EUR20 per kg by the end of December 2017. In July 2018, BASF lifted the force majeure for its vitamin A and E products and the market prices of these ingredients gradually dropped back to a level before the outbreak of BASF's fire accident in October 2017.

During the Track Record Period, vitamin A and vitamin E, being two essential nutrients for animals, were widely used in over 100 types of our own brand premix products, contributing over 70% of our segment revenue in the manufacturing business for each of the three years ended 31 December 2019. In light of the significant decrease in market prices of vitamin A and vitamin E from the peak recorded in around July 2016 of approximately EUR53 per kg and EUR9 per kg, respectively, to a relatively low level in around July 2017 of approximately EUR30 per kg and EUR4.5 per kg, respectively, which were close to the lowest price level since January 2016, our Directors, based on their past experience and market information on the price trend and supply-demand situation of animal feed additives exchanged with suppliers and customers from time to time, considered that the market price of these two ingredients had dropped to a low level. After

Note:

1. Represents vitamin A related products which were sold at over RM100 per kg in both years 2017 and 2018. The impact of approximately RM3.1 million is calculated by multiplying the increase in sales volume of relevant products in the year 2018 by the lower unit selling price of the respective products in the year 2017 in order to fence off any inherent price impact in the year 2018.

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taking into consideration of (i) the low market price at the material time; (ii) the pervasive application of vitamin A and E in our brand premix products; and (iii) the long shelf life of the ingredients (i.e. over 12 months for vitamin A and over 24 months for vitamin E), our Group made a bulk purchase at purchase prices approximated to the then market prices by ordering 12,800 kg of vitamin A from BASF and a total of 62,000 kg of vitamin E from Globe Ingredients B.V. and Zhejiang Chemicals in around July 2017. The bulk purchase was scheduled to be delivered in batches to our Group before the end of December 2017. Globe Ingredients B.V. is a Netherlands company principally engaged in manufacturing of food ingredients, veterinary products, feed ingredients and additives such as vitamins, amino acids, proteins and minerals. Zhejiang Chemicals is one of our top five suppliers during the Track Record Period. Please refer to section headed “Business — Our suppliers” in this prospectus for further details.

As at 31 October 2017, right before the aforementioned fire accident of BASF, our Group’s stock level of vitamin A and E were approximately 7,800 kg and 57,800 kg, respectively. Following the delivery of the bulk purchase, our stock of vitamin A and E gradually piled up to approximately 14,100 kg (i.e. around eight months of consumption) and 79,000 kg (i.e. around seven months of consumption) as at 31 December 2017, respectively. Since our Group was well stocked with vitamin A and vitamin E ingredients prior to their surge in price for the year ended 31 December 2018, owing to a bulk purchase by our Group in around July 2017, we were able to offer stable supply of the ingredients to our customers when BASF’s production plant was shut down. Our Group also managed to replenish an aggregate of approximately 7,200 kg of vitamin A and 86,500 kg of vitamin E from BASF and other suppliers during the period when force majeure was declared by BASF (i.e. between November 2017 to July 2018).

The slight decrease in sales volume of vitamin in our distribution business for the year ended 31 December 2018 was mainly because of the fact that more vitamin ingredients, in particular vitamin A and vitamin E, were applied to our own brand premix products in our manufacturing business instead of being distributed in the market directly. This led to a greater increase in revenue of our manufacturing business with focus directed on the sales of own brand premix products containing vitamin A and vitamin E as further discussed in the paragraph below with respect to our manufacturing business. Sales of our other major types of animal feed additives and human food ingredients generally remained stable.

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Manufacturing business

Year ended 31 December								
2017					2018			
Average unit price	Sales volume	Revenue	% of segment revenue		Average unit price	Sales volume	Revenue	% of segment revenue
<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>			<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>	
Vitamin premix	31.3	494	15,483	47.6	31.4	783	24,598	53.5
Complex mixing	17.4	542	9,446	29.1	24.1	535	12,876	28.1
Mineral premix	4.8	1,304	6,212	19.1	5.0	1,379	6,847	14.9
Enzyme premix	26.5	52	1,378	4.2	43.9	37	1,623	3.5
Total			<u>32,519</u>	<u>100.0</u>			<u>45,944</u>	<u>100.0</u>

Increase in our segment revenue generated from manufacturing business by approximately RM13.4 million or 41.3% from approximately RM32.5 million for the year ended 31 December 2017 to approximately RM45.9 million for the year ended 31 December 2018 was mainly because of the increase in sales of vitamin premix and complex mixing aggregately amounting to approximately RM12.5 million which was mainly attributable to the increase in the sales of our own brand products containing vitamin A and vitamin E. In view of the fact that sales of our own brand products generally give better profit margins as compared to sales of products sourced from suppliers under the distribution business, our management have decided to focus on the sales of our own brand products by offering more vitamin premix and complex mixing products containing contents of vitamin A and vitamin E during the period when the ingredients were in temporary shortage in market. Since we were well stocked with vitamin A and vitamin E ingredients prior to their shortage and surge in price, we were able to increase sales of our own brand vitamin A and E-contained products.

Despite a rise in average selling price of our Group's vitamin A and E-related premix during the shortage period in year 2018, the overall average unit price of our vitamin premix products remained stable at approximately RM31 per kg for the two years ended 31 December 2018 mainly because of the countering effect exerted by the increase in sales of a broiler vitamin premix product which carried a relatively low selling price under private tender. Sales of such broiler vitamin premix increased from approximately RM0.2 million (24,000 kg) for the year ended 31 December 2017 to approximately RM1.9 million (162,000 kg) for the year ended 31 December 2018 carrying average price of RM9.5 per kg and RM11.7 per kg for the respective year which suppressed the increase in overall average unit price of our vitamin premix products.

Other categories of premix also recorded increase in sales. As a result, the percentage increase in segment revenue of manufacturing business was more significant than that of distribution business for the year ended 31 December 2018.

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Cost of goods sold

Our cost of goods sold increased by approximately RM6.7 million or 7.8% from approximately RM85.5 million for the year ended 31 December 2017 to approximately RM92.2 million for the year ended 31 December 2018. The percentage increase in cost of goods sold was lower than the percentage increase in revenue during the same period mainly because our Group was well stocked with vitamin A and vitamin E ingredients prior to their surge in price for the year ended 31 December 2018.

Gross profit and gross profit margin

Our gross profit increased by approximately RM13.9 million or 61.4% from approximately RM22.6 million for the year ended 31 December 2017 to approximately RM36.4 million for the year ended 31 December 2018 which was mainly because of the increase in both revenue, details of which are discussed in paragraphs above with respect to revenue, and gross profit margin. Gross profit margin increased from 20.9% to 28.3% for the respective period which was mainly attributable to the increase in gross profit margin in both distribution business and manufacturing business. The following tables showed our gross profits and gross profit margins by type of products:

Distribution business

	Year ended 31 December			
	2017		2018	
	RM'000	Gross profit margin (%)	RM'000	Gross profit margin (%)
Amino Acid	2,150	11.4	1,451	7.3
Human Food Ingredient	2,677	17.8	2,839	18.3
Additives	1,665	16.2	1,953	24.8
Vitamin	3,236	21.4	6,873	31.2
Mineral	1,122	14.0	1,406	16.6
Others	3,497	42.5	3,112	34.7
Segment total	<u>14,347</u>	<u>19.0</u>	<u>17,634</u>	<u>21.3</u>

Gross profit margin of vitamin increased significantly from 21.4% for the year ended 31 December 2017 to 31.2% for the year ended 31 December 2018 mainly because of the discontinuation of the competitive pricing strategy for vitamin products during the year. In early 2017 when the market experienced a pullback on price of vitamin A and E related products from high price level recorded around mid 2016, our Group set competitive price for some of the vitamin A and E related products to capture market shares. During the period of market shortage of vitamin A and E ingredients in year 2018, our Group was one of the few market players in Malaysia to offer stable supply of the ingredients to our customers. Accordingly, our Directors decided to discontinue the competitive pricing strategy adopted in year 2017 and managed to cross-sell other

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vitamin products (non-vitamin A and E) at higher margins where the average selling price of vitamin type products increased by approximately 49.5% from RM9.5 per kg for the year ended 31 December 2017 to RM14.2 per kg for the year ended 31 December 2018 that outweighed the corresponding increase in average cost of approximately 30.7% from RM7.5 per kg for the year ended 31 December 2017 to RM9.8 per kg for the year ended 31 December 2018 and therefore resulted in an increase in gross profit margins for vitamin type products.

Our Directors considered that the revenue and gross profit margin of distribution business was less affected by the surge in market price of vitamin A and E ingredients originated from the aforementioned BASF's fire accident because sales of relevant vitamin A and E related products only represented a relatively small contribution to our distribution business. The table below sets forth the revenue and gross profit margin attributable to (i) vitamin A and E related products and (ii) others, in our distribution business for the two years ended 31 December 2018:

	Year ended 31 December					
	2017			2018		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	<i>RM'000</i>	<i>RM'000</i>	<i>%</i>	<i>RM'000</i>	<i>RM'000</i>	<i>%</i>
Vitamin A and E related products	2,744	284	10.3	7,625	2,010	26.4
Others	<u>72,799</u>	<u>14,063</u>	<u>19.3</u>	<u>75,031</u>	<u>15,624</u>	<u>20.8</u>
Total of distribution business	<u>75,543</u>	<u>14,347</u>	<u>19.0</u>	<u>82,656</u>	<u>17,634</u>	<u>21.3</u>

The increase in gross profit margin of our distribution business from 19.0% for the year ended 31 December 2017 to 21.3% for the year ended 31 December 2018 was mainly because of (i) the significant increase in gross profit margin of additives from 16.2% for the year ended 31 December 2017 to 24.8% for the year ended 31 December 2018 mainly due to the increase in sales of an antibiotic substitute which carry a relatively high profit margin of over 40%; and (ii) the general increase in profit margin of our vitamin products after the discontinuation of competitive pricing strategy during the year.

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Manufacturing business

	Year ended 31 December			
	2017		2018	
	<i>RM'000</i>	<i>Gross profit margin (%)</i>	<i>RM'000</i>	<i>Gross profit margin (%)</i>
Vitamin premix	3,401	22.0	10,645	43.3
Complex mixing	2,814	29.8	5,879	45.7
Mineral premix	1,774	28.6	2,098	30.6
Enzyme premix	<u>232</u>	<u>16.8</u>	<u>170</u>	<u>10.4</u>
Segment total	<u>8,221</u>	<u>25.3</u>	<u>18,792</u>	<u>40.9</u>

Gross profit margin of vitamin premix and complex mixing increased significantly from 22.0% and 29.8%, respectively, for the year ended 31 December 2017 to 43.3% and 45.7%, respectively, for the year ended 31 December 2018 mainly because of the fact that our Group had made a bulk purchase of vitamin A and vitamin E around July 2017 and was well stocked with the ingredients before their market shortage and surge in price.

The average selling price of vitamin premix that contains vitamin A and/or E increased by approximately 18.4% from RM30.8 per kg for the year ended 31 December 2017 to RM36.5 per kg for the year ended 31 December 2018. Meanwhile, the average cost of the relevant vitamin premix products decreased by approximately 12.6% from RM24.7 per kg for the year ended 31 December 2017 to RM21.6 per kg for the year ended 31 December 2018 which was mainly because of the countering effect between the increase in average cost of vitamin A and E, being key ingredients representing approximately 40% of the total cost of sales of our manufacturing products, by approximately 9.8% and decrease in average cost of vitamin B5, being a key ingredient representing approximately 25% of the total cost of sales of our manufacturing products, by approximately 56.6%. It was reported that decrease in average cost of vitamin B5 in year 2018 was because of the resumption of production by one of the largest producers of vitamin B5 in China after an environmental audit that interrupted market supply in year 2017. The increase in average selling price and decrease in average cost resulted in an increase in gross profit margin for vitamin premix that contains vitamin A and/or E.

The average selling price of complex mixing that contains vitamin A and/or E increased by approximately 35.3% from RM15.4 per kg for the year ended 31 December 2017 to RM20.8 per kg for the year ended 31 December 2018. The percentage increase in average selling price of relevant complex mixing products outweighed the corresponding increase in average cost of approximately 8.6% from RM10.5 per kg for the year ended 31 December 2017 to RM11.4 per kg for the year ended 31 December 2018 and therefore resulted in an increase in gross profit margins for these complex mixing products.

The impact of BASF's fire accident is more significant on our manufacturing business as compared with that on our distribution business because sales of relevant vitamin A and E-contained products represented a relatively material contribution to our manufacturing business due

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to the fact that (i) vitamin A and E are two essential nutrients for animals widely used in over 100 types of our own brand premix products; and (ii) more vitamin A and E were sold in the form of ingredients in our own brand premix products during the market shortage period. Given that our Group was well stocked with vitamin A and E ingredients, we were able to charge a higher margin on our own brand products containing the two ingredients during the period of market shortage. The table below sets forth the revenue and gross profit margin attributable to (i) vitamin A and E related products and (ii) others, in our manufacturing business for the two years ended 31 December 2018:

	Year ended 31 December					
	2017			2018		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	RM'000	RM'000	margin	RM'000	RM'000	margin
Vitamin A and E related products	23,527	5,651	24.0	36,468	15,353	42.1
Others	8,992	2,570	28.6	9,476	3,439	36.3
Total of manufacturing business	<u>32,519</u>	<u>8,221</u>	<u>25.3</u>	<u>45,944</u>	<u>18,792</u>	<u>40.9</u>

The increase in gross profit margin of our manufacturing business from 25.3% for the year ended 31 December 2017 to 40.9% for the year ended 31 December 2018 was mainly because of the significant increase in sales of vitamin premix and complex mixing which carry relatively high profit margins as discussed above.

Other income

Other income decreased by approximately RM0.1 million or 8.1% from RM1.7 million for the year ended 31 December 2017 to RM1.6 million for the year ended 31 December 2018, mainly because of the combined effect of decrease in exchange gain amounting to RM0.3 million and increase in interest income and fair value gain on other investment aggregately amounting to RM0.2 million.

Selling and distribution costs

Selling and distribution costs increased by approximately RM0.3 million or 15.1% from RM2.0 million for the year ended 31 December 2017 to RM2.3 million for the year ended 31 December 2018. The increase was mainly due to (i) increase in staff commission paid for the sales of specific products or customers amounting to approximately RM45,000; and (ii) increase in carriage outward transportation costs amounting to approximately RM0.2 million.

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Administrative and other operating expenses

Administrative and other operating expenses increased by approximately RM0.8 million or 11.6% from approximately RM7.3 million for the year ended 31 December 2017 to approximately RM8.1 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in staff costs which amounted to approximately RM0.5 million mainly due to increase in average number of staff and higher bonus accrued.

Income tax expenses

Our income tax expense increased by RM2.6 million or 69.1% from approximately RM3.7 million for the year ended 31 December 2017 to approximately RM6.3 million for the year ended 31 December 2018, with effective income tax rate of 25.4% and 28.2% respectively. The increase in income tax expenses was mainly attributable to the increase in gross profit as discussed above. The higher effective tax rate for the year ended 31 December 2018 was mainly because of the listing expenses incurred during the year which were tax non-deductible.

Profit and total comprehensive income for the year attributable to owners of our Company

Our profit for the year increased by approximately RM5.1 million or 46.5% from approximately RM10.9 million for the year ended 31 December 2017 to approximately RM15.9 million for the year ended 31 December 2018. Such increase was primarily due to the increase in revenue and gross profit as discussed above.

Year ended 31 December 2019 compared with the year ended 31 December 2018

Revenue

	Year ended 31 December			
	2018		2019	
	RM'000	%	RM'000	%
Distribution	82,656	64.3	78,571	62.3
Manufacturing	45,944	35.7	47,482	37.7
Total	<u>128,600</u>	<u>100.0</u>	<u>126,053</u>	<u>100.0</u>

Our total revenue decreased by approximately RM2.5 million or 2.0% from RM128.6 million for the year ended 31 December 2018 to RM126.1 million for the year ended 31 December 2019 which was attributable to the combined effect of (i) decrease in segment revenue generated from our distribution business amounting to approximately RM4.1 million; and (ii) increase in segment revenue generated from our manufacturing business amounting to approximately RM1.5 million.

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	Year ended 31 December							
	2018				2019			
	Average	Sales	% of	segment	Average	Sales	% of	segment
	unit price	volume			unit price	volume		
	<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>		<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>	
Amino acid	8.0	2,463	19,783	23.9	7.1	3,119	22,041	28.1
Human food ingredient	5.5	2,818	15,539	18.8	5.7	3,166	18,011	22.9
Additives	N/A	N/A	7,888	9.6	N/A	N/A	7,920	10.1
Vitamin	14.2	1,545	22,015	26.6	10.4	1,045	10,816	13.8
Mineral	1.9	4,380	8,474	10.3	1.6	5,958	9,477	12.1
Others	N/A	N/A	8,957	10.8	N/A	N/A	10,306	13.0
Total			<u>82,656</u>	<u>100.0</u>			<u>78,571</u>	<u>100.0</u>

Decrease in our segment revenue generated from distribution business by approximately RM4.1 million or 4.9% from approximately RM82.7 million for the year ended 31 December 2018 to RM78.6 million for the year ended 31 December 2019 was mainly attributable to the decrease in sales of vitamin type products by approximately RM11.2 million which was partly offset by the increase in sales of all other major types of products aggregately amounting to approximately RM7.1 million.

Decrease in sales of vitamin type products amounting to approximately RM11.2 million was mainly attributable to the combined effect of (i) decrease in sales of vitamin A and E related products amounting to approximately RM5.6 million; and (ii) decrease in sales of other vitamin products (non-vitamin A and E) amounting to approximately RM5.6 million.

The decrease in sales of vitamin A and E related products was mainly because of the significant decrease in average selling price of the products after the resumption of operation of BASF's production plant after July 2018 so that market price of vitamin A and E gradually dropped back to the level before the outbreak of BASF's fire accident. While the average selling price of vitamin A and E related products decreased significantly from approximately RM89.5 per kg in FY2018 to approximately RM26.7 per kg in FY2019, other vitamin products (non-vitamin A and E) remained fairly stable at approximately RM9.9 per kg and RM9.1 per kg in the respective years. The average unit price of vitamin type products of RM10.4 per kg for the year ended 31 December 2019 approximated to the average unit prices achieved in year 2017 of RM9.5 per kg.

The decrease in sales of other vitamin products (non-vitamin A and E) was mainly attributable to the decrease in sales volume of (i) choline chloride (vitamin B4) which was largely supplied by a US based global chemical company; and (ii) one of a vitamin C product and an astaxanthin product sourced from BASF. During the year ended 31 December 2019, average unit price of our choline chloride products was not competitive as compared with the price of similar products offered by Chinese manufacturers in market (i.e. around 20 – 30% higher in unit price). Our Directors believed

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that the overpriced choline chloride products resulted in a significant decrease in sales by approximately RM2.0 million (equivalent to approximately 210 tonnes) from approximately RM4.8 million (equivalent to approximately 1,009 tonnes) in year 2018 to approximately RM2.8 million (equivalent to approximately 799 tonnes) in year 2019. Going forward, our Group will work closely with our US supplier in conducting sales campaigns and promotions to boost sales of choline chloride products. Our Group was phasing out one of a BASF's vitamin C product and an astaxanthin product during the year ended 31 December 2019 which resulted in an aggregate decrease of the two products by approximately RM1.8 million (equivalent to approximately 162 tonnes). In the coming year 2020, our Group will be launching some new BASF products which include feed additives to regulate stomach and intestinal health, promote villi growth and inhibit harmful bacterial growth, products to release phosphorous energy and protein from feed stuffs, products to improve yellow colour of egg yolk and chicken skin and at the same time provide anti-oxidant function to improve the health of poultry.

Increase in sales of amino acid products amounting to approximately RM2.3 million or 11.4% from approximately RM19.8 million for the year ended 31 December 2018 to approximately RM22.0 million for the year ended 31 December 2019 was mainly because of the increase in sales volume of amino acid products by approximately 656 tonnes. Such increase in sales volume was mainly contributed by a methionine product and a threonine product which aggregately accounted for approximately 2,158 tonnes or 69.2% of our total sales volume of amino acid products for the year ended 31 December 2019. Sales volume of the methionine product which was one of our top selling amino acid products during the Track Record Period increased by approximately 347 tonnes or 37.2% from 933 tonnes in year 2018 to 1,280 tonnes in year 2019. Since the introduction of new methionine product by a Korean chemical company in year 2016, a price competition on methionine products attempting to capture market shares was initiated in the Malaysia market. Working closely with Supplier A which is one of the largest methionine producers in the world, our Group managed to promote and cross-sell our methionine product through our sales and marketing network that resulted in a significant increase in sales volume of the product. Sales volume of the threonine product also increased by approximately 393 tonnes or 80.9% from 486 tonnes in year 2018 to 878 tonnes in year 2019 which was mainly attributable to the competitive price of this product. Average selling price of the threonine product decreased by approximately 15.6% from approximately RM5.2 per kg in year 2018 to RM4.4 per kg in year 2019 mainly because our Group managed to source competitive threonine product from Supplier D which is an amino acid manufacturer headquartered in the PRC and one of our top five suppliers in year 2019. It was stated in the 2019 interim report of Supplier D that the average selling price of its threonine product decreased significantly due to outbreak of African swine flu in China. Our Directors believe that Supplier D was also facing the challenge of China-US trade war that disrupted its export to the US market in year 2019, urging it to promote its amino acid products at lower price in Malaysia market which in turn stimulated the sales volume.

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	Year ended 31 December							
	2018				2019			
	Average	Sales	% of	segment	Average	Sales	% of	segment
	<u>unit price</u>	<u>volume</u>			<u>unit price</u>	<u>volume</u>		
	<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>		<i>RM per kg</i>	<i>kg'000</i>	<i>RM'000</i>	
Vitamin premix	31.4	783	24,598	53.5	33.7	845	28,460	59.9
Complex mixing	24.1	535	12,876	28.1	17.1	625	10,674	22.5
Mineral premix	5.0	1,379	6,847	14.9	4.8	1,342	6,438	13.6
Enzyme premix	43.9	37	1,623	3.5	33.3	57	1,910	4.0
Total			<u>45,944</u>	<u>100.0</u>			<u>47,482</u>	<u>100.0</u>

Increase in our segment revenue generated from manufacturing business by approximately RM1.5 million or 3.3% from approximately RM45.9 million for the year ended 31 December 2018 to approximately RM47.5 million for the year ended 31 December 2019 was mainly because of the combined effect of (i) decrease in sales of complex mixing by approximately RM2.2 million; and (ii) increase in sales of vitamin premix by approximately RM3.9 million. Because of the normalisation of price of vitamin A and E-related premix in the absence of market shortage resulted from BASF's fire accident that occurred in October 2017, the average unit price of complex mixing decreased significantly from approximately RM24.1 per kg for the year ended 31 December 2018 to approximately RM17.1 per kg for the year ended 31 December 2019 which resulted in the decrease in sales of complex mixing by approximately RM2.2 million or 17.1%. While the average selling price of complex mixing decreased in year 2019, its sales volume increased significantly by approximately 90 tonnes or 16.8% which was mainly attributable to the increase in sales to Customer A which is a feedmill located in Bangladesh. Our Directors believed that the outbreak of avian influenza (H5N1) in Bangladesh had an adverse impact on their poultry industry and therefore suppressed the demand of animal feed additives from Customer A during the year 2018. As the epidemic came under control, sales of our complex mixing products to Customer A increased significantly by approximately 79 tonnes or 1.1 times from approximately 72 tonnes for the year ended 31 December 2018 to approximately 151 tonnes for the year ended 31 December 2019.

Despite the normalisation of price of vitamin A and E-related premix for the year ended 31 December 2019, average unit price of vitamin premix products increased from RM31.4 to RM33.7 because there was tender sale of a broiler vitamin premix product of 162 tonnes that carry a relatively low selling price during the year ended 31 December 2018. This tender sale has dragged down the overall average unit selling price of vitamin premix that would otherwise be approximately RM36.6 per kg for the year ended 31 December 2018 as compared with RM33.7 per kg for the year ended 31 December 2019. Increase in sales volume of vitamin premix for the year ended 31 December 2019 was mainly attributable to a tender sale to Customer C. Such tender sale increased by approximately 145 tonnes or 4.8 times from 30 tonnes in year 2018 to 175 tonnes in year 2019 which resulted in an increase in sales to Customer C by approximately RM3.5 million.

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Without the market shortage of vitamin A and E for the year ended 31 December 2019, our Group still managed to increase sales volume of our own brand premix products, in particular vitamin premix and complex mixing as discussed above so that segment revenue from our manufacturing business increased by approximately 3.3% during the year.

Cost of goods sold

Our cost of goods sold increased by approximately RM4.6 million or 5.0% from approximately RM92.2 million for the year ended 31 December 2018 to approximately RM96.8 million for the year ended 31 December 2019. Such increase was mainly because of the increase in cost of inventories. Our revenue decreased by approximately 2.0% during the same period which indicated a decrease in gross profit margin from 28.3% for the year ended 31 December 2018 to 23.2% for the year ended 31 December 2019 which was mainly because of the absence of the one-off effect of vitamin A and E arising from the fire accident at BASF's production plant in October 2017.

Gross profit and gross profit margin

Our gross profit decreased by approximately RM7.2 million or 19.7% from approximately RM36.4 million for the year ended 31 December 2018 to approximately RM29.3 million for the year ended 31 December 2019 which was mainly because of the decrease in distribution revenue, details of which are discussed in paragraphs above with respect to revenue, and gross profit margin. Gross profit margin decreased from 28.3% to 23.2% for the respective period which was mainly attributable to the decrease in gross profit margin for both our distribution business and manufacturing business in the absence of the one-off effect of vitamin A and E arising from the fire accident at BASF's production plant in October 2017. The following tables showed our gross profits and gross profit margins by type of products:

Distribution business

	Year ended 31 December			
	2018		2019	
	<i>RM'000</i>	<i>Gross profit margin (%)</i>	<i>RM'000</i>	<i>Gross profit margin (%)</i>
Amino Acid	1,451	7.3	1,711	7.8
Human Food Ingredient	2,839	18.3	3,240	18.0
Additives	1,953	24.8	1,446	18.3
Vitamin	6,873	31.2	2,241	20.7
Mineral	1,406	16.6	2,148	22.7
Others	3,112	34.7	3,779	36.7
Segment total	<u>17,634</u>	<u>21.3</u>	<u>14,565</u>	<u>18.5</u>

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Gross profits of distribution business decreased by approximately RM3.1 million or 17.4% from approximately RM17.6 million for the year ended 31 December 2018 to approximately RM14.6 million for the year ended 31 December 2019 which was mainly attributable to the decrease in gross profits generated from vitamin products amounting to approximately RM4.6 million. The table below sets forth the revenue and gross profit margin attributable to (i) vitamin A and E related products and (ii) others, in our distribution business for the years ended 31 December 2018 and 2019 respectively:

	Year ended 31 December					
	2018			2019		
			Gross profit			Gross profit
	Revenue	Gross profit	margin	Revenue	Gross profit	margin
	RM'000	RM'000	%	RM'000	RM'000	%
Vitamin A and E related products	7,625	2,010	26.4	2,036	361	17.7
Others	75,031	15,624	20.8	76,535	14,204	18.6
Total of distribution business	82,656	17,634	21.3	78,571	14,565	18.5

The gross profit margin of vitamin A and E related products decreased significantly from 26.4% for the year ended 31 December 2018 to 17.7% for the year ended 31 December 2019 mainly because of the absence of one-off effect of BASF's fire accident that boosted the market price of vitamin A and E ingredients in early 2018. Other vitamin type products (non-vitamin A and E) also recorded a decrease in gross profit margin from approximately 33.8% for the year ended 31 December 2018 to 21.4% for the year ended 31 December 2019. Our Directors considered the outbreak of African Swine Fever in China since late 2018 that subsequently spread to other Asian countries has resulted in our competitors to shift some export sales of vitamin type products to local sales and brought about a more competitive market environment in Malaysia for the year ended 31 December 2019. This resulted in a general drop in gross profit margin of vitamin type products.

Gross profit margins of other products remained relatively stable and the overall gross profit margin of our distribution business of 18.5% approximated to the level achieved in year 2017 of 19.0%.

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Manufacturing business

	Year ended 31 December			
	2018		2019	
	<i>Gross profit</i>		<i>Gross profit</i>	
	<i>RM'000</i>	<i>margin (%)</i>	<i>RM'000</i>	<i>margin (%)</i>
Vitamin premix	10,645	43.3	7,236	25.4
Complex mixing	5,879	45.7	4,778	44.8
Mineral premix	2,098	30.6	2,212	34.4
Enzyme premix	170	10.4	471	24.7
Segment total	18,792	40.9	14,697	31.0

Gross profit margin of vitamin premix decreased significantly from approximately 43.3% for the year ended 31 December 2018 to approximately 25.4% for the year ended 31 December 2019, mainly because of the absence of market shortage of vitamin A and E contained products for the year ended 31 December 2019. The table below sets forth the revenue and gross profit margin attributable to (i) vitamin A and E related products and (ii) others, in our manufacturing business for the years ended 31 December 2018 and 2019 respectively:

	Year ended 31 December					
	2018			2019		
	<i>Gross profit</i>			<i>Gross profit</i>		
	<i>Revenue</i>	<i>Gross profit</i>	<i>margin</i>	<i>Revenue</i>	<i>Gross profit</i>	<i>margin</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>%</i>	<i>RM'000</i>	<i>RM'000</i>	<i>%</i>
Vitamin A and E related products	36,468	15,353	42.1	39,532	11,367	28.8
Others	9,476	3,439	36.3	7,950	3,330	41.9
Total of manufacturing business	45,944	18,792	40.9	47,482	14,697	31.0

Similar to our distribution business, significant decrease in gross profit margin of our own brand vitamin A and E related premix products in manufacturing business from approximately 42.1% for the year ended 31 December 2018 to 28.8% for the year ended 31 December 2019 was mainly because of (i) the absence of the aforementioned market shortage of vitamin A and E contained products; and (ii) the more competitive market environment in Malaysia for the year ended 31 December 2019 resulted from the aforementioned outbreak of African Swine Fever in China since late 2018.

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In contrast to the significant decrease in gross profit margin of vitamin premix products, complex mixing only recorded a relatively mild decrease in gross profit margin from approximately 45.7% for the year ended 31 December 2018 to 44.8% for the year ended 31 December 2019 which was mainly attributable to the sales of relevant complex mixing products to Customer A amounting to approximately RM4.3 million which carry relatively high profit margin of over 40% for the year ended 31 December 2019.

The increase in gross profit margin of other non-vitamin A and E related products was mainly attributable to the increase in gross profit margin of our mineral premix products. With reference to the Ipsos report, market price of mineral raw materials decreased by approximately 12.0% from approximately US\$3.16/kg in year 2018 to approximately US\$2.78/kg in year 2019. Because of the general decrease in mineral raw materials price, the average unit cost of our mineral premix products decreased by approximately 8.6% from approximately RM3.44 per kg for the year ended 31 December 2018 to approximately RM3.15 per kg for the year ended 31 December 2019 which outweighed the decrease in average selling price for the respective year and resulted in an increase in gross profit margin.

Other income

Other income remain relatively stable at approximately RM1.6 million and RM1.5 million for the years ended 31 December 2018 and 2019, respectively.

Selling and distribution costs

Selling and distribution costs remained relatively stable at approximately RM2.3 million and RM2.1 million for the years ended 31 December 2018 and 2019, respectively.

Administrative and other operating expenses

Administrative and other operating expenses remained stable and represented approximately 6.3% and 5.9% of our total revenue for the years ended 31 December 2018 and 31 December 2019 respectively.

Income tax expenses

Our income tax expense decreased by RM1.1 million or 17.4% from approximately RM6.3 million for the years ended 31 December 2018 to approximately RM5.2 million for the years ended 31 December 2019, with effective income tax rate of 28.2% and 27.4% respectively. The decrease in income tax expenses was mainly attributable to the decrease in gross profit as discussed above.

Profit and total comprehensive income for the year attributable to owners of our Company

Our profit for the year decreased by approximately RM2.2 million or 13.8% from approximately RM15.9 million for the year ended 31 December 2018 to approximately RM13.7 million for the year ended 31 December 2019. Such decrease was primarily due to the decrease in revenue and gross profit as discussed above.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

Our source of funds for our operations mainly comes from cash generated from our operation. Our primary uses of cash are for payment to suppliers and working capital needs. Upon the Listing, our source of funds will be a combination of internal generated funds and net proceeds from the Share Offer.

As at 31 December 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately RM6.5 million. As at the Latest Practicable Date, the unutilised banking facilities available for cash drawdown amounted to approximately RM12.0 million (see section headed “Financial information — Indebtedness” below).

Cash flows

The following table sets forth a condensed summary of our Group’s combined statements of cash flows during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Cash flow from operations before movements in working capital	15,810	21,236	20,281
Changes in working capital	(11,051)	8,533	(18,167)
Cash generated from operations	4,759	29,769	2,114
Income tax paid	(3,579)	(6,214)	(5,353)
Net cash from (used in) operating activities	1,180	23,555	(3,239)
Net cash (used in) from investing activities	(2,153)	(2,386)	4,866
Net cash used in financing activities	(4,200)	(18,843)	(1,367)
Net (decrease) increase in cash and cash equivalents	(5,173)	2,326	260
Cash and cash equivalents at the beginning of the reporting period	9,069	3,896	6,222
Cash and cash equivalents at the end of the reporting period	3,896	6,222	6,482

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Net cash from operating activities

Net cash from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as depreciation, gain on disposal of property, plant and equipment, fair value gain on other investments, loss allowance (reversal of loss allowance) of trade receivables and inventories written off and adjusted for the change in working capital.

Cash flow from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from sales of brand products sourced from suppliers and our own brand products in Malaysia. Our cash used in operations principally comprises payments for purchase of brand products and raw materials from our suppliers and other manufacturing costs.

For the year ended 31 December 2017, our net cash generated from operating activities was approximately RM1.2 million, primarily as a result of the combined effects of (i) approximately RM15.8 million cash flows from operations before movements in working capital; (ii) increase in inventories of approximately RM9.8 million mainly arising from the bulk purchase of raw materials, in particular vitamin A and vitamin E by our Group during the year; (iii) decrease in trade and other receivables of approximately RM0.1 million; (iv) decrease in trade and other payables of approximately RM1.3 million; and (v) income tax paid of approximately RM3.6 million.

For the year ended 31 December 2018, our net cash generated from operating activities was approximately RM23.6 million, primarily as a result of the combined effects of (i) approximately RM21.2 million cash flows from operations before movements in working capital mainly arising from more profits generated during the year; (ii) decrease in inventories of approximately RM3.6 million mainly arising from more sales of vitamin A and vitamin E contained products when the ingredients were in temporary shortage during the year; (iii) decrease in trade and other receivables of approximately RM2.0 million; (iv) increase in trade and other payables of approximately RM2.9 million; and (v) income tax paid of approximately RM6.2 million.

For the year ended 31 December 2019, our net cash used in operating activities was approximately RM3.2 million, primarily as a result of the combined effects of (i) approximately RM20.3 million cash flows from operations before movements in working capital; (ii) increase in inventories of approximately RM3.6 million mainly arising from the increase in year-end purchase of raw materials for ordinary operation; (iii) increase in trade and other receivables of approximately RM9.8 million mainly arising from more sales around year end; (iv) decrease in trade and other payables of approximately RM4.7 million mainly due to settlement of professional fee in relation to the Listing; and (v) income tax paid of approximately RM5.4 million. Our finance and administration department would closely monitor the inventory turnover days, account receivable days and account payable days to manage our Group's liquidity and overall cash conversion cycle at healthy level. For each for the three years ended 31 December 2019, our Group's cash conversion cycle was maintained at 145, 125 and 143 days respectively. While there was net cash used in operating activities

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for the year ended 31 December 2019, our Directors considered that our cash conversion cycle was managed at healthy level. During the Track Record Period, our Group did not experience negative cash and bank balance and therefore, our Directors consider that our Group's liquidity management is effective. As at the Latest Practicable Date, our Group also maintained unutilised banking facilities for working capital use amounting to approximately RM12.0 million which our Directors considered sufficient to support our current scale of operation and tackle any unforeseen liquidity situation should it arise in the future. Our Group will take the following measures to improve our cash flow position including (i) follow up with customers for on-time collection of outstanding debt; (ii) utilise the credit terms provided by our suppliers; and (iii) utilise the banking facilities for working capital use to cover any deterioration in our cash flow position.

Net cash used in investing activities

For the year ended 31 December 2017, our net cash used in investing activities was approximately RM2.2 million. The amount was mainly attributable to the combined effects of (i) purchase of other investments of approximately RM8.0 million; and (ii) redemption of non-principal guaranteed funds of approximately RM6.0 million.

For the year ended 31 December 2018, our net cash used in investing activities was approximately RM2.4 million. The amount was mainly attributable to the combined effects of (i) purchase of other investments of approximately RM18.5 million; and (ii) redemption of non-principal guaranteed funds and unit trust of approximately RM4.1 million and RM12.4 million respectively.

For the year ended 31 December 2019, our net cash generated from investing activities was approximately RM4.9 million. The amount was mainly attributable to the redemption of non-principal guaranteed funds and unit trust during the year.

Net cash used in financing activities

Net cash used in financing activities for each of the two years ended 31 December 2018 mainly represented dividends paid during the respective year.

Net cash used in financing activities for the year ended 31 December 2019 mainly represented decrease in bank borrowings during the year.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchase of leasehold improvements, furniture, fixtures and office equipment, plant and machineries and motor vehicles. Our capital expenditures were approximately RM0.6 million, RM0.6 million and RM0.7 million for each of the three years ended 31 December 2019, respectively. We principally funded our capital expenditures through internal resources.

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Our Group anticipates that to materialise our future plans, our future capital expenditures will be financed by internal resources, bank borrowings and the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditures may be subject to change based on the implementation of business plans, including potential acquisitions, market conditions and the outlook of future business conditions. As our Group will continue to expand, additional capital expenditures may be incurred and our Group may consider raising additional funds as and when appropriate. Our Group's ability to obtain additional funding in the future is subject to a variety of uncertainties, including further operation results, financial conditions and cash flows, economic, political and other conditions.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources and the unutilised banking facilities presently available to our Group, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our Group's present requirements for at least the next 12 months commencing on the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 29 February
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000 (unaudited)
Current assets				
Inventories	31,666	27,989	31,611	27,796
Trade and other receivables	29,576	28,969	38,528	36,704
Other investments	6,613	8,703	3,325	6,148
Restricted bank balances	1,080	1,380	1,670	1,670
Bank balance and cash	3,896	6,222	6,482	9,984
	<u>72,831</u>	<u>73,263</u>	<u>81,616</u>	<u>82,302</u>
Current liabilities				
Trade and other payables	10,782	13,678	8,979	8,379
Dividends payable	6,000	—	—	—
Income tax payables	621	654	404	599
Interest-bearing borrowings	—	2,172	1,509	1,603
Lease liabilities	—	—	17	481
	<u>17,403</u>	<u>16,504</u>	<u>10,909</u>	<u>11,062</u>
Net current assets	<u>55,428</u>	<u>56,759</u>	<u>70,707</u>	<u>71,240</u>

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Our net current assets increased by approximately RM1.3 million or 2.4% from approximately RM55.4 million as at 31 December 2017 to approximately RM56.8 million as at 31 December 2018 mainly because of the combined effects of (i) decrease in inventories of approximately RM3.7 million; (ii) increase in bank balance and cash of approximately RM2.3 million; (iii) increase in trade and other payables of approximately RM2.9 million; and (iv) decrease in dividends payable of approximately RM6.0 million.

Our net current assets increased by approximately RM13.9 million or 24.6% from approximately RM56.8 million as at 31 December 2018 to approximately RM70.7 million as at 31 December 2019 mainly because of the combined effects of (i) decrease in trade and other payables of approximately RM4.7 million; and (ii) increase in trade and other receivables of approximately RM9.6 million.

For further discussions on the fluctuations of the components of our current assets and current liabilities mentioned above, please refer to the paragraph headed “Discussion on selected balance sheet items” below.

INDEBTEDNESS

Bank borrowings

As at 29 February 2020, being the latest practicable date for this indebtedness statement except for a bank borrowing of approximately RM1.6 million, we do not have any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenant related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 December 2019 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for material external debt financing.

Our Group’s restricted bank balances are bank deposits denominated in RM which carried interest at prevailing market rate and were pledged to secure banking facilities granted to our Group. Such banking facilities are also secured by a guarantee provided by Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee, Datin Sri Emerlyn Yaw and Mr. SS Lee, which shall be released upon Listing and replaced by corporate guarantees granted by our Company. The total banking facilities granted amounted to approximately RM9,950,000, RM6,270,000 and RM12,270,000 at 31 December 2017, 2018 and 2019, respectively, of which nil, RM2,172,000 and RM1,509,000 was utilised at 31 December 2017, 2018 and 2019 respectively. As at the Latest Practicable date, the unutilised banking facilities amounted to RM12,038,000 which is restricted for trade finance use only.

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Lease liabilities

Our Group has adopted IFRS 16 for the accounting period beginning on 1 January 2019 as stated in note 3 of the Accountants' Report. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for accounting period beginning on 1 January 2019. As at 31 December 2019, our total lease liabilities were RM31,000.

Contingent liabilities

As at the Latest Practicable Date, we have no contingent liabilities.

COMMITMENTS

Operating lease commitments

Our Group as lessee

As at the Latest Practicable Date, our Group leased an office and warehouse from Lee & Seetho Holding Sdn. Bhd. who will, upon the Listing, becomes our connected person and an office from one Independent Third Party. For details, please refer to the section headed "Business — Properties — Leased properties" in this prospectus. The following table sets forth our future minimum lease payable under non-cancellable operating leases as at the reporting dates as follows:

	As at 31 December	
	2017	2018
	RM'000	RM'000
Within one year	576	576
In the second to fifth years inclusive	609	33
	<u>1,185</u>	<u>609</u>

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories decreased by approximately RM3.7 million or 11.6% from approximately RM31.7 million as at 31 December 2017 to approximately RM28.0 million as at 31 December 2018. The decrease was primarily attributable to (i) decrease in average unit price of a vitamin concentrate that resulted in the closing stock of such vitamin concentrate to decrease by approximately RM2.4 million; and (ii) decrease in inventory of vitamin A and vitamin E by approximately RM1.5 million arising from high demand of the two ingredients and products containing the two ingredients in market during their temporary shortage in market.

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Our inventories increased by approximately RM3.6 million or 12.9% from approximately RM28.0 million as at 31 December 2018 to approximately RM31.6 million as at 31 December 2019 which was mainly attributable to the increase in purchases in the month of December 2019 as compared to December 2018.

We manage our inventory level and procurement amount by reviewing historical sales trend and exchanging market information through frequent contact with our customers from time to time, with an aim to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and loss of sales. For details, please refer to the section headed “Business — Operating procedures — 2. Inventory management and warehousing” in this prospectus. Inventories with cost of approximately RM231,000, RM35,000 and nil were considered obsolete and were written off at 31 December 2017 and 2018 and 2019, respectively.

The table below sets out the inventory turnover days for the periods indicated:

	Year ended 31 December		
	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Inventory turnover days (<i>Note</i>)	<u>91</u>	<u>85</u>	<u>86</u>

Note: The inventory turnover days is calculated based on the average of the beginning and ending balance of inventories for the year divided by sales for the year and multiplied by 365 days for each of the three years ended 31 December 2019.

The relatively higher inventory turnover days of 91 days for the year ended 31 December 2017 mainly attributable to the stock up of vitamin A and vitamin E ingredients around year end resulted from the bulk purchase made by our Group during the year. Following the sales of inventory of vitamin A and vitamin E during the year ended 31 December 2018, the inventory turnover days was decreased to 85 days. The inventory turnover days remained stable at 86 days for the year ended 31 December 2019.

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The following table sets out the ageing analysis of inventory and subsequent usage or sales up to the Latest Practicable Date:

	<u>Within one year</u>	<u>One year to two years</u>	<u>Over two years</u>	<u>Total</u>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Raw materials				
— As at 31 December 2017	16,212	645	207	17,064
— As at 31 December 2018	13,386	647	211	14,244
— As at 31 December 2019	19,208	297	310	19,815 ^(A)
Subsequent usage up to the Latest Practicable Date				12,577 ^(B)
B/A				63.5%
Finished goods				
— As at 31 December 2017	13,708	509	385	14,602
— As at 31 December 2018	12,423	1,168	154	13,745
— As at 31 December 2019	10,677	782	337	11,796 ^(C)
Subsequent sales up to the Latest Practicable Date				7,999 ^(D)
D/C				67.8%

During the Track Record Period, the age profile of the inventory remained stable.

Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at the end of each reporting period:

	<u>As at 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade receivables	28,506	25,814	35,074
Deposit and prepayments	1,059	3,155	3,454
Due from a related company	<u>11</u>	<u>—</u>	<u>—</u>
	<u>29,576</u>	<u>28,969</u>	<u>38,528</u>

Trade receivables

During the Track Record Period, the credit period granted by our Group to its trade debtors was up to 90 days. Trade receivables decreased by approximately RM2.7 million or 9.4% from approximately RM28.5 million as at 31 December 2017 to approximately RM25.8

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million as at 31 December 2018. The decrease was primarily attributable to (i) prompt settlement by certain customers as evidenced by the shortened trade receivable turnover days; and (ii) lower sales for the last two months before the end of reporting date (i.e. lower sales for November and December 2018 as compared with November and December 2017). Trade receivables increased by approximately RM9.3 million or 36.0% from approximately RM25.8 million as at 31 December 2018 to approximately RM35.1 million as at 31 December 2019. The increase was mainly because of (i) the lengthened trade receivable turnover days; and (ii) higher sales for the last month before the end of the reporting date (i.e. higher sales in December 2019 as compared with December 2018). The following table sets forth our trade receivables turnover days during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivables turnover days (<i>Note</i>)	<u>97</u>	<u>77</u>	<u>88</u>

Note: The trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue for the year and multiplied by 365 days for each of the three years ended 31 December 2019.

While our management would closely monitor the ageing of our trade receivables and take appropriate actions such as sending reminder letters to collect outstanding debt, a lack of formal credit control procedures during the Track Record Period resulted in debt collection actions not being taken consistently and timely for all debts outstanding for over 90 days. Our Group has formalised our credit control procedures after adopting the advices from our internal control adviser. The generally improved trade receivables turnover days falling within 90 days for the two years ended 31 December 2019 as compared with 97 days for the year ended 31 December 2017 was mainly because of improved settlement by our customers. The trade receivables turnover days increased from 77 days for the year ended 31 December 2018 to 88 days for the year ended 31 December 2019 mainly because of a short delay in payment by our customers. Our Directors consider that the lengthened trade receivable turnover days for the year ended 31 December 2019 is within tolerable level and will continue to closely monitor the credit quality of our customers in order to take timely debt collection actions.

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The following table sets forth an ageing analysis of the trade receivables, based on invoice date, as at the end of each reporting period:

	As at 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Within 30 days	11,049	8,711	13,272
31 to 60 days	6,752	6,916	9,467
61 to 90 days	4,533	3,834	4,619
Over 90 days	<u>9,082</u>	<u>7,875</u>	<u>9,525</u>
	<u>31,416</u>	<u>27,336</u>	<u>36,883</u>
Loss allowance	<u>(2,910)</u>	<u>(1,522)</u>	<u>(1,809)</u>
	<u><u>28,506</u></u>	<u><u>25,814</u></u>	<u><u>35,074</u></u>

The ageing analysis of the trade receivables which are past due but not impaired as at the end of each reporting period is as follows:

	As at 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Overdue by:			
Within 30 days	7,568	6,645	10,787
31–60 days	2,993	4,122	6,809
61–90 days	1,372	1,239	1,088
Over 90 days	<u>4,422</u>	<u>3,744</u>	<u>4,741</u>
	<u><u>16,355</u></u>	<u><u>15,750</u></u>	<u><u>23,425</u></u>

As at the Latest Practicable Date, approximately 91.8% (or approximately RM33.9 million) of our trade receivables as at 31 December 2019 had been subsequently settled. For the trade receivables which are past due as at 31 December 2019, approximately 89.8% (or approximately RM22.5 million) had been subsequently settled as at the Latest Practicable Date. Our Directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default and the balances are considered fully recoverable.

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Our Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the movement is as follows:

	As at 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
At the beginning of the reporting period	2,446	2,910	1,522
Loss allowance (Reversal of loss allowance) of trade receivables	<u>464</u>	<u>(1,388)</u>	<u>287</u>
At the end of the reporting period	<u>2,910</u>	<u>1,522</u>	<u>1,809</u>

Our Group determines the loss allowance by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. The reversal of loss allowance of trade receivables in FY2018 was mainly attributable to (i) decrease in expected credit loss rates for all group of trade receivables with shared credit risk characteristics which are assessed based on, among others, the improved historical loss rates; and (ii) decrease in trade receivable balance with days past due over 90 days as at 31 December 2018.

Deposit and prepayments

Deposits and prepayments mainly represent advance payment to suppliers and other sundry deposits such as rental and utilities. Deposits and prepayments increased by approximately RM2.1 million or 197.9% from approximately RM1.1 million as at 31 December 2017 to RM3.2 million as at 31 December 2018. The increase was mainly attributable to increase in purchase from certain suppliers who require advance payment amounting to approximately RM2.3 million.

Deposits and prepayments slightly increased by approximately RM0.3 million or 9.5% from approximately RM3.2 million as at 31 December 2018 to RM3.5 million as at 31 December 2019.

Due from a related company

The amount due from a related company represented secretarial services fee paid on behalf of a dormant company and the amount was unsecured, non-trade nature, interest-free and repayable on demand. The amount due from a related company has been settled.

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Other investments

To make effective use of our cash resources, our Group will, from time to time, make appropriate investments in short-term financial instruments that generate income without interfering with our business operations or capital expenditures. During the Track Record Period, other investments included non-principal guaranteed funds and unit trust aggregately amounting to approximately RM6.6 million, RM8.7 million and RM3.3 million as at 31 December 2017, 2018 and 2019, respectively. Fair value gain on other investment amounted to approximately nil, RM80,000 and RM68,000 while investment income amounted to approximately RM0.2 million, RM0.2 million and RM0.1 million which were recognized through profit or loss for the respective year.

The non-principal guaranteed funds were placed with a bank in Malaysia, which mainly invested in Islamic term deposits in Malaysia while the unit trust represented unlisted investments managed by a bank in Malaysia, which mainly invested in Islamic money market instruments. Fair value of the non-principal guaranteed funds and unit trust are reported by the bank with reference to the fair value of the underlying instruments at the end of each reporting period which mainly comprise Islamic bank deposits with maturity of not more than 12 months. For details, please refer to note 16 to the Accountants' Report. Investment risk management of our Group is set out in the section headed "Business — Internal control and risk management — Investment risk management" in this prospectus.

Trade and other payables

The following table sets forth a breakdown of our Group's trade and other payables as at the end of each reporting period:

	As at 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Trade payables	9,325	9,229	7,317
Accruals and other payables	1,456	4,449	1,662
Due to a related company	1	—	—
	<u>10,782</u>	<u>13,678</u>	<u>8,979</u>

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Trade payables

We are usually offered by our suppliers a credit period of up to 90 days. Trade payables remained stable at approximately RM9.3 million as at 31 December 2017 and approximately RM9.2 million as at 31 December 2018. Trade payable decreased to approximately RM7.3 million as at 31 December 2019 mainly because of prompt payment by our Group during the year as evidenced by the shortened trade payable turnover days. The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended 31 December		
	2017	2018	2019
	Days	Days	Days
Trade payables turnover days (<i>Note</i>)	43	37	31

Note: The trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables for the year divided by cost of goods sold for the year and multiplied by 365 days for each of the three years ended 31 December 2019.

The following table sets forth an ageing analysis of the trade payables, based on invoice date, as at the end of each reporting period:

	As at 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Within 30 days	3,812	5,049	3,259
31 to 60 days	4,508	1,469	2,056
61 to 90 days	1,005	2,137	1,402
Over 90 days	—	574	600
	<u>9,325</u>	<u>9,229</u>	<u>7,317</u>

As at the Latest Practicable Date, approximately 99.9% (or approximately RM7.3 million) of our trade payables as at 31 December 2019 had been settled.

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Accruals and Other payables

Accruals and other payables mainly represent (i) bonus, Directors' remuneration and other staff costs payable and (ii) accrued logistics, packaging and maintenance fee.

Accruals and other payables increased by approximately RM3.0 million or 205.6% from approximately RM1.5 million as at 31 December 2017 to RM4.4 million as at 31 December 2018. The increase was mainly attributable to accrued professional fee in relation to the Listing amounting to approximately RM3.1 million.

Accruals and other payables decreased by approximately RM2.8 million or 62.6% from approximately RM4.4 million as at 31 December 2018 to RM1.7 million as at 31 December 2019. The decrease was mainly attributable to settlement of professional fee in relation to the Listing amounting to approximately RM2.3 million during the year.

Due to a related company

The amount due to a related company represented utilities expenses payable to Lee & Seetho Holding Sdn. Bhd. and the amount was unsecured, non-trade nature, interest-free and repayable on demand. For details of the transactions in relation to lease of office and warehouse by our Group from Lee & Seetho Holding Sdn. Bhd. please refer to the section headed "Relationship with Controlling Shareholders — Transactions entered into before the Listing which would otherwise constitute connected transactions" in this prospectus.

KEY FINANCIAL RATIOS

		As at 31 December		
		2017	2018	2019
	Note	%	%	%
Return on total assets	1	12.4	18.2	14.3
Return on equity	2	15.6	22.6	16.3
Gross profit margin	3	20.9	28.3	23.2
Net profit margin	4	10.0	12.4	10.9
		times	times	times
Current ratio	5	4.2	4.4	7.5
Quick ratio	6	2.4	2.7	4.6
Gearing ratio	7	N/A	0.03	0.02
Net debt to equity ratio	8	N/A	N/A	N/A

Notes:

1. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year.

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2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.
3. Gross profit margin is calculated by the gross profit for the year divided by the revenue for the respective year.
4. Net profit margin is calculated by the profit for the year divided by the revenue for the respective year.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the respective reporting date.
6. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the respective reporting date.
7. Gearing ratio is calculated based on the total loans and borrowings divided by total equity at the respective reporting date.
8. Net debt to equity ratio is calculated by dividing total debts minus bank balances and cash and pledged bank deposits with total equity as at the end of the respective reporting date.

Return on total assets

Return on total assets increased from 12.4 as at 31 December 2017 to 18.2 as at 31 December 2018 mainly because of the increase in profit and total comprehensive income for the year ended 31 December 2018. The profit and total comprehensive income for the year ended 31 December 2018 increased by approximately 46.5% as compared with that for the previous year. Return on total assets decrease to 14.3 as at 31 December 2019 mainly because of the decrease in profit and total comprehensive income by approximately 13.8% as compared with the previous year.

Return on equity

Return on equity increased from 15.6 as at 31 December 2017 to 22.6 as at 31 December 2018 mainly because of the increase in profit and total comprehensive income for the year ended 31 December 2018. Return on equity decreased to 16.3 as at 31 December 2019 mainly because of the decrease in profit and total comprehensive income during the year.

Gross profit margin

Our gross profit margin was approximately 20.9%, 28.3% and 23.2% for the three years ended 31 December 2019 respectively. Please refer to the paragraph headed “Comparison of results of operations” in this section of the prospectus above for the explanations of our gross profit margin.

Net profit margin

Our net profit margin was approximately 10.0%, 12.4% and 10.9% for the three years ended 31 December 2019. Please refer to the paragraph headed “Comparison of results of operations” in this section of the prospectus above for the explanations of our net profit margin.

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Current ratio

Our Group's current ratio was relatively stable as at 31 December 2017 and 31 December 2018 since there was no dividend payable as at the year ended 31 December 2018 while the increase in current assets and current liabilities resulted from growth of operation has countered the effect. Our current ratio increased from 4.4 as at 31 December 2018 to 7.5 as at 31 December 2019 mainly because our Group maintained a strong current assets position while our current liabilities decreased by approximately RM5.6 million due to the combined effect of (i) decrease in trade and other payables amounting to RM4.7 million as discussed above; and (ii) decrease in bank borrowings by approximately RM0.7 million.

Quick ratio

Changes in our Group's quick ratio as at the end of each reporting dates follow a similar trend as that of our Group's current ratio.

Gearing ratio and net debt to equity ratio

Since our Group had no debt and/or borrowings for the year ended 31 December 2017, the ratios are not calculated. As at 31 December 2018 and 31 December 2019, our Group has a bank borrowings of approximately RM2.2 million and RM1.5 million respectively.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 25 to the Accountants' Report in relation to operating lease payments and related utilities expenses paid on premises charged by Lee & Seetho Holding Sdn. Bhd., which is owned as to approximately 99.999969% by Dato' Sri Howard Lee and 0.000031% by Datin Sri Emerlyn Yaw, to our Group, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2019 as if the Share Offer had taken place on 31 December 2019, was approximately HK\$0.49 per Share (based on the minimum indicative Offer Price of HK\$1.00 per Offer Share) or HK\$0.53 per Share (based on the maximum indicative Offer Price of HK\$1.20 per Offer Share). This figure does not take into account any trading results or other transactions entered into subsequent to 31 December 2019. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

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DIVIDENDS AND DISTRIBUTABLE RESERVES

During each of the three years ended 31 December 2019, dividends of RM10.2 million, RM15.0 million and nil, respectively, were declared by our Group. All these dividends have been settled as at the Latest Practicable Date. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Share Offer, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including our results of operations, financial condition, working capital, capital requirements and other factors which our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS

Nawawi Tie Leung Property Consultants Sdn Bhd, an independent property valuer, has valued the property owned by our Group, which is currently used as our manufacturing plant (for details, please refer to the section headed "Business — Properties — Owned property") as of 31 January 2020 and is of the opinion that the value of such property as of such date was approximately RM21.5 million. The full text of the letter, a summary of values and the valuation certificates issued by Nawawi Tie Leung Property Consultants Sdn Bhd are set out in Appendix III to this prospectus. The table below shows a reconciliation of the amount of the property as reflected in our combined financial information as at 31 December 2019 as set out in Appendix I to this prospectus with the valuation of the property as at 31 January 2020 as set out in Appendix III to this prospectus:

	<i>RM'000</i>
Net carrying value of property as at 31 December 2019	12,734
Net valuation surplus*	<u>8,766</u>
Valuation as at 31 January 2020	<u><u>21,500</u></u>

* *Net valuation surplus, represents variance between the net carrying value, at cost less accumulated depreciation and any impairment loss of our property, and the valuation of such property as at 31 January 2020, as if the properties are stated at fair value. The net valuation surplus of the properties will not be included in our Group's financial statements in accordance with our Group's accounting policies.*

FINANCIAL INFORMATION

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group manages its capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the Track Record Period. Our Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost and the risks associates with each class of capital. Based on recommendations of the Directors, our Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Financial risk management

Our Group's activities expose it to a variety of financial risks which comprise foreign currency risk, credit risk and liquidity risk. For further details on our Group's financial risk management objectives and policies, please refer to note 27 to the Accountants' Report.

LISTING EXPENSES

We expect that the Listing expenses, which is non-recurring in nature, will be amounted to approximately HK\$55.2 million representing approximately 40.1% of our estimated gross proceeds from the Share Offer. Out of the total HK\$55.2 million in Listing expenses, our Group has recorded approximately HK\$12.9 million and HK\$3.7 million as expense in the combined statement of profit or loss and other comprehensive income for the two years ended 31 December 2019 respectively. We expect to further recognise approximately HK\$5.1 million for the year ending 31 December 2020. For the remaining balance of approximately HK\$33.5 million, which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial results of our Group for the year ending 31 December 2020 will be significantly affected by the estimated expense in relation to the Listing expenses to be recognised. Such amount of Listing expenses is for reference only and the final amount to be charged to the profit and loss account of our Group for the year ending 31 December 2020 and the amount to be deducted from our Group's capital is subject to change.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances that would give rise to the disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 December 2019, please refer to note 31 to the Accountants' Report.

NO MATERIAL ADVERSE CHANGE

The joint reporting accountants concur with our Directors' view that the current worldwide outbreak of the Coronavirus COVID-19 has no significant impact to the measurement, recognition and disclosure of the relevant historical financial information of our Group as set out in the Accountants' Report and will not constitute an adjusting nor non-adjusting event after reporting period pursuant to IAS 10 taking into consideration the risk management measures as detailed in the section headed "Business — Contingency plans and preventive measures regarding the ongoing Coronavirus COVID-19" in this prospectus and up to the Latest Practicable Date, the outbreak of Coronavirus COVID-19 has no material impact on our (i) production and operation; (ii) key market; and (iii) supplies.

Save as disclosed in the sections headed "Summary — Recent development" in this prospectus and the paragraph headed "Listing expenses" in this section, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2019, and there is no event since 31 December 2019 which would materially affect the information shown in the Accountants' Report.

APPLICATION FOR RECOGNITION OF MAZARS PLT AS RECOGNISED PIE AUDITORS BY THE FINANCIAL REPORTING COUNCIL

Background

We have appointed Mazars CPA Limited (the "**Mazars Hong Kong**") and Mazars PLT, an overseas audit firm of chartered accountants in Malaysia to act as our Company's joint reporting accountants in our application for the Listing and we intend to continue their appointment as our joint auditors after the Listing.

The amendments to the Financial Reporting Council Ordinance, Cap. 588, laws of Hong Kong have become effective

As from 1 October 2019 (the "**Effective Date**"), the amendments to the Financial Reporting Council Ordinance (Cap. 588) ("**FRCO**") take effect and the Financial Reporting Council ("**FRC**") has become Hong Kong's independent regulator of listed entity auditors. After the Effective Date, all audit firms intending to carry out any engagement with a public interest entity (the "**PIE Engagement**") are subject to a system of registration (for Hong Kong auditor firms) and recognition (for non-Hong Kong audit firms) as recognised PIE auditors (the "**Recognised PIE Auditors**"). A PIE is either (a) a listed corporation whose listed securities comprise at least shares or stocks; or (b) a listed collective investment scheme. Hence, after the Listing, our Company will become a PIE.

Any non-Hong Kong audit firm is required to be recognised by the FRC as Recognised PIE Auditors before the audit firm can (i) "undertake" (i.e. accept an appointment to carry out) any PIE Engagement; and (ii) carry out any PIE Engagement for an overseas entity.

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Under the FRCO, the overseas equity issuer, like our Company, must seek a statement of no objection (the “SNO”) from the Stock Exchange to engage its non-Hong Kong auditors to undertake its PIE Engagement. After the issue of the SNO, the FRC will consider the application for recognition of the non-Hong Kong auditor as a Recognised PIE Auditor (as defined in section 3A of the FRCO).

Section 90 of the FRCO sets out the transitional arrangement which is applicable to an overseas auditor who has accepted an appointment to carry out a PIE Engagement for an overseas entity but has not yet completed such engagement before 1 October 2019 (the “**Transitional Arrangement**”).

Our application for the recognition of Mazars PLT as Recognised PIE Auditors by the FRC under the FRCO

Considering that we will become a PIE after the Listing and we intend to continue to engage Mazars PLT as one of our joint auditors, we must apply to the FRC for its recognition of Mazars PLT as Recognised PIE Auditors. Given Mazars PLT’s appointment had taken effect before the Effective Date, the above-mentioned Transitional Arrangement shall apply to our application to the FRC.

Pursuant to the Transitional Arrangement, on 15 August 2019, Mazars PLT submitted the transitional arrangement application form informing the FRC of its intention to continue to carry out the PIE engagement for our Company.

On 26 August 2019, we applied to the Stock Exchange for a SNO to support our Company’s application to the FRC for its recognition of Mazars PLT as a Recognised PIE Auditor. On 18 September 2019, we received the SNO from the Stock Exchange. On 14 November 2019, we applied to the FRC for its recognition of Mazars PLT as a Recognised PIE Auditor under the Transitional Arrangement. On 24 January 2020, an approval-in-principle recognising Mazars PLT as Recognised PIE Auditors of our Company was granted by the FRC. The approval-in-principle is valid for a 6-month period beginning on 24 January 2020. The recognition of Mazars PLT as Recognised PIE Auditors of our Company takes effect when Mazars PLT undertakes the PIE Engagement for our Company within the 6-month validity period and expires on 31 December 2020. On 30 January 2020, our Company confirmed that Mazars PLT has indeed undertaken the PIE Engagement for our Company. The recognition of Mazars PLT as Recognised PIE Auditors of our Company is renewable annually, with the next renewal application being no later than 16 November 2020.

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Details of Mazars PLT's background are as follows:

- (i) Mazars PLT is an integrated member firm of Mazars Group, a major and reputable accounting organisation with an international network in 89 countries and territories.

Mazars PLT is an audit firm (chartered accountants) registered with the Malaysian Institute of Accountants (“MIA”). The MIA is the national accountancy body in Malaysia, which is also a member of the ASEAN Federation of Accountants and the IFAC. The MIA regulates, develops, supports and enhances the integrity, status and interests of the profession in Malaysia. The MIA accords the “Chartered Accountant Malaysia” designation to a professional in accountancy, business and finance with a recognised qualification and relevant work experience.

In Malaysia, Mazars PLT serves as auditors for corporations listed on the Main Market and ACE Market of Bursa Malaysia.

As part of Mazars Group international presence, Mazars PLT also performs statutory audit for the Malaysia subsidiaries of the overseas issuers which are listed on overseas stock exchange.

- (ii) The audit partners of Mazars PLT are approved company auditors pursuant to the Companies Act 2016 in Malaysia. Mazars PLT and all its audit partners are also registered with the Audit Oversight Board in Malaysia (“AOB”).

The Securities Commission Malaysia (“SCM”) established the AOB under the Securities Commission Malaysia Act 1993 (“SCMA”) which came into force on 1 April 2010, to promote and develop an effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements of public interest entities in Malaysia. In accordance with the SCMA, auditors of public interest entities in Malaysia must be registered with the AOB.

The AOB is a regulatory body that is independent of the accountancy profession in Malaysia. The AOB is also a member of The International Forum of Independent Audit Regulators which comprising more than 50 independent audit regulators from jurisdictions in Africa, the Americas, Asia, Europe, the Middle East and Oceania. One of the key responsibilities of the AOB is to conduct inspections and monitoring programs on registered auditors to assess the degree of compliance with auditing and ethical standards. The AOB carries out inspection at the firm level or engagement level or both. A firm review focuses on the review of an audit firm's quality control systems and practices and the degree of compliance with the requirements of the International Standards of Quality Control 1. An engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor. The AOB has power to impose sanctions for breach of legal or regulatory

FINANCIAL INFORMATION

requirements or professional standards and ethics in relation to the audit of public interest entities in Malaysia. Mazars PLT is registered with the AOB and thus subject to periodical inspection and monitoring conducted by the AOB.

The SCM is a party to the International Organization of Securities Commissions' ("IOSCO") Multilateral Memorandum of Understanding ("MOU") Concerning Consultation and Cooperation and the Exchange of Information. The SFC is also a party to the said IOSCO's Multilateral MOU. The SCM has also entered into bilateral regulatory cooperative arrangements with various overseas regulators, including the SFC.

- (iii) Mazars PLT has confirmed that it conducts the audit on the financial statements of our Group in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (equivalents to Hong Kong Standards on Auditing issued by HKICPA. Also, Mazars PLT has confirmed that it conducted the audit on the Group's historical financial information for the Track Record Period, which is prepared in accordance with the accounting policies that conform with IFRS issued by the International Accounting Standards Board, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (equivalents to International Standards on Auditing issued by the IFAC through the International Auditing and Assurance Standards Board).

Mazars PLT has confirmed that it complies with the By-Laws (On Professional Ethics, Conduct and Practice) of the MIA and the independence and the ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and is based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, published by the IFAC. Mazars PLT has confirmed that it is independent of the Group in accordance with the rules of IFAC.

- (iv) Mazars PLT has been the auditor of the our subsidiaries since year 2017. The statutory financial statements of the our subsidiaries for the financial years ended 31 December 2017 and 2018 were prepared in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, IFRS and the requirements of the Companies Act 2016 in Malaysia.

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Furthermore, the key audit team members of Mazars PLT who are assigned to the engagements relating to the Listing have sufficient auditing experience and have the relevant local and international financial reporting knowledge as well as the relevant industry knowledge. The audit engagement partner from Mazars PLT, who is also a member of the HKICPA, has over 15 years of auditing experience including Initial Public Offering in Hong Kong and Malaysia. Therefore, the Directors are of the view that the appointment of Mazars PLT as one of the joint reporting accountants and joint auditors can enhance the efficiency, effectiveness and quality of work throughout the audit.

After the Listing, in addition to Mazars PLT, Mazars CPA Limited, which is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20 of the Listing Rules, will also be the proposed auditors of our Group, together acting as joint auditors.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.10 per Share (being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.20 per Share) will be approximately HK\$82.3 million. Our Directors presently intend to apply such net proceeds from the Share offer as follows:

- approximately HK\$47.8 million, representing approximately 58.1% of the net proceeds will be used to partly finance the construction of a new manufacturing plant to increase our production capacity. We expect the financing involved will be used for (i) construction of the manufacturing plant amounted to RM16.0 million; (ii) acquisition of land with an estimated site area of at least 7,000 square metres which can accommodate an automated mixer and associated production facilities amounted to RM22.3 million; (iii) acquisition of automated mixer for production amounted to RM6.2 million; (iv) installation of automatic packaging line amounted to RM1.6 million; and (v) installation of racking system in the warehouse and others amounted to RM0.4 million. We expect the total cost of the manufacturing plant to be approximately RM46.4 million (equivalent to approximately HK\$88.2 million), of which the land, main building and automated mixer shall be financed 50% by mortgage loan obtained from banks aggregately amounting to approximately RM21.3 million. The remaining cost of approximately RM25.1 million (equivalent to approximately HK\$47.8 million) shall be financed by the net proceeds.

As set out in the section headed “Business — Key machinery and equipment — Utilisation rates” in this prospectus, the utilisation rate of the automated mixer in our existing manufacturing plant was approximately 70.3%, 82.2% and 85.7% for the three years ended 31 December 2019 respectively. Given the increasing utilisation rate of the automated mixer driven by the growth of our manufacturing business and the high utilisation rate attained for the year ended 31 December 2019, we would face full utilisation in our production plant by year 2021 and may not have sufficient production capacity for our own brand animal feed additives premixes to meet the future growth of our manufacturing business. Please refer to the paragraph headed “Construction plan of our new manufacturing plant and sufficient demand for our own brand premix products” in this section below for further details.

The new automated mixer will also be equipped with spray-on manufacturing function that is more advanced than our existing mixer, which would enable us to produce acidifiers (alternative to antibiotics) and/or products containing acidifiers in a more efficient way, which help enrich our product portfolio with own brand animal feed

FUTURE PLANS AND USE OF PROCEEDS

additives premixes as core product offering. For further details of market opportunities of acidifiers, please refer to the section headed “Industry overview — Analysis of market opportunities” in this prospectus.

Having considered the above, we believe that the set-up of a new manufacturing plant is advantageous to the development and expansion of our business in the long run. As at the Latest Practicable Date, we were still in the process of identifying suitable sites in close proximity to our existing manufacturing plant which is expected to be located at Bukit Jelutong Industrial area in Malaysia. It is expected that the expansion plan has no material impact on the logistics arrangement of our operation;

- approximately HK\$15.2 million, representing approximately 18.5% of the net proceeds will be used for funding potential acquisition of and/or business collaboration with a company which is a distributor in Malaysia possessing distributorship of one/more international brand products that could complement our existing product portfolio. In particular, we would target companies which, among others, (i) already possess readily available licences for distribution of animal feed additives products; (ii) are selling animal feed additives products and/or veterinary products such as veterinary pharmaceutical products, pet vaccines, antifungal products and other on-farm medicated products that could help broaden and complement our existing product portfolio; (iii) are profit making in the latest financial year with annual net profits of approximately RM1 million; and (iv) possess a sales network covering the Malaysia and/or Southeast Asian market. We plan to obtain control over the target company (i.e. investment in subsidiary) through cash acquisition. Our Directors are of the view that the acquisition of such target company as a subsidiary could facilitate the implementation of any future business plans of our Group as a whole and unleash the cross-selling synergy of the expanded product portfolio. As at the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition and/or business collaboration nor identified any definite target, and therefore are unable to determine whether such estimated allocation of net proceeds alone will be sufficient to finance such acquisitions. Nevertheless, in the event that there is any shortfall, we may finance such shortfall by internal cash resources, working capital and/or other financing such as bank borrowings as and when appropriate, and where necessary, we may also consider adjusting our acquisition plan;
- approximately HK\$4.0 million, representing approximately 4.9% of the net proceeds will be used to set up a new testing laboratory which would enable us to provide complementary services to customers by offering bacterial toxin and mycotoxin testing and analysis on customers’ feedstuff. By offering such laboratory testing services, we could assist customers in identifying quality problems in their feedstuff and thereby suggest suitable animal feed additives and product solutions to improve their feed conversion rate and farming performance. As some of our major competitors are public companies listed on the Kuala Lumpur Stock Exchange in Malaysia who already possess their own testing laboratory to provide similar services to customers, our Directors are of

FUTURE PLANS AND USE OF PROCEEDS

the view that the setting up of a new testing laboratory could enable our Group to keep up with high industry standard and allow us to stay competitive in the animal feed additives market;

- approximately HK\$4.2 million, representing approximately 5.1% of the net proceeds will be used to set up a centralised ERP system covering various functions including sales, purchasing, production, warehouse and accounting. A centralised ERP system enables us to collect, store, manage and interpret data from our business activities. It would also allow us to track our business resources, including cash, raw materials, production capacity and the status of business commitment such as our sales orders, purchase orders and payroll in a timely manner. These functions of the ERP system are particularly useful for us to plan and iron out our expansion plan;
- approximately HK\$2.0 million, representing approximately 2.4% of the net proceeds will be used to further penetrate into the markets of animal feed additives and human food ingredients through conducting sales and marketing activities including (i) participating in domestic and international trade fairs and exhibitions to keep abreast of latest market development and raise our brand recognition in the industry; (ii) visiting existing and potential suppliers and customers to strengthen and expand our business network; (iii) conducting training, seminars and workshops to enhance product knowledge of our sales and technical team; and (iv) placing advertisement to promote our own brand products;
- approximately HK\$3.4 million, representing approximately 4.1% of the net proceeds will be used to hire (i) 12 operation staff for the new manufacturing plant; (ii) three laboratory assistants for the new testing laboratory; (iii) three veterinarians/nutritionists to strengthen our sales and technical team; and (iv) seven supporting staff for our finance and administration department and warehousing department;
- approximately HK\$1.7 million, representing approximately 2.0% of the net proceeds will be used to purchase three trucks for inbound and outbound logistics and nine vehicles for our sales personnel. As at 31 December 2019, the utilisation rate of our trucks and lorries were approximately 92.5%. Accordingly, our Directors consider that additional trucks would be required to cope with our business expansion; and
- approximately HK\$4.0 million, representing approximately 4.9% of the net proceeds will be used as general working capital of our Group.

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For illustrative purpose, for the period from the Latest Practicable Date to 31 December 2021, the net proceeds from the Share Offer (based on the Offer Price of HK\$1.10 per Offer Share, being the mid-point of the Offer Price range) will be used as follows:

From the Latest Practicable Date to	Six months ending					Total	Percentage
	30 June	31 December	30 June	31 December			
	2020	2020	2021	2021			
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million		
					%		
Construct a new manufacturing plant	12.7	20.0	15.1	—	47.8	58.1	
Acquire/partner with company selling animal feed additives products (Note 1)	—	15.2	—	—	15.2	18.5	
Conduct sales and marketing activities	—	0.3	1.7	—	2.0	2.4	
Set up a new testing laboratory	—	2.0	2.0	—	4.0	4.9	
Set up a centralised ERP system	—	2.3	1.7	0.2	4.2	5.1	
Hire additional workforce	0.2	0.6	1.2	1.4	3.4	4.1	
Purchase trucks for logistics services and vehicle for sales personnel	—	1.7	—	—	1.7	2.0	
General working capital (Note 2)	N/A	N/A	N/A	N/A	4.0	4.9	
Total					82.3	100.0	

Notes:

- Net proceeds intended to be used for potential acquisition and/or partnering with company selling animal feed additives are planned to be utilised by 31 December 2020. As at the Latest Practicable Date, our Company had not identified any specific acquisition and merger targets.
- Net proceeds to be applied to working capital depend on the actual requirement in operation of our Group.

Financing plan in a combination of debt and equity is set out below:

Cash flow of HK\$82.3 million (equivalent to RM43.3 million) to be financed by listing proceeds

	For the year ending 31 December		Total HK\$' million
	2020	2021	
	HK\$' million	HK\$' million	
Capital expenditure (Note 1)	53.9	19.0	72.9
Expenses (Note 2)	1.1	4.3	5.4
General working capital	—	—	4.0
Total			<u>82.3</u>

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Cash flow of HK\$42.1 million (equivalent to RM22.2 million) to be financed by debt

	<u>For the year ending 31 December</u>		<u>Total</u>
	<u>2020</u>	<u>2021</u>	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Capital expenditure (Note 1)	32.1	10.1	42.1
Expenses (Note 2)	—	—	—
General working capital	—	—	—
Total			<u>42.1 (Note 3)</u>

Notes:

1. Capital expenditure include construction of manufacturing plant, acquisition/business collaboration, setting up new testing laboratory, setting up ERP system and purchase of trucks and vehicles.
2. Expenses include sales and marketing costs and salaries of additional workforce.
3. The debt financing portion represents 50% mortgage loan on the land, main building, automated mixer and trucks and vehicles to be acquired in our expansion plan.

To finance our expansion plan, our Directors have considered the feasibility of different financing structure including (i) full debt financing; (ii) combination of debt and internal cash resources; and (iii) combination of debt and equity.

Our Directors considered that full debt financing is not compatible with our Group's financial management practice since the substantial amount of bank borrowings raised for expansion plan will result in surge in our gearing ratio to approximately 65.5% by year 2021. Besides, we are advised by our principal bankers that the potential borrowing to be granted is not sufficient to finance the entire investment cost of RM65.5 million under the full debt structure.

For the financing plan in a combination of debt and internal cash resources, our Directors considered this financing structure is not desirable to our Group because (i) the available cash resources are not sufficient to finance the expansion plan; (ii) the substantial amount of cash tied up in expansion plan will increase our liquidity risk; (iii) the potential borrowing to be obtained from our principal banks would not be sufficient to satisfy the debt portion of the financing structure; and (iv) the amount of bank borrowings will result in surge in our gearing ratio to approximately 45.7% by year 2021.

Our Directors considered the financing plan in a combination of debt and equity is desirable to our Group because (i) our internal resources could remain liquid to satisfy any needs of cash arising from daily operation; and (ii) the amount of bank borrowings is managed at reasonable level where the gearing ratio is expected to increase to approximately 16.9% by year 2021 which is close to industry level of approximately 17.1%. Accordingly, our Group will pursue our expansion plan through the debt-equity financing structure as set out above.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.20 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the offer of new Shares will increase by approximately HK\$9.9 million. We intend to apply

FUTURE PLANS AND USE OF PROCEEDS

the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$1.00 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the offer of New Shares will decrease by approximately HK\$9.9 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$16.3 million, assuming an Offer Price of HK\$1.10 per Share, being the midpoint of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK\$1.5 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK\$1.5 million. In the event the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Malaysia or Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as set out above.

IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to 31 December 2021. Based on our Group's business strategies and future plans, our Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 30 June 2020

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Expand our workforce to support business expansion	<ul style="list-style-type: none">● Hire two veterinarians/nutritionists in our sales and technical team● Hire one supporting staff in our finance and administration department● Hire one laboratory staff	Approximately HK\$0.2 million
Build a new manufacturing plant to increase production capacity	<ul style="list-style-type: none">● Acquire land for plant site	Approximately HK\$12.7 million

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For the six months ending 31 December 2020

Business strategies	Implementation plans	Use of proceeds
Expand our workforce to support business expansion	<ul style="list-style-type: none"> ● Retain the additional veterinarians/nutritionists in our sales and technical team ● Hire one supporting staff and retain the additional staff in our finance and administration department ● Hire two laboratory assistant and retain the additional staff ● Hire three truck drivers for logistics services 	Approximately HK\$0.6 million
Strengthen our sales and marketing efforts	<ul style="list-style-type: none"> ● Place advertisement for our own brand products 	Approximately HK\$0.3 million
Expand our fleet to support business expansion	<ul style="list-style-type: none"> ● Acquire Company cars for sales personnel ● Acquire trucks for logistics services 	Approximately HK\$1.7 million
Installation of ERP system and supporting software	<ul style="list-style-type: none"> ● Stage one of setting up the ERP system 	Approximately HK\$2.3 million
Build a new manufacturing plant to increase production capacity	<ul style="list-style-type: none"> ● Acquire land for plant site ● Stage one of construction of manufacturing plant ● Purchase of automated mixer, packaging line and racking system 	Approximately HK\$8.5 million Approximately HK\$9.0 million Approximately HK\$2.5 million
Establish an in-house laboratory to provide testing services to customers	<ul style="list-style-type: none"> ● Stage one of renovation of the laboratory ● Acquire testing equipment 	Approximately HK\$2.0 million
Enhance the diversity of our product portfolio	<ul style="list-style-type: none"> ● Potential acquisition and/or business collaboration with company in the animal feed additives industry 	Approximately HK\$15.2 million

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For the six months ending 30 June 2021

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u>
Expand our workforce to support business expansion	<ul style="list-style-type: none"> ● Hire one veterinarian/nutritionist and retain the additional staff in our sales and technical team ● Hire one supporting staff and retain the additional staff in our finance and administration department ● Retain drivers for logistics services ● Hire six operation staff for our new manufacturing plant ● Retain the laboratory staff 	Approximately HK\$1.2 million
Strengthen our sales and marketing efforts	<ul style="list-style-type: none"> ● Organise business trips for customers ● Participate in trade fairs and exhibitions ● Place advertisement for our own brand products 	Approximately HK\$1.7 million
Installation of ERP system and supporting software	<ul style="list-style-type: none"> ● Stage two of setting up the ERP system 	Approximately HK\$1.7 million
Establish an in-house laboratory to provide testing services to customers	<ul style="list-style-type: none"> ● Acquire testing equipment 	Approximately HK\$2.0 million
Build a new manufacturing plant to increase production capacity	<ul style="list-style-type: none"> ● Stage two of construction of manufacturing plant ● Purchase of automated mixer, packaging line and racking system 	<p>Approximately HK\$8.1 million</p> <p>Approximately HK\$7.0 million</p>

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2021

Business strategies	Implementation plans	Use of proceeds
Expand our workforce to support business expansion	<ul style="list-style-type: none"> ● Retain the additional staff in our sales and technical team ● Hire one supporting staff and retain the additional staff in finance and administration department ● Retain the additional laboratory staff ● Retain the drivers for logistics services ● Hire additional six operation staff and retain staff for new manufacturing plant 	Approximately HK\$1.4 million
Installation of ERP system and supporting software	<ul style="list-style-type: none"> ● Final stage of setting up the ERP system 	Approximately HK\$0.2 million

CONSTRUCTION PLAN OF OUR NEW MANUFACTURING PLANT AND SUFFICIENT DEMAND FOR OUR OWN BRAND PREMIX PRODUCTS

Rapid growth of our manufacturing business

During the Track Record Period, our manufacturing business recorded a significant growth. It is notable that our manufacturing business has been undergoing rapid expansion as evidenced by the growth at CAGR of approximately 20.8% in segment revenue for the three years ended 31 December 2019, which outperformed the CAGR of approximately 4.2% of the overall feed additives market in Malaysia. Our Directors are of the view that such rapid growth in our manufacturing business was mainly attributable to the effort of our sales and technical team in promoting our own brand animal feed additives premixes to customers and the quality products delivered by our Group that has established market presence in Malaysia and overseas.

Going forward, our Directors have decided to continue to expand our manufacturing business with an aim to increase our market share in the animal feed additives market in Malaysia and overseas. During the Track Record Period, actual production volume of our existing plant was approximately 2,460 tonnes, 2,876 tonnes and 2,998 tonnes for each of the three years ended 31 December 2019 respectively. Our Directors considered that they have been cautious in monitoring

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the production schedule and sales of our own brand premix products to ensure every order is duly filled and avoid overloading of our production capacity which could adversely affect the reputation of our Group. However, it is expected that such increase in production volume at CAGR of approximately 10.4% during the Track Record Period would result in full utilisation of our existing plant by year 2021 based on the historical trend, leaving no spare capacity for the production of our own brand animal feed additives premixes, therefore hindering our further development and growth of our manufacturing business and own brand products. The following table illustrates the expected production capacity of our Group before and after the construction of a new plant:

	Commencement of operation of new plant					
	2020		2021		2022	
	Existing plant	New plant	Existing plant	New plant	Existing plant	New plant
	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Expected output (A)	3,388	N/A	3,500	334	3,500	1,338
Production capacity (B)	3,500	N/A	3,500	1,850 ^(Note)	3,500	3,700
Utilisation rate (A/B)	96.8%	N/A	100.0%	18.1%	100.0%	36.2%

Note:

1. Represent six months of operation of the new plant.

As shown in the table above, our total production capacity will increase to approximately 7,200 tonnes per year after full operation of our new plant in year 2022. The overall utilisation rate is expected to reach approximately 67.2% by year 2022 after taking into account the business expansion of our major customers and indicative orders received by our Group for the coming year as explained below.

Business expansion of our customers that give rise to increasing demand for our own brand premix products

During the Track Record Period, our sales to Customer F, who has over 18 years of business relationship with us, has experienced a rapid growth. Sales volume of our premix products to Customer F in our manufacturing business segment increased by approximately 18.0% from approximately 289 tonnes for the year ended 31 December 2017 to approximately 341 tonnes for the year ended 31 December 2018 and further by approximately 61.3% to 550 tonnes for the year ended 31 December 2019. Our Directors believe that demand for our own brand premix products from Customer F will continue to increase after taking into consideration, among others, the business expansion activities of Customer F which include (i) their partnership with a Japanese food processing group to open a new food manufacturing plant in Malaysia around November 2018 which is said to be designed to cater not only to the local Malaysia market but also to export markets such as Middle East countries, Singapore and Japan; and (ii) allocation of RM39 million as capital expenditure for the financial year 2019 to increase broiler production whereby they plan to increase broiler production capacity from the current 1.2 million birds per month to 2 million birds per month. Based on the above, our Directors expected that the sales to Customer F will subsequently increase to approximately 664 tonnes for the year ending 31 December 2020.

FUTURE PLANS AND USE OF PROCEEDS

Sales volume of our premix products to Customer G in our manufacturing business segment also increased significantly by approximately 57.7% from approximately 168 tonnes for the year ended 31 December 2017 to approximately 265 tonnes for the year ended 31 December 2018. For the year ended 31 December 2019, sales to Customer G in our manufacturing business segment decreased to approximately 182 tonnes. To the best knowledge of the Directors, Customer G conducted an urgent cleaning of farms which our Directors believed to be the major reason for Customer G to cut back on purchase of premix products during the year. Given that Customer G confirmed that operation of their farms has subsequently resumed normal, our Directors believe that demand for our own brand premix products will grow with Customer G, who has over 17 years of business relationship with us and is one of the largest broiler and layering producers in Malaysia, producing approximately 6 million broilers monthly and 4 million eggs daily. Customer G has recently acquired a poultry feed factory and relevant land and assets from a Malaysian listed company with a consideration of RM27.2 million and an egg production business from a Singaporean listed company with a consideration of S\$11 million. Accordingly, we expect that our manufacturing business could benefit from the business expansion of Customer G. Based on the above, our Directors expected that sales to Customer G will keep up with its strong historical growth. Sales to Customer G for the year ending 31 December 2020 is expected to recover to level before the one off urgent farm cleaning event which is approximately 265 tonnes and subsequently increase to approximately 326 tonnes for the year ending 31 December 2021, representing an increase of approximately 23.0%.

During the Track Record Period, sales to Customer I in our manufacturing business segment amounted to approximately 145 tonnes, 153 tonnes and 236 tonnes which contributed approximately RM2.0 million, RM2.4 million and RM3.2 million to the segment revenue of our manufacturing business for each of the three years ended 31 December 2019 respectively. Our Directors expect that sales of our own brand premix products to this customer would increase after taking into consideration, among others, the business expansion activities of Customer I which include (i) their acquisition of five pieces of land for farming expansion whereby a new broiler farm is to be built to increase total farm production capacity by 50%; and (ii) the RM300 million planned as capital expenditure for the financial year 2019 to build more poultry farms and fish processing factories and fund aquaculture ponds. Based on the above, our Directors expected that the sales to aforesaid customer will subsequently increase to approximately 270 tonnes for the year ending 31 December 2020.

Having considered the abovementioned business expansion activities of our customers who aggregately contributed approximately 24.4% of the segment revenue of our manufacturing business for the year ended 31 December 2019 coupled with our long business relationship with them where our Group is in established position to capitalise on their growth, our Directors are of the view that the increasing demand for our own brand premix products from these customers will propel the future growth of our manufacturing business.

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Indicative orders received from our overseas customers

During the Track Record Period, our sales to two overseas distributors, being Customer H and a customer from India amounted to approximately 135 tonnes, 200 tonnes and 224 tonnes, and nil, approximately 36 tonnes and 66 tonnes, respectively. Customer A, being one of our top customers, purchased our own brand products of approximately 223 tonnes, 124 tonnes and 276 tonnes for each of the three years ended 31 December 2019 respectively. During the Track Record Period, Customer H, the customer from India and Customer A were the major overseas customers aggregately contributed approximately RM7.6 million, RM10.1 million and RM15.2 million, representing 23.5%, 22.0% and 32.0% of the segment revenue of our manufacturing business for each the three years ended 31 December 2019 respectively. As at the Latest Practicable Date, we received indicative orders for the year ending 31 December 2020 from (i) Customer H that they expect to increase purchase to approximately RM10.4 million or 338 tonnes; (ii) the Indian customer that they expect to increase their purchase to approximately RM1.5 million or 99 tonnes; and (iii) Customer A that they expect to increase purchase to approximately RM9.4 million or 358 tonnes.

Our Directors conservatively expected that the sales to Customer H will further increase by approximately 15.0% to approximately 388 tonnes for the year ending 31 December 2021 after taking into consideration (i) the indicative order of approximately 338 tonnes for the year ending 31 December 2020 representing an expected growth of approximately 50.9% as compared with that for the previous year; and (ii) a CAGR of sales volume of approximately 28.8% for the three years ended 31 December 2019.

Our Directors conservatively expected that the sales to Indian customer will further increase by approximately 20% to approximately 119 tonnes for the year ending 31 December 2021 based on (i) the indicative order of approximately 99 tonnes for the year ending 31 December 2020 representing an expected growth of 50% as compared with that for the previous year; and (ii) an increase in sales volume by approximately 83.3% for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018.

For the two years ended 31 December 2018, sales of our own brand products to Customer A, a feedmill located in Bangladesh, decreased to approximately 124 tonnes for the year ended 31 December 2018. Our Directors believed that such decrease was mainly due to the fact that Bangladesh reported an outbreak of avian influenza (H5N1) in animals since 2017 and the virus had adverse impact on poultry population in commercial poultry farms that resulted in a temporary decline in demand for poultry feed in Bangladesh during year 2018. Situation has improved as evidenced by the order received from Customer A for the year ended 31 December 2019 of approximately 276 tonnes that surpassed the historical sales volume of approximately 223 tonnes and 124 tonnes for each of the two years ended 31 December 2017 and 2018 respectively. Based on (i) the growth of approximately 58.6% from 174 tonnes (the average sales volume for the two years ended 31 December 2017 and 2018 to iron out the impact of outbreak of H5N1) to 276 tonnes for the year ended 31 December 2019; and (ii) the indicative order of approximately 358 tonnes for the year ending 31 December 2020 representing an expected growth of approximately 29.7% as compared with that for the previous year, our Directors expected that the sales to Customer A will further increase by approximately 20.0% to approximately 430 tonnes for the year ending 31 December 2021.

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Based on the above, our Directors are of the view that sales of our own brand products to overseas customers will be driven by the solid demand within the Asian region.

In addition to the aforementioned increasing demand for our own brand premix products that fosters the rapid growth of our manufacturing business, our Directors also considered that the new manufacturing plant is of strategical importance to the future development of our Group due to the following reasons:

Expanding our Group's market share in the animal feed additives industry through diversified product offering

One of our competitive strengths is our capability to offer a wide-ranging product portfolio to meet the diverse needs of our customers. Our Directors considered that our manufacturing plant plays an important role in offering own brand premix products which form a material part of our diversified product portfolio and differentiates our Group from other distributors in the market. It is believed that a diversified product portfolio could facilitate our sales and technical team in cross-selling animal feed additives products to customers and expand our market share by offering one-stop product solution. Accordingly, our limited production capacity and the approaching production bottleneck resulted from full utilisation of our existing plant by year 2021 as shown in the table above could hinder the offering of our own brand products and thereby limit our ability to capture additional market share.

More advanced automated mixer to enhance quality of our products and produce acidifier

Our Group endeavors to continuously improve our product quality to keep up with high industry standard and stay competitive in market. The new automated mixer can operate in higher accuracy to homogenise premix products with precise content, is equipped with more silos to produce premix with multiple ingredients and is more efficient with advanced automation. During the Track Record Period, sales of acidifier products in our manufacturing business amounted to RM0.5 million, RM0.7 million and RM0.4 million, representing approximately 1.6%, 1.6% and 0.9% of our segment revenue for each of the three years ended 31 December 2019 respectively. Our Directors are of the view that the inefficient production of acidifier by our existing plant has limited our ability to scale up production of the product during the Track Record Period and resulted in the insignificant contribution of acidifier products to our manufacturing business. With reference to the Ipsos Report, feed acidifiers, being a preferred alternative to antibiotics, are expected to grow at a CAGR of approximately 6.98%. Our Directors believe that the new automated mixer equipped with spray-on function will enable us to tap into the acidifier market and further expand our product portfolio. It is expected that target annual sales of acidifier products could reach approximately RM2 million to RM3 million (approximately 250 tonnes to 400 tonnes), representing one of the major products in our diversified product portfolio.

Having considered (i) the rapid growth of our manufacturing business that resulted in high utilisation rate of our existing plant; (ii) increasing demand for our own brand premix products arising from various business expansion activities of our customers; (iii) indicative orders received from overseas customers showing a solid demand from the Asian region; (iv) the importance of our own brand premix products in building a diversified product portfolio; and (v) the more advanced automated mixer that improves our product quality, our Directors are of the view that construction of a new manufacturing plant is necessary and crucial to the future development of our Group.

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The construction plan and relevant information about the new manufacturing plant are set out as below:

	Total estimated capital expenditure to be incurred	Expected time to complete
	<i>HK\$ million</i>	
Acquisition of a land parcel as plant site	42.3	August 2020
Construction of manufacturing plant	30.5	May 2021
Acquisition of automated mixer	11.7	June 2021
Installation of automatic packaging line	3.0	June 2021
Installation of racking system in the warehouse and others	<u>0.7</u>	June 2021
Total	<u><u>88.2</u></u>	

The new manufacturing plant with estimated annual production capacity of 3,700 tonnes will commence operation in July 2021. Our Directors considered the plan to increase production capacity by 3,700 tonnes with reference to the historical growth of our production volume is desirable to our Group because (i) construction of a manufacturing plant installed with a 1,800 tonnes automated mixer (i.e. the smallest economically viable capacity as advised by our potential vendor which is an independent engineering consultancy firm) could at most reduce investment cost by approximately RM0.5 million while the expected payback period will be lengthened by 5 years which is not commercially justifiable after taking into consideration our cost of capital; and (ii) a 1,800 tonnes automated mixer will reach full utilisation shortly within three years after commencement of operation which is not commercially justifiable given the estimated construction time of approximately 1 year.

Since the amount of manufacturing overheads are relatively immaterial as compared with the variable costs, it is expected that the new plant will achieve breakeven shortly within 4 months at a utilisation rate of approximately 5% (*Note 1*). The utilisation rate of the new plant is expected to reach 18.1% and 36.2% for the years ending 31 December 2021 and 2022 respectively. After the first two years of commissioning, it is expected that utilisation rate of the new plant will progressively increase to over 70% by year 2025. The payback period of the capital expenditure of RM46.4 million (equivalent to HK\$88.2 million) is expected to be approximately 7.3 years (*Note 2*).

Notes:

1. Assuming the gross profit margin remains stable with reference to that achieved during the Track Record Period (after adjusted for the one-off effect of Vitamin A and E in year 2018) and the production cycle for the new plant is similar to that for our existing plant (i.e. around 50 minutes per cycle).
2. Payback period refers to the period of time required to recover the capital expenditure, which is expected to grow in line with our Group's overall expansion plan by its net profit, assuming the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating result of the new

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manufacturing plant due to fluctuation in market demand, inflations, increase in raw material costs and labour costs throughout the operation period. The payback period is estimated with reference to historical revenue growth of the manufacturing business, historical gross profit margin and a standard allocation of expenses and overheads in proportion to manufacturing revenue.

REASONS FOR THE LISTING ON THE STOCK EXCHANGE

Our Executive Directors believe that the Listing will benefit our Group as it will (i) provide another source of funding and the use of the proceeds from the Share Offer for the implementation of our business strategies; and (ii) enhance the profile of our Group.

We have evaluated various venues for Listing, including Malaysia, and decided that Hong Kong is the most suitable venue for our Group giving consideration to the ease of access to capital market funding based on turnover of shares on the Stock Exchange. Comparing Hong Kong and Malaysia, the average daily turnover of stocks in Hong Kong was approximately HK\$88.2 billion (approximately RM46.4 billion), HK\$107.4 billion (approximately RM56.5 billion), and HK\$87.2 billion (approximately RM45.9 billion) for the three years ended 31 December 2019 respectively versus approximately HK\$4.4 billion (approximately RM2.3 billion), HK\$4.6 billion (approximately RM2.4 billion), and HK\$3.7 billion (approximately RM1.9 billion) for Bursa Malaysia Securities Berhad for the three years ended 31 December 2019, respectively.

Further, we have also evaluated various factors between equity financing in the form of Listing and debt financing for the purpose of our business expansion and decided to proceed with the Listing after giving consideration to:

- (i) as at 31 December 2019, our available cash resources which include bank and cash balance of RM6.5 million; and other investment of RM3.3 million, aggregately amounted to RM9.8 million is insufficient to finance the expansion plan;
- (ii) we were advised by our principal bankers that unutilised banking facilities would be restricted for working capital use only;
- (iii) we adopt a prudent financial management practice to manage our gearing ratio at industry level and avoid excessive borrowings that would increase liquidity risk;
- (iv) equity financing is considered to be a stable source of capital to support our expansion plan and the ongoing development of our Group in the future; and
- (v) debt financing may subject us to various covenants which may restrict our ability to pay dividends or obtain additional financing. Further, uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. The indicative interest rates offered by our principal bankers range from 4.9% to 6.3% per annum based on the base lending rate in Malaysia of 6.9%.

Our Executive Directors confirmed that other than the Listing, no application has been submitted for listing on any other stock exchange.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Astrum Capital Management Limited
Wealth Link Securities Limited
Quasar Securities Co., Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 12,500,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and any shares which may fall to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Shares Option Scheme), the Offer Price having been determined by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) at or prior to Wednesday, 6 May 2020 but in any event not later than Thursday, 7 May 2020, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, our Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, our Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has the right, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if prior to the Termination Time:

- (i) there comes to the notice of the Sole Bookrunner or any of the Public Offer Underwriters:

UNDERWRITING

- (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any material breach of any of the representations, warranties, obligations or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement (other than the Sole Bookrunner or any of the Public Offer Underwriters); or
- (b) any statement contained in this prospectus, the application forms, the post hearing information pack, any supplemental offering materials, announcement, the formal notice to be published in connection with the Public Offer, the roadshow materials and any other documents published or issued by or on behalf of our Company, or the Underwriters for the purposes of or in connection with the Share Offer (“**Offer Documents**”) considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its reasonable opinion to be material in the context of the Share Offer, was or has become or been discovered to be materially untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the reasonable opinion of the Sole Bookrunner, fair and honest and based on reasonable assumptions, when taken as a whole; or
- (c) any person (other than the Sponsor, the Sole Bookrunner, the Joint Lead Managers and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (d) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of Offer Shares) or the Share Offer; or
- (e) any event, act or omission which gives or is likely to give rise to any liability of the warrantors under the Public Offer Underwriting Agreement pursuant to the indemnity provisions therein; or
- (f) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, have constituted an omission therefrom considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its reasonable opinion to be material in the context of the Share Offer; or

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- (g) approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ii) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of Hong Kong, the Cayman Islands, the BVI, Malaysia or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
 - (b) any change or development involving a prospective change, or any event or series of events likely to result in or represent any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or
 - (c) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (d) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant

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- jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or
- (e) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any Relevant Jurisdictions on any member of our Group; or
 - (f) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in the Shares; or
 - (g) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
 - (h) the chairman of our Board or chief executive officer of our Company vacating his office; or
 - (i) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
 - (j) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other laws applicable to the Share Offer; or
 - (k) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
 - (l) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
 - (m) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the Placing Underwriting Agreement is entered into, has been withdrawn or cancelled and the Sole Bookrunner, in its reasonable discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
 - (n) any material and valid litigation or claim being threatened or instigated against any member of our Group; or

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- (o) any of the executive Directors as set out in the “Directors and senior management” section of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (p) any contravention by any Controlling Shareholders as warrantors, any member of our Group or any Director of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or
- (q) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules,

which in each case or in aggregate in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- (i) is or will or could be expected to have material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his or its capacity as such; or
- (ii) has or will have or could be expected to have material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (iii) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents or the formal notice or shall otherwise result in an interruption to or delay thereof; or
- (iv) has or will have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, except for the issue of the Shares pursuant to the Share Offer (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of

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options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the Sole Bookrunner's prior written consent, and unless in compliance with the Listing Rules, our Company shall not, and shall procure none of our subsidiaries to:

- (i) at any time during the period commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”):
 - (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
 - (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
 - (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above,

whether any of the foregoing transactions described in (a) or (b) or (c) is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (ii) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the six month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), we will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, save as pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme, he or she or it will not, and will

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procure that the relevant registered holder(s) and his or her or its associates and companies controlled by him or her or it and any nominee or trustee holding in trust for him or her or it will not, without the Sole Bookrunner's prior written consent and unless in compliance with the Listing Rules:

- (i) at any time during the First Six-Month Period:
 - (a) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein);
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
 - (c) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in (a) or (b) above; or
 - (d) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in (a) or (b) or (c) above;

whether any of the foregoing transactions described in (a) or (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (ii) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in (i)(a) or (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

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Each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that:

- (i) at any time before the expiry of the Second Six-Month Period, in the event that he or she or it enters into any such transactions referred to in (i) or (ii) above or agrees or contracts to or publicly announces an intention to enter into any such transaction, he or she or it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;
- (ii) he or she or it shall procure that his or her or its associates and companies controlled by him or her or it and nominees or trustees holding on trust for him or her or it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him or her or it or by the registered holder controlled by him or her or it of any Shares; and
- (iii) at any time after the date of the Public Offer Underwriting Agreement and up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:
 - (a) when he or she or it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he or she or it is the beneficial owner, immediately inform our Company, the Sponsor, the Sole Bookrunner and the Joint Lead Managers in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (b) when he or she or it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sponsor, the Sole Bookrunner and the Joint Lead Managers in writing of any such indication.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Over-allotment Option or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he or she or it is shown by this prospectus to be the

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beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a Controlling Shareholder and/or a group of Controlling Shareholders, as the case may be.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it will:

- (a) when he or she or it pledges or charges any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he or she or it receives indication, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 112,500,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to, among other things, the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings pursuant to the Public Offer Underwriting Agreement” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 18,750,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Placing, to cover over-allocations, if any, in the Placing. Please refer to the paragraph headed “Structure and conditions of the Share Offer — Over-allotment Option” for more information.

Commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 17% of the aggregate Offer Price payable for the Public Offer Shares under the Public Offer, out of which they will pay any sub-underwriting commission. In addition, our Company shall pay to the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) an incentive fee of 4% of the aggregate Offer Price payable for our Public Offer Shares. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters. The commissions payable to the Underwriters will be borne by our Company in full.

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Based on the Offer Price of HK\$1.10 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$55.2 million in total (assuming the Over-allotment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Sole Bookrunner and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above.

We have appointed Messis Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 125,000,000 Offer Shares (subject to the Over-allotment Option) will be made available under the Share Offer, of which:

- (i) 112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with professional, institutional and other investors under the Placing; and
- (ii) 12,500,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Public Offers Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” in this section.

The Public Offer

Our Company is initially offering 12,500,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.20 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided equally into two pools of 6,250,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: the Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and
- Pool B: the Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications within either pool or between pools and any application made for more than 50% of the 12,500,000 Shares initially comprised in the Public Offer (i.e. 6,250,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

REALLOCATION

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) if both the Public Offer Shares and the Placing Shares are undersubscribed, the Share Offer shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
- (b) if the Public Offer Shares are undersubscribed and the Placing Shares are oversubscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate;
- (c) if the Placing Shares are fully subscribed or oversubscribed, and:
 - (i) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 25,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 37,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 37,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
- (iii) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 62,500,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer,

in each case the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Sole Bookrunner deems appropriate.

- (d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:
 - (i) if the Placing Shares are undersubscribed and if the Public Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer in such circumstances; or
 - (ii) if the Placing Shares are fully subscribed or oversubscribed, and if the Public Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Public Offer represents less than 15 times of the initial number of the Public Offer Shares,

then, provided that the final Offer Price is fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.00 per Offer Share) stated in this prospectus, up to 12,500,000 Offer Shares may be reallocated from the Placing to the Public Offer to satisfy valid applications in pool A and pool B under the Public Offer, so that the total number of Offer Shares available for subscription under the Public Offer will be increased up to 25,000,000 Offer Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Share Offer.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

Pursuant to the Over-allotment Option, the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) has the right, exercisable at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 18,750,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time; and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes: (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

The Sole Bookrunner may, at its option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Bookrunner exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Garry-Worth. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Garry-Worth will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 18,750,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If such stock borrowing arrangement with Garry-Worth is entered into, it will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Garry-Worth or its nominees, as the case may be, on or before the third business day following the earlier of: (i) the last day on which the Over-allotment Option may be exercised; and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Garry-Worth by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

PRICING OF THE SHARE OFFER

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Wednesday, 6 May 2020 and in any event, no later than Thursday, 7 May 2020.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of the Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such extension or reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.ritamix-global.com notices of the extension or reduction of the indicative Offer Price range and/or the number of the Offer Shares. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range and/or the number of the Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Bookrunner (for itself and on behalf of the Underwriters).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Thursday, 7 May 2020, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Tuesday, 12 May 2020.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.20 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$1.20 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,424.18 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.20 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy) will be made to applicants, without interest.

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme) (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with the terms of these agreements or otherwise.

3. Price determination

The Offer Price having been duly determined and the execution of the Price Determination Agreement on the Price Determination Date.

In each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. on the Listing Date or such other dates as the Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If any of the conditions is not fulfilled or waived by the Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to apply for Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 May 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 May 2020.

The Shares will be traded in board lots of 2,000 Shares each. Our Company will not issue any temporary document of title. The stock code of the Shares will be 1936.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sponsor, the Sole Bookrunner and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sponsor, the Sole Bookrunner and their respective agents may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. (in respect of (i) below) or 10:00 a.m. (in respect of (ii) below) on Friday, 24 April 2020 to 12:00 noon on Monday, 4 May 2020 from:

- (i) any of the following offices of the Public Offer Underwriters:

Astrum Capital Management Limited

Room 2704, 27/F, Tower 1

Admiralty Centre, 18 Harcourt Road, Admiralty

Hong Kong

Wealth Link Securities Limited

Suite 1504, 15/F, Bangkok Bank Building

28 Des Voeux Road Central, Central

Hong Kong

Quasar Securities Co., Limited

Unit A, 12/F, Harbour Commercial Building

122–124 Connaught Road Central, Sheung Wan

Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of CMB Wing Lung Bank Limited, the receiving bank for the Public Offer:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F, CMB Wing Lung Bank Centre, 636 Nathan Road, Mongkok, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 24 April 2020 until 12:00 noon on Monday, 4 May 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "CMB WING LUNG (NOMINEES) LIMITED—RITAMIX GLOBAL LTD PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 24 April 2020 — 10:00 a.m. to 3:00 p.m.
Saturday, 25 April 2020 — 9:00 a.m. to 1:00 p.m.
Monday, 27 April 2020 — 10:00 a.m. to 3:00 p.m.
Tuesday, 28 April 2020 — 10:00 a.m. to 3:00 p.m.
Wednesday, 29 April 2020 — 10:00 a.m. to 3:00 p.m.
Saturday, 2 May 2020 — 9:00 a.m. to 1:00 p.m.
Monday, 4 May 2020 — 10:00 a.m. to 12:00 noon

The application for the Public Offer will commence on Friday, 24 April 2020 up to Monday, 4 May 2020, being longer than the normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 May 2020, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully. Otherwise, your application may be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sponsor, the Sole Bookrunner and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant stock account on your behalf or your CCASS Investor Participant stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in

HOW TO APPLY FOR PUBLIC OFFER SHARES

one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 24 April 2020	— 9:00 a.m. to 8:30 p.m.
Monday, 27 April 2020	— 8:00 a.m. to 8:30 p.m.
Tuesday, 28 April 2020	— 8:00 a.m. to 8:30 p.m.
Wednesday, 29 April 2020	— 8:00 a.m. to 8:30 p.m.
Monday, 4 May 2020	— 8:00 a.m. to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 24 April 2020 until 12:00 noon on Monday, 4 May 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 4 May 2020, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 4 May 2020.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Pricing of the Share Offer”.

HOW TO APPLY FOR PUBLIC OFFER SHARES

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- an Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 May 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 4 May 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 12 May 2020 on our Company’s website at www.ritamix-global.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.ritamix-global.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, 12 May 2020;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 12 May 2020 to 12:00 midnight on Monday, 18 May 2020;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 May 2020 to Monday, 18 May 2020 (excluding Saturday and Sunday or public holiday in Hong Kong); and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 May 2020 to Wednesday, 13 May 2020 at all the receiving bank designated branches.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sponsor or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and conditions of the Share Offer — Conditions of the Share Offer” of this prospectus or if any application is revoked, the

HOW TO APPLY FOR PUBLIC OFFER SHARES

application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 May 2020.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or about Tuesday, 12 May 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 May 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 May 2020 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 May 2020, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 May 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant stock account as stated in your Application Form on Tuesday, 12 May 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 May 2020 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant stock account or your CCASS Investor Participant stock account on Tuesday, 12 May 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Public Offer in the manner specified in "10. Publication of results" above on Tuesday, 12 May 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 May 2020 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 May 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 May 2020.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's independent joint reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars PLT, Chartered Accountants, Malaysia.



INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF RITAMIX GLOBAL LIMITED

The Directors
Ritamix Global Limited

Messis Capital Limited

Introduction

We report on the historical financial information of Ritamix Global Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages I-4 to I-52, which comprises the combined statements of financial position of the Group at 31 December 2017, 2018 and 2019, the statements of financial position of the Company at 31 December 2018 and 2019, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information (together the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 April 2020 (the “Prospectus”) in connection with the initial listing of shares (the “Initial Listing”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on

Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group at 31 December 2017, 2018 and 2019, the financial position of the Company at 31 December 2018 and 2019, and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on other matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

Note 12 to the Historical Financial Information contains information about the dividends declared by entities now comprising the Group in respect of the Relevant Periods.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited

Certified Public Accountants, Hong Kong
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

24 April 2020

Mazars PLT

Chartered Accountants, Malaysia
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11th Floor, South Block, 142-A
Jalan Ampang, 50450 Kuala Lumpur
Malaysia

24 April 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were jointly audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong*, and Mazars PLT, *Chartered Accountants, Malaysia*, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Malaysian Ringgit ("RM") which is also the functional currency of the operating entities of the Group in Malaysia, and all values are rounded to the nearest thousand ("RM'000") except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2017	2018	2019
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	5	108,062	128,600	126,053
Cost of goods sold		<u>(85,494)</u>	<u>(92,174)</u>	<u>(96,791)</u>
Gross profit		22,568	36,426	29,262
Other income	6	1,714	1,575	1,542
Selling and distribution costs		(1,961)	(2,257)	(2,125)
Administrative and other operating expenses		(7,299)	(8,146)	(7,433)
Finance costs	7	—	(15)	(146)
(Loss allowance) Reversal of loss allowance of trade receivables	7	(464)	1,388	(287)
Listing expenses		<u>—</u>	<u>(6,806)</u>	<u>(1,928)</u>
Profit before tax	7	14,558	22,165	18,885
Income tax expenses	10	<u>(3,702)</u>	<u>(6,259)</u>	<u>(5,167)</u>
Profit for the year		10,856	15,906	13,718
Other comprehensive income		<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u><u>10,856</u></u>	<u><u>15,906</u></u>	<u><u>13,718</u></u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2017	2018	2019
	Note	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	13	14,733	14,320	14,168
Current assets				
Inventories	14	31,666	27,989	31,611
Trade and other receivables	15	29,576	28,969	38,528
Other investments	16	6,613	8,703	3,325
Restricted bank balances	17	1,080	1,380	1,670
Bank balances and cash	18	3,896	6,222	6,482
		<u>72,831</u>	<u>73,263</u>	<u>81,616</u>
Current liabilities				
Trade and other payables	19	10,782	13,678	8,979
Dividends payable		6,000	—	—
Interest-bearing borrowings	20	—	2,172	1,509
Income tax payables		621	654	404
Lease liabilities	21	—	—	17
		<u>17,403</u>	<u>16,504</u>	<u>10,909</u>
Net current assets		<u>55,428</u>	<u>56,759</u>	<u>70,707</u>
Total assets less current liabilities		<u>70,161</u>	<u>71,079</u>	<u>84,875</u>
Non-current liabilities				
Lease liabilities	21	—	—	14
Deferred tax liabilities	22	550	562	626
		<u>550</u>	<u>562</u>	<u>640</u>
NET ASSETS		<u>69,611</u>	<u>70,517</u>	<u>84,235</u>
Capital and reserves				
Share capital	23(a)	—	—*	—*
Reserves		<u>69,611</u>	<u>70,517</u>	<u>84,235</u>
TOTAL EQUITY		<u>69,611</u>	<u>70,517</u>	<u>84,235</u>

* Represent amount less than RM1,000

STATEMENTS OF FINANCIAL POSITION

		At 31 December	
		2018	2019
		RM'000	RM'000
	Note		
Non-current asset			
Investment in a subsidiary	23(b)	—*	—*
Current assets			
Other receivables		—*	—*
Current liabilities			
Other payables		—*	—*
Net current assets		—*	—*
NET ASSETS		—*	—*
Capital and reserves			
Share capital	23(a)	—*	—*
TOTAL EQUITY		—*	—*

* Represent amount less than RM1,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Capital reserve</u>	<u>Accumulated profits</u>	<u>Total</u>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	<i>(Note 23(a))</i>	<i>(Note 24)</i>		
<i><u>Year ended 31 December 2017</u></i>				
At 1 January 2017	<u>—</u>	<u>14,344</u>	<u>54,611</u>	<u>68,955</u>
Profit for the year and total comprehensive income for the year	—	—	10,856	10,856
Transaction with owners:				
<i>Contribution and distribution</i>				
Dividends <i>(Note 12)</i>	<u>—</u>	<u>—</u>	<u>(10,200)</u>	<u>(10,200)</u>
At 31 December 2017	<u>—</u>	<u>14,344</u>	<u>55,267</u>	<u>69,611</u>

	Share capital	Capital reserve	Accumulated profits	Total
	RM'000	RM'000	RM'000	RM'000
	(Note 23(a))	(Note 24)		
<i><u>Year ended 31 December 2018</u></i>				
At 1 January 2018	—	14,344	55,267	69,611
Profit for the year and total comprehensive income for the year	—	—	15,906	15,906
Transaction with owners:				
<i>Contribution and distribution</i>				
Issue of share capital (Note 23(a))	—*	—	—	—*
Dividends (Note 12)	—	—	(15,000)	(15,000)
Total transactions with owners	—*	—	(15,000)	(15,000)
At 31 December 2018	—*	14,344	56,173	70,517
<i><u>Year ended 31 December 2019</u></i>				
At 1 January 2019	—*	14,344	56,173	70,517
Profit for the year and total comprehensive income for the year	—	—	13,718	13,718
At 31 December 2019	—*	14,344	69,891	84,235

* Represent amount less than RM1,000

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
OPERATING ACTIVITIES			
Profit before tax	14,558	22,165	18,885
Adjustments for:			
Depreciation	973	985	1,431
Gain on disposal of property, plant and equipment	(55)	—	(98)
Fair value gain on other investments	—	(80)	(68)
Loss allowance (Reversal of loss allowance) of trade receivables	464	(1,388)	287
Interest income	(166)	(255)	(199)
Interest expenses	—	15	146
Investment income arising from other investments	(195)	(241)	(103)
Inventories written off	231	35	—
Cash flows from operations before movements in working capital	15,810	21,236	20,281
Inventories	(9,844)	3,642	(3,622)
Trade and other receivables	125	1,984	(9,846)
Trade and other payables	(1,332)	2,907	(4,699)
Cash generated from operations	4,759	29,769	2,114
Income tax paid	(3,579)	(6,214)	(5,353)
Net cash from (used in) operating activities	1,180	23,555	(3,239)

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
INVESTING ACTIVITIES			
Increase in restricted bank balances	—	(300)	(290)
Interest received	166	255	199
Investment income arising from other investments	195	241	103
Purchases of property, plant and equipment	(556)	(572)	(690)
Purchases of other investments	(8,013)	(18,542)	(603)
Redemption of other investments	6,000	16,532	6,049
Proceeds from disposals of property, plant and equipment	<u>55</u>	<u>—</u>	<u>98</u>
Net cash (used in) from investing activities	<u>(2,153)</u>	<u>(2,386)</u>	<u>4,866</u>
FINANCING ACTIVITIES			
Issue of share capital	—	— [*]	—
Inception of interest-bearing borrowings	—	4,526	8,556
Repayment of interest-bearing borrowings	—	(2,354)	(9,219)
Interest paid	—	(15)	(128)
Dividends paid	(4,200)	(21,000)	—
Repayment of lease liabilities	<u>—</u>	<u>—</u>	<u>(576)</u>
Net cash used in financing activities	<u>(4,200)</u>	<u>(18,843)</u>	<u>(1,367)</u>
Net (decrease) increase in cash and cash equivalents	(5,173)	2,326	260
Cash and cash equivalents at the beginning of the reporting period	<u>9,069</u>	<u>3,896</u>	<u>6,222</u>
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	<u><u>3,896</u></u>	<u><u>6,222</u></u>	<u><u>6,482</u></u>

* Represent amount less than RM1,000

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 October 2018. The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is situated at 31st Floor, 148 Electric Road, North Point, Hong Kong and the Group's headquarter is situated at No. 7, Jalan TP 7, UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is investment holding. During the Relevant Periods, the Group is principally engaged in manufacturing and distribution of animal feed additives products and human food ingredient products.

At the date of this report, the immediate holding company is Garry-Worth Investment Limited ("Garry-Worth"), which is incorporated in the British Virgin Islands (the "BVI"). In the opinion of the directors of the Company, the ultimate controlling parties of the Group are Dato' Sri Lee Haw Yih, Datin Sri Yaw Sook Kean, Mr. Lee Haw Shyang and Mr. Lee Haw Hann (collectively referred to as the "Ultimate Controlling Parties"), who have been acting in concert over the course of the Group's business history.

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 5 November 2018, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and corporate structure" of the Prospectus issued in connection with the Initial Listing on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Paid-up share capital</u>	<u>Attributable equity interest held by the Company</u>	<u>Principal activities and place of operation</u>
<i><u>Directly held by the Company</u></i>					
Ritamix International Limited ("Ritamix International")	BVI	21 September 2018	United States Dollars ("US\$") 1	100%	Investment holding, Malaysia
<i><u>Indirectly held by the Company</u></i>					
Gladron Chemicals Sdn. Bhd. ("Gladron")	Malaysia	20 November 1982	RM9,244,355	100%	Distribution of animal feed additives products, Malaysia
Kevon Sdn. Bhd. ("Kevon")	Malaysia	21 June 2004	RM100,000	100%	Distribution of human food ingredients, Malaysia
Ritamix Sdn. Bhd. ("Ritamix")	Malaysia	29 May 2007	RM5,000,000	100%	Manufacturing of animal feed additives premixes, Malaysia

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Relevant Periods have been audited as follows:

Subsidiary	Financial period	Auditors
Gladron	Years ended 31 December 2017, 2018 and 2019	Mazars PLT, <i>Chartered Accountants</i> , Malaysia
Kevon	Years ended 31 December 2017, 2018 and 2019	Mazars PLT, <i>Chartered Accountants</i> , Malaysia
Ritamix	Years ended 31 December 2017, 2018 and 2019	Mazars PLT, <i>Chartered Accountants</i> , Malaysia

No statutory audited financial statements have been prepared by Ritamix International for the period from its date of incorporation to the date of this report as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Parties. The Group's business is mainly conducted through Gladron, Kevon and Ritamix. The Company and Ritamix International are investment holding companies and have not been involved in any other significant activities except for the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Group's business, the Group is regarded as a continuing entity and therefore, the Reorganisation is considered as a business combination under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3 to the Historical Financial Information, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the combination had occurred from the date when the combining entities or business first came under control of the Ultimate Controlling Parties.

Further details of the accounting policies adopted by the Group are set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB, which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued a number of new/revised IFRSs during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRSs (including IFRS 9 and IFRS 15) that are relevant to its operations and are effective prior to 1 January 2019 and initially adopted IFRS 16 from 1 January 2019 as set out below.

A summary of the principal accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Adoption of IFRS 16 “Leases”

The Group has adopted IFRS 16, which replaced IAS 17, and the related consequential amendments to other IFRSs for the year ended 31 December 2019 which resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019.

Before the adoption of IFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

On adoption of IFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases. The Group did not reassess if a contract was or contained a lease at adoption. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged in profit or loss in the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statements of financial position immediately before the date of initial application. The right-of-use assets were recognised in the combined statements of financial position.

Depreciation is charged to profit or loss on a straight-line basis over the shorter of the assets useful lives or over the unexpired term of lease.

The following table reconciles the adjustments made to the carrying amounts recognised in relation to the lease commitment in the combined statements of financial position at the date of initial application of IFRS 16 on 1 January 2019:

	Carrying amounts on 31 December 2018 under IAS 17	Adjustments	Carrying amounts on 1 January 2019 under IFRS 16
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Non-current assets			
Right-of-use assets, presented in property, plant and equipment	—	589	589
Current liabilities			
Lease liabilities	—	558	558
Non-current liabilities			
Lease liabilities	—	31	31

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average discount rate applied is 6.6%.

	<u>At 1 January 2019</u>
	<i>RM'000</i>
Operating lease commitment at 31 December 2018 (<i>Note 29</i>)	<u>609</u>
Lease liabilities recognised at 1 January 2019 discounted using the incremental borrowing rate	<u>589</u>

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost basis, except for other investments in unlisted investments classified as financial assets at fair value through profit or loss which are measured at fair value as explained in the accounting policy set out below.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Parties.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded, arising from the Reorganisation, have been recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or, if later, since the date when the combining entities or businesses first came under the common control, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for a freehold land that has an unlimited useful life, and accumulated impairment losses. The freehold land has an unlimited useful life and therefore is not depreciated. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	50 years
Leasehold improvements	4–10 years
Furniture, fixtures and office equipment	3–5 years
Plant and machineries	5 years
Motor vehicles	4–5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instrument and on a trade date basis.

Classification and measurement**(i) *Financial assets***

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset, except for trade receivables without significant financing components which are initially measured at transaction price. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment gains or losses are presented, if material, as separate line item in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains or losses in profit or loss as applicable.

The Group's financial assets, including trade and other receivables, restricted bank balances and bank balances and cash, are subsequently measured at amortised cost using the effective interest method less identified impairment charges, as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVPL include the unlisted investments of non-principal guaranteed funds and unit trust are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Any interest or dividend earned on the financial assets is included in profit or loss.

(ii) *Financial liabilities*

Financial liabilities include trade and other payables, dividends payable, interest-bearing borrowings and lease liabilities. All financial liabilities are initially at their fair value, net of transaction costs incurred (if any) and subsequently at amortised cost using the effective interest method.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The loss allowance for expected credit losses is recognised on the financial assets measured at amortised costs, debt instruments measured at FVOCI, and contract assets recognised under IFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Impairment on these financial assets are measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial asset has occurred since initial recognition, then impairment is measured as lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

A financial asset is considered to be in default if:

- the debtor is unlikely to settle the amounts due in full, without taking account of any collateral or security held; or
- the financial asset is more than 90 days past due.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the past due information and nature of collateral.

A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Group would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of each reporting period with the risk of default as at the date of initial recognition with consideration of available reasonable and supportive forward-looking information, in particular the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and/or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of the debtors in the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The gross carrying amount of a financial asset is written off (either in its entirety or a portion thereof) to the extent when there is no realistic prospect of recovering the financial asset. In general, this happens when the Group determines that it is likely that the debtor does not have assets or source of income that could generate sufficient cash flows to settle the amounts due. However, in accordance with the Group's policy for recovery, those financial assets that are written off could still be subject to enforcement activities.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

The Group adopts a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Revenues are recognised when or as the control of the good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good may be transferred over time or at a point in time.

Control of the good is transferred over time if the Group's performance:

- provides the benefits which are received and consumed simultaneously by the customer as the Group performs;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods.

Revenue from sales of goods is recognised at a point in time, when the goods are delivered to customers and the title is passed.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the provided goods to the customer and the payment by the customer exceeds one year.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in the currency of RM, which is also the functional currency of the operating subsidiaries of the Group in Malaysia, and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is Hong Kong Dollars ("HK\$").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency (“foreign operations”) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group’s interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether there is any indication that its property, plant and equipment, right-of-use assets and the Company’s investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases***Applicable from 1 January 2019******The Group as lessee***

The Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may be used as security for borrowing purposes.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are recognised as a right-of-use asset (included in property, plant and equipment) and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is measured at cost less impairment and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis after initial recognition.

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments that are not paid:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs unless those costs are incurred to produce inventories.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases, as lessee

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will net reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Key sources of estimation uncertainty**(i) Useful lives of property, plant and equipment**

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Impairment of receivables

Provision for expected credit loss is made when the Group will not collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision reflects either 12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk except for trade receivables and contract assets for which loss allowance is determined on lifetime basis. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of debtors and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss.

(iv) *Allowance for inventories*

The management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(v) *Income taxes*

Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRSs

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRSs that are not yet effective for the Relevant Periods, which the Group has not early adopted:

Amendments to IAS 1 and IAS 8	Disclosure Initiative — Definition of Material ^[1]
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform ^[1]
Amendments to IFRS 3	Definition of Business ^[2]
IFRS 17	Insurance Contracts ^[3]
Amendments to IAS 1	Classification of liabilities as current or non-current ^[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[5]

^[1] Effective for annual periods beginning on or after 1 January 2020

^[2] Effective to acquisitions occur on or after the beginning of the first annual period beginning on or after 1 January 2020

^[3] Effective for annual periods beginning on or after 1 January 2021

^[4] Effective for annual periods beginning on or after 1 January 2022

^[5] The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's combined financial information.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) Animal feed additives products segment: manufacturing and distribution of animal feed additives products; and
- 2) Human food ingredient products segment: distribution of human food ingredient products.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Segment revenue represents revenue derived from (i) manufacturing and distribution of animal feed additives products and (ii) distribution of human food ingredient products.

Segment results represent gross profit less selling and distribution costs and expected credit losses or reversals incurred by each segment without allocation of other income, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

In addition, the Group's place of domicile is Malaysia, where the central management and control is located.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	Animal feed additives products	Human food ingredient products	Total
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<u>Year ended 31 December 2017</u>			
Revenue from external customers and reportable segment revenue			
— Distribution	60,472	15,071	75,543
— Manufacturing	<u>32,519</u>	<u>—</u>	<u>32,519</u>
Total	<u>92,991</u>	<u>15,071</u>	<u>108,062</u>
Gross profit			
— Distribution	11,670	2,677	14,347
— Manufacturing	<u>8,221</u>	<u>—</u>	<u>8,221</u>
Total	19,891	2,677	22,568
Selling and distribution costs	(1,701)	(260)	(1,961)
Loss allowance of trade receivables	<u>(463)</u>	<u>(1)</u>	<u>(464)</u>
Segment results	17,727	2,416	20,143
<i>Unallocated income and expenses</i>			
Other income			1,714
Administrative and other operating expenses			<u>(7,299)</u>
Profit before tax			14,558
Income tax expenses			<u>(3,702)</u>
Profit for the year			<u>10,856</u>
<i>Other information:</i>			
Depreciation (<i>Note</i>)	54	—	54
Inventories written off	<u>231</u>	<u>—</u>	<u>231</u>

	Animal feed additives products	Human food ingredient products	Total
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<u>Year ended 31 December 2018</u>			
Revenue from external customers and reportable segment revenue			
— Distribution	67,117	15,539	82,656
— Manufacturing	<u>45,944</u>	<u>—</u>	<u>45,944</u>
Total	<u>113,061</u>	<u>15,539</u>	<u>128,600</u>
Gross profit			
— Distribution	14,795	2,839	17,634
— Manufacturing	<u>18,792</u>	<u>—</u>	<u>18,792</u>
Total	33,587	2,839	36,426
Selling and distribution costs	(1,956)	(301)	(2,257)
Reversal of loss allowance (Loss allowance) of trade receivables	<u>1,393</u>	<u>(5)</u>	<u>1,388</u>
Segment results	33,024	2,533	35,557
<i>Unallocated income and expenses</i>			
Other income			1,575
Administrative and other operating expenses			(8,146)
Finance costs			(15)
Listing expenses			<u>(6,806)</u>
Profit before tax			22,165
Income tax expenses			<u>(6,259)</u>
Profit for the year			<u>15,906</u>
<i>Other information:</i>			
Depreciation (<i>Note</i>)	73	—	73
Inventories written off	<u>35</u>	<u>—</u>	<u>35</u>

	Animal feed additives products	Human food ingredient products	Total
	RM'000	RM'000	RM'000
<u>Year ended 31 December 2019</u>			
Revenue from external customers and reportable segment revenue			
— Distribution	60,560	18,011	78,571
— Manufacturing	<u>47,482</u>	<u>—</u>	<u>47,482</u>
Total	<u>108,042</u>	<u>18,011</u>	<u>126,053</u>
Gross profit			
— Distribution	11,325	3,240	14,565
— Manufacturing	<u>14,697</u>	<u>—</u>	<u>14,697</u>
Total	26,022	3,240	29,262
Selling and distribution costs	(1,854)	(271)	(2,125)
(Loss allowance) Reversal of loss allowance of trade receivables	<u>(293)</u>	<u>6</u>	<u>(287)</u>
Segment results	23,875	2,975	26,850
<i>Unallocated income and expenses</i>			
Other income			1,542
Administrative and other operating expenses			(7,433)
Finance costs			(146)
Listing expenses			<u>(1,928)</u>
Profit before tax			18,885
Income tax expenses			<u>(5,167)</u>
Profit for the year			<u>13,718</u>
<i>Other information:</i>			
Depreciation (<i>Note</i>)	<u>87</u>	<u>—</u>	<u>87</u>

Note: Depreciation not included in the measure of segment results during the years ended 31 December 2017, 2018 and 2019 amounted to approximately RM919,000, RM912,000 and RM1,344,000, respectively.

Geographical information

No geographical segment analysis on the Group's revenue is provided as substantially all of the Group's revenue and contribution to results were derived from Malaysia.

No geographical analysis on segment assets is provided as substantially all of the Group's assets were located at Malaysia.

Information about major customers

No revenue derived from a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for the Relevant Periods.

5. REVENUE

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<u>Revenue from contracts with customers within IFRS 15</u>			
Distribution income	75,543	82,656	78,571
Manufacturing income	32,519	45,944	47,482
	<u>108,062</u>	<u>128,600</u>	<u>126,053</u>

In addition to the information shown in segment disclosures, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>Timing of revenue recognition:</i>			
— at a point in time			
Distribution income	75,543	82,656	78,571
Manufacturing income	32,519	45,944	47,482
	<u>108,062</u>	<u>128,600</u>	<u>126,053</u>

6. OTHER INCOME

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Bank interest income	166	255	199
Exchange gain, net	1,141	843	736
Fair value gain on other investments	—	80	68
Gain on disposal of property, plant and equipment	55	—	98
Investment income arising from other investments	195	241	103
Sundry income	157	156	338
	<u>1,714</u>	<u>1,575</u>	<u>1,542</u>

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Finance costs			
Interest expenses on interest-bearing borrowings	—	15	128
Interest expenses on lease liabilities	—	—	18
	<u>—</u>	<u>15</u>	<u>146</u>
Staff costs (including directors' emoluments)			
Salaries, allowances and other benefits in kinds	4,259	4,844	4,764
Contributions to defined contribution plans	<u>483</u>	<u>531</u>	<u>561</u>
Total staff costs (charged to "cost of goods sold", "selling and distribution costs" and "administrative and other operating expenses" as appropriate)	<u>4,742</u>	<u>5,375</u>	<u>5,325</u>
Other items			
Auditor's remuneration	47	83	67
Cost of inventories	85,494	92,174	96,791
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	973	985	1,431
Exchange gain, net	(1,141)	(843)	(736)
Gain on disposal of property, plant and equipment	(55)	—	(98)
Inventories written off	231	35	—
Loss allowance (Reversal of loss allowance) of trade receivables	464	(1,388)	287
Operating lease payments for premises	<u>576</u>	<u>576</u>	<u>—</u>

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 29 October 2018 and Dato' Sri Lee Haw Yih and Datin Sri Yaw Sook Kean were appointed as executive directors of the Company on 29 October 2018. Mr. Lee Haw Shyang was appointed as non-executive director of the Company on 18 December 2018. Mr. Lee Haw Hann was appointed as non-executive director of the Company on 18 December 2018 and resigned on 1 July 2019. Ms. Ng Siok Hui, Mr. Lim Chee Hoong and Mr. Lim Heng Choon were appointed as independent non-executive directors of the Company on 8 April 2020.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Relevant Periods for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company are set out below.

Year ended 31 December 2017

	Directors' fees	Salaries, allowances and other benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>Executive directors</i>					
Lee Haw Yih	—	614	—	64	678
Yaw Sook Kean	—	265	—	26	291
<i>Non-executive directors</i>					
Lee Haw Shyang	—	52	—	—	52
Lee Haw Hann	—	49	—	—	49
	<u>—</u>	<u>980</u>	<u>—</u>	<u>90</u>	<u>1,070</u>

Year ended 31 December 2018

	Directors' fees	Salaries, allowances and other benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>Executive directors</i>					
Lee Haw Yih	—	698	—	70	768
Yaw Sook Kean	—	334	—	32	366
<i>Non-executive directors</i>					
Lee Haw Shyang	—	53	—	—	53
Lee Haw Hann	—	49	—	—	49
	<u>—</u>	<u>1,134</u>	<u>—</u>	<u>102</u>	<u>1,236</u>

Year ended 31 December 2019

	Directors' fees	Salaries, allowances and other benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Executive directors</i>					
Lee Haw Yih	—	660	—	76	736
Yaw Sook Kean	—	363	—	39	402
<i>Non-executive directors</i>					
Lee Haw Shyang	—	52	—	—	52
Lee Haw Hann	—	25	—	—	25
	—	1,100	—	115	1,215

During the Relevant Periods, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals		
	Year ended 31 December		
	2017	2018	2019
Director	2	2	2
Non-director	3	3	3
	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Salaries, allowances and other benefits in kinds	664	726	714
Contributions to defined contribution plans	58	49	52
	722	775	766

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December		
	2017	2018	2019
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

10. INCOME TAX EXPENSES

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current tax			
Malaysia corporate income tax ("Malaysia CIT")	3,643	6,247	5,103
Deferred tax			
Changes in temporary differences	<u>59</u>	<u>12</u>	<u>64</u>
Total income tax expenses	<u>3,702</u>	<u>6,259</u>	<u>5,167</u>

The group entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

Malaysia CIT is calculated at the rate of 24% (the "standard rate") of the Group's estimated assessable profits arising from Malaysia during the Relevant Periods. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 18%, 18% and nil on the first RM500,000 ("graduated tax rate") and remaining balance of the estimated assessable profits at the standard rate for the years ended 31 December 2017, 2018 and 2019, respectively.

During the years ended 31 December 2017 and 2018, Malaysian subsidiaries are eligible for a reduction of between 1% to 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the company's taxable income from a business, compared to the immediately preceding year of assessment. The reduction in the tax rate will apply to the portion of taxable income representing the increase.

Reconciliation of income tax expenses

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Profit before tax	<u>14,558</u>	<u>22,165</u>	<u>18,885</u>
Income tax at applicable tax rate	3,494	5,320	4,532
Effect of graduated tax rate	(30)	(30)	—
Non-deductible expenses	169	1,720	598
Tax exempt revenue	(16)	(55)	(43)
Special allowance deduction for increase of taxable income	(20)	(497)	—
Others	<u>105</u>	<u>(199)</u>	<u>80</u>
Income tax expenses	<u>3,702</u>	<u>6,259</u>	<u>5,167</u>

11. EARNINGS PER SHARE

No earnings per share information are presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Dividends declared to the then equity owners of the entities now comprising the Group	<u>10,200</u>	<u>15,000</u>	<u>—</u>

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

					Furniture, fixtures, and office equipment	Plant and machineries	Motor vehicles	Total
	Right-of- use assets	Freehold land	Buildings	Leasehold improvements				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	(Note 21)							
Reconciliation of carrying amounts — year ended 31 December 2017								
At 1 January 2017	—	4,066	9,259	250	262	123	1,190	15,150
Additions	—	—	—	40	79	44	393	556
Depreciation	—	—	(197)	(58)	(107)	(54)	(557)	(973)
At 31 December 2017	—	4,066	9,062	232	234	113	1,026	14,733
Reconciliation of carrying amounts — year ended 31 December 2018								
At 1 January 2018	—	4,066	9,062	232	234	113	1,026	14,733
Additions	—	—	—	92	310	157	13	572
Depreciation	—	—	(197)	(66)	(145)	(73)	(504)	(985)
At 31 December 2018	—	4,066	8,865	258	399	197	535	14,320
Reconciliation of carrying amounts — year ended 31 December 2019								
At 1 January 2019	—	4,066	8,865	258	399	197	535	14,320
Adjustment on transition to IFRS 16 (Note 3)	589	—	—	—	—	—	—	589
Additions	—	—	—	70	70	215	335	690
Depreciation	(559)	—	(197)	(65)	(171)	(87)	(352)	(1,431)
At 31 December 2019	30	4,066	8,668	263	298	325	518	14,168
At 31 December 2017								
Cost	—	4,066	9,850	422	2,357	3,788	4,551	25,034
Accumulated depreciation	—	—	(788)	(190)	(2,123)	(3,675)	(3,525)	(10,301)
Net carrying amounts	—	4,066	9,062	232	234	113	1,026	14,733
At 31 December 2018								
Cost	—	4,066	9,850	514	2,479	3,945	4,549	25,403
Accumulated depreciation	—	—	(985)	(256)	(2,080)	(3,748)	(4,014)	(11,083)
Net carrying amounts	—	4,066	8,865	258	399	197	535	14,320
At 31 December 2019								
Cost	589	4,066	9,850	584	2,542	4,160	4,160	25,951
Accumulated depreciation	(559)	—	(1,182)	(321)	(2,244)	(3,835)	(3,642)	(11,783)
Net carrying amounts	30	4,066	8,668	263	298	325	518	14,168

14. INVENTORIES

	At 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Raw materials	17,064	14,244	19,815
Finished goods	14,602	13,745	11,796
	<u>31,666</u>	<u>27,989</u>	<u>31,611</u>

Inventories with cost of approximately RM231,000, RM35,000 and nil were considered obsolete and were written off at 31 December 2017, 2018 and 2019, respectively. No further write down of inventories was made at 31 December 2017, 2018 and 2019.

15. TRADE AND OTHER RECEIVABLES

	Note	At 31 December		
		2017	2018	2019
		RM'000	RM'000	RM'000
Trade receivables				
From third parties		31,416	27,336	36,883
Loss allowance		<u>(2,910)</u>	<u>(1,522)</u>	<u>(1,809)</u>
	15(a), (b)	<u>28,506</u>	<u>25,814</u>	<u>35,074</u>
Other receivables				
Deposits and prepayments (Note)		1,059	3,155	3,454
Due from a related company	15(c)	<u>11</u>	<u>—</u>	<u>—</u>
		<u>1,070</u>	<u>3,155</u>	<u>3,454</u>
		<u>29,576</u>	<u>28,969</u>	<u>38,528</u>

Note: The amount included prepaid initial listing expenses of approximately nil, nil and RM50,000 at 31 December 2017, 2018 and 2019, respectively.

15(a) Trade receivables from third parties

The Group grants credit period up to 90 days to its customers upon the delivery of goods.

Trade receivables of approximately RM949,000, RM949,000 and RM949,000 at 31 December 2017, 2018 and 2019, respectively, were secured by the property pledged by a trade debtor and the remaining balances were unsecured. The management of the Group considers the fair value of the pledged property is sufficient to cover the respective trade receivables balance at 31 December 2017, 2018 and 2019, respectively. The amount due is interest-free and repayable on demand.

The ageing of trade receivables (net of loss allowance) based on invoice date at the end of each reporting period is as follows:

	At 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Within 30 days	11,049	8,711	13,272
31 to 60 days	6,752	6,916	9,467
61 to 90 days	4,533	3,834	4,619
Over 90 days	9,082	7,875	9,525
	<u>31,416</u>	<u>27,336</u>	<u>36,883</u>
Loss allowance	<u>(2,910)</u>	<u>(1,522)</u>	<u>(1,809)</u>
	<u>28,506</u>	<u>25,814</u>	<u>35,074</u>

15(b) Loss allowance

The Group determines the loss allowance by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the movement is as follows:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
At the beginning of the reporting period	2,446	2,910	1,522
Loss allowance (Reversal of loss allowance) of trade receivables	<u>464</u>	<u>(1,388)</u>	<u>287</u>
At the end of the reporting period	<u>2,910</u>	<u>1,522</u>	<u>1,809</u>

At 31 December 2017 and 2019, an increase in trade receivable balances with days past due over 90 days or the increase in the expected loss rates resulted in an addition in loss allowance.

At 31 December 2018, a decrease in trade receivable balances with days past due over 90 days or the decrease in the expected loss rates resulted in a reversal in loss allowance.

For the purposes of estimating the expected credit losses, the trade receivables are grouped according to whether they are secured by collateral. The Group applies a provision matrix to those groups which is based on the historical observed loss rates over the expected life of the trade receivables which is adjusted for forward-looking estimates. At the end of each reporting period, the grouping and the historical observed loss rates are updated in light of the latest information that is relevant for the credit risk assessment and changes in the forward-looking estimates are analysed.

The following table details the risk profile of trade receivables, based on the Group's provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. The loss allowance is as follows:

At 31 December 2017	Expected credit loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit- impaired
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	
Trade receivables with shared credit risk characteristics					
Current	2.21%	12,426	275	12,151	No
Within 30 days	2.72%	7,780	212	7,568	No
31 to 60 days	6.03%	3,185	192	2,993	No
61 to 90 days	10.03%	1,525	153	1,372	No
Over 90 days	37.43%	5,551	2,078	3,473	Yes
Trade receivables secured by the property pledged by a trade debtor	0%	949	—	949	No
		<u>31,416</u>	<u>2,910</u>	<u>28,506</u>	
At 31 December 2018	Expected credit loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit- impaired
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	
Trade receivables with shared credit risk characteristics					
Current	0.46%	10,111	47	10,064	No
Within 30 days	1.69%	6,759	114	6,645	No
31 to 60 days	3.80%	4,285	163	4,122	No
61 to 90 days	8.96%	1,361	122	1,239	No
Over 90 days	27.80%	3,871	1,076	2,795	Yes
Trade receivables secured by the property pledged by a trade debtor	0%	949	—	949	No
		<u>27,336</u>	<u>1,522</u>	<u>25,814</u>	

At 31 December 2019	Expected credit loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit- impaired
		RM'000	RM'000	RM'000	
Trade receivables with shared credit risk characteristics					
Current	1.35%	11,809	160	11,649	No
Within 30 days	1.66%	10,969	182	10,787	No
31 to 60 days	3.61%	7,064	255	6,809	No
61 to 90 days	8.11%	1,184	96	1,088	No
Over 90 days	22.74%	4,908	1,116	3,792	Yes
Trade receivables secured by the property pledged by a trade debtor	0%	949	—	949	No
		<u>36,883</u>	<u>1,809</u>	<u>35,074</u>	

15(c) Due from a related company

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amounts due during the Relevant Periods.

Details of the amount due from a related company ultimately controlled by the Ultimate Controlling Parties are as follows:

	Year ended 31 December 2017		
	Greatest outstanding amount during the year	Balance at 31.12.2017	Balance at 1.1.2017
	RM'000	RM'000	RM'000
Gladron Sdn. Bhd.	<u>11</u>	<u>11</u>	<u>9</u>
	Year ended 31 December 2018		
	Greatest outstanding amount during the year	Balance at 31.12.2018	Balance at 1.1.2018
	RM'000	RM'000	RM'000
Gladron Sdn. Bhd.	<u>13</u>	<u>—</u>	<u>11</u>
	Year ended 31 December 2019		
	Greatest outstanding amount during the year	Balance at 31.12.2019	Balance at 1.1.2019
	RM'000	RM'000	RM'000
Gladron Sdn. Bhd.	<u>—</u>	<u>—</u>	<u>—</u>

16. OTHER INVESTMENTS

		At 31 December			
		2017	2018	2019	
		RM'000	RM'000	RM'000	
Note					
Financial assets mandatorily measured at FVPL					
	Unlisted investments — non-principal guaranteed funds	16(a)	6,613	2,500	—
	Unlisted investments — unit trust	16(b)	—	6,203	3,325
			6,613	8,703	3,325

16(a) The non-principal guaranteed funds were placed with a bank in Malaysia, which mainly invested in Islamic term deposits in Malaysia. It can be redeemed from time to time and with an expected rate of return ranging from 3.15% to 4.00% per annum. The fair values of the non-principal guaranteed funds are reported by the bank with reference to the fair value of the underlying instruments at the end of each reporting period.

16(b) The unit trust represented unlisted investments managed by a bank in Malaysia, which mainly invested in Islamic money market instruments. It can be redeemed from time to time and bear interest at floating rate ranging from 1.58% to 2.73% per annum. The fair values of the unit trust are reported by the bank with reference to the fair value of the underlying instruments at the end of each reporting period.

The movements of the non-principal guaranteed funds and the unit trust are analysed as follows:

Year ended 31 December 2017			
	Non-principal guaranteed funds	Unit trust	Total
	RM'000	RM'000	RM'000
At the beginning of the reporting period	4,600	—	4,600
Additions	8,013	—	8,013
Redemption	(6,000)	—	(6,000)
At the end of the reporting period	6,613	—	6,613
Year ended 31 December 2018			
	Non-principal guaranteed funds	Unit trust	Total
	RM'000	RM'000	RM'000
At the beginning of the reporting period	6,613	—	6,613
Additions	—	18,542	18,542
Redemption	(4,113)	(12,419)	(16,532)
Fair value changes recognised in profit or loss	—	80	80
At the end of the reporting period	2,500	6,203	8,703

	Year ended 31 December 2019		
	Non-principal guaranteed funds	Unit trust	Total
	RM'000	RM'000	RM'000
At the beginning of the reporting period	2,500	6,203	8,703
Additions	500	103	603
Redemption	(3,000)	(3,049)	(6,049)
Fair value changes recognised in profit or loss	—	68	68
At the end of the reporting period	—	3,325	3,325

17. RESTRICTED BANK BALANCES

The Group's restricted bank balances are bank deposits denominated in RM which carried interest at prevailing market rates and were pledged to secure banking facilities granted to the Group. The total banking facilities granted amounted to approximately RM9,950,000, RM6,270,000 and RM12,270,000 at 31 December 2017, 2018 and 2019, respectively, of which the Group had not utilised at 31 December 2017. At 31 December 2018 and 2019, the Group had utilised banking facilities of approximately RM2,172,000 and RM1,509,000, respectively (Note 20).

18. BANK BALANCES AND CASH

	At 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Short-term time deposits	987	—	2,000
Cash at bank and in hand	2,909	6,222	4,482
	3,896	6,222	6,482

Cash at banks earns interest at floating rates based on daily floating bank deposit rates. Short-term time deposits are made between one month to three months depending on the immediate cash requirement of the Group, and earn interest at the prevailing fixed deposit rates. The Group can withdraw the short-term time deposits anytime before the maturity date without incurring any significant bank charges.

19. TRADE AND OTHER PAYABLES

		At 31 December		
		2017	2018	2019
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade payables				
To third parties	19(a)	9,325	9,229	7,317
Other payables				
Accruals and other payables (<i>Note</i>)		1,456	4,449	1,662
Due to a related company	19(b)	1	—	—
		1,457	4,449	1,662
		10,782	13,678	8,979

Note: The amount included accrued initial listing expenses of approximately nil, RM3,097,000 and RM807,000 at 31 December 2017, 2018 and 2019, respectively.

19(a) Trade payables

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

		At 31 December		
		2017	2018	2019
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Within 30 days		3,812	5,049	3,259
31 to 60 days		4,508	1,469	2,056
61 to 90 days		1,005	2,137	1,402
Over 90 days		—	574	600
		9,325	9,229	7,317

The credit term on trade payables is up to 90 days.

19(b) Due to a related company

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. The related company is ultimately controlled by the Ultimate Controlling Parties.

20. INTEREST-BEARING BORROWINGS

	At 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Interest-bearing borrowings — secured	—	2,172	1,509

The interest-bearing borrowings are wholly repayable within one year since its inception. At 31 December 2018 and 2019, the weighted average annual effective interest rate of the interest-bearing borrowings was approximately 6.79% and 4.98%, respectively.

The interest-bearing borrowings are secured by guarantees provided by the Ultimate Controlling Parties and the restricted bank deposits placed with the banks in Malaysia as set out in Note 17.

The collaterals and guarantees provided by the Ultimate Controlling Parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the bank has provided its consent in this regard.

21. LEASE LIABILITIES

	At 31 December	
	2019	
	<i>RM'000</i>	
Right-of-use assets (Note 13)		
Leased properties		30
		30
	At 31 December	
	2019	
	<i>RM'000</i>	
Lease liabilities		
Current		17
Non-current		14
		31

In addition to the information disclosed in Notes 7 and 13, the Group had the following amounts relating to leases during the Relevant Periods:

	Year ended	
	31 December	
	2019	
	<i>RM'000</i>	
Depreciation charge of right-of-use assets		
Leased properties		559

The total cash outflow for leases for the year ended 31 December 2019 was approximately RM576,000.

22. DEFERRED TAXATION

The movement in the Group's deferred tax liabilities arising from depreciation allowance for the Relevant Periods was as follows:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
At the beginning of the reporting period	491	550	562
Charged to profit or loss	59	12	64
At the end of the reporting period	550	562	626

23. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY**23(a) Share capital**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 October 2018. Upon its incorporation, the authorised share capital of HK\$380,000 was divided into 38,000,000 ordinary shares at HK\$0.01 each.

Upon incorporation, 1 ordinary share was allotted and issued to a nominee subscriber at par value. On the same day, the nominee subscriber transferred the one subscriber share, representing all the issued share of the Company, to Garry-Worth at a consideration of HK\$0.01.

There was no authorised and issued capital at 31 December 2017 since the Company was not yet incorporated at that time.

Pursuant to the Reorganisation completed on 5 November 2018, the Company became the holding company of the entities now comprising the Group. Further details of the changes in authorised and issued share capital of the Company since its incorporation are set out in the section headed "History, Reorganisation and corporate structure" of the Prospectus.

23(b) Investment in a subsidiary

Investment in a subsidiary represents 100% issued capital of Ritamix International.

24. RESERVES**Capital reserve**

Capital reserve of the Group represents the aggregate amount of the paid-up share capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

25. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, further information of the related party transaction is set out below.

- (a) Transactions between the group entities have been eliminated on combination and are not disclosed. During the Relevant Periods, the Group had the following significant transaction with a related company. In the opinion of the management of the Group, it is under normal commercial terms that is fair and reasonable and in the best interests of the Group.

Related party relationship	Nature of transaction	Year ended 31 December		
		2017	2018	2019
		RM'000	RM'000	RM'000
Related company controlled by the Ultimate Controlling Parties	Rental and utilities expenses (i)	570	489	17
	Repayment of lease liabilities (i)	—	—	558
		<u>570</u>	<u>489</u>	<u>575</u>

- (i) During the Relevant Periods, rental and utilities expenses represented operating lease payments and related utilities expenses paid on premises charged by Lee & Seetho Holding Sdn. Bhd., a company ultimately controlled by the Ultimate Controlling Parties.
- (b) Remuneration for key management personnel (including directors) of the Group:

	Year ended 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Salaries, allowances and other benefits in kinds	1,438	1,647	1,633
Contributions to defined contribution plans	<u>145</u>	<u>162</u>	<u>181</u>
	<u>1,583</u>	<u>1,809</u>	<u>1,814</u>

Further details of the directors' remuneration are set out in Note 8.

- (c) Guarantee issued as securities for banking facilities granted to a the Group

During the Relevant Periods, the Ultimate Controlling Parties and/or their close family member have issued personal guarantees in favour of the banks amounting to RM14,318,000, RM14,318,000 and RM20,318,000 at 31 December 2017, 2018 and 2019, respectively, to secure banking facilities granted to the Group.

The collaterals and guarantees provided by the Ultimate Controlling Parties and/or the close family member are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks have provided their consent in this regard.

26. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the Historical Financial Information, the Group had the following major non-cash transactions:

During the year ended 31 December 2017, dividends of approximately RM10,200,000 were declared to the then equity holders of the entities now comprising the Group. Of the total amount, approximately RM6,000,000 was not settled during the year ended 31 December 2017, and were credited to dividends payable at the end of the reporting period.

(b) Reconciliation of liability arising from financing activities

The movement during the Relevant Periods in the Group's liabilities arising from financing activities is as follows:

	Non-cash changes			
	At 1 January 2017 RM'000	Cash flow RM'000	Declaration of dividends RM'000	Interest expenses RM'000
				At 31 December 2017 RM'000
<i>Year ended 31 December 2017</i>				
Dividends payable	—	(4,200)	10,200	—

	Non-cash changes			
	At 1 January 2018 RM'000	Cash flow RM'000	Declaration of dividends RM'000	Interest expenses RM'000
				At 31 December 2018 RM'000
<i>Year ended 31 December 2018</i>				
Dividends payable	6,000	(21,000)	15,000	—
Interest-bearing borrowings	—	2,172	—	—
	6,000	(18,828)	15,000	—

	Non-cash changes					
	At 31 December 2018 RM'000	Adjustment on transition to IFRS 16 (Note 3) RM'000	At 1 January 2019 RM'000	Cash flow RM'000	Declaration of dividends RM'000	Interest expenses RM'000
						At 31 December 2019 RM'000
<i>Year ended 31 December 2019</i>						
Interest-bearing borrowings	2,172	—	2,172	(663)	—	—
Lease liabilities	—	589	589	(576)	—	18
	2,172	589	2,761	(1,239)	—	18

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of dividends payable, lease liabilities, amounts due from/to related companies, interest-bearing borrowings, other investments, restricted bank balances and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables/payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are price risk, foreign currency risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Price risk

The Group is exposed to price risk arising from its other investments, including the unlisted investments of non-principal guaranteed funds and unit trust, which are classified as financial assets at fair value through profit or loss.

At the end of each reporting period, if the fair value of the other investments has been 5% higher/lower with all other variables held constant, the Group's pre-tax results would increase/decrease by approximately RM331,000, RM435,000 and RM166,000 for the years ended 31 December 2017, 2018 and 2019, respectively.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of the other investments had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the other investments over the next 12 months after the end of each reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the price risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Foreign currency risk

The Group's transactions are mainly denominated in RM, US\$ and Renminbi ("RMB").

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets			Financial liabilities		
	At 31 December			At 31 December		
	2017	2018	2019	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
US\$	2,296	4,123	8,034	6,615	5,915	2,534
RMB	—	—	29	352	640	229

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of US\$ and RMB had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of each reporting period.

	At 31 December 2017		At 31 December 2018		At 31 December 2019	
	Increase (decrease) in foreign exchange rates	Effect on profit before tax <i>RM'000</i>	Increase (decrease) in foreign exchange rates	Effect on profit before tax <i>RM'000</i>	Increase (decrease) in foreign exchange rates	Effect on profit before tax <i>RM'000</i>
US\$	10% (10%)	(432) <u>432</u>	10% (10%)	(179) <u>179</u>	10% (10%)	550 <u>(550)</u>
RMB	10% (10%)	(35) <u>35</u>	10% (10%)	(64) <u>64</u>	10% (10%)	(20) <u>20</u>

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the next 12 months after the end of each reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, other investments, restricted bank balances and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	At 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Trade and other receivables	28,702	26,025	35,425
Other investments	6,613	8,703	3,325
Restricted bank balances	1,080	1,380	1,670
Bank balances and cash	<u>3,896</u>	<u>6,222</u>	<u>6,482</u>
	<u>40,291</u>	<u>42,330</u>	<u>46,902</u>

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The management considers the credit risk in respect of other investments, restricted bank balances and bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

The management limits the Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor.

The management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

At 31 December 2017, 2018 and 2019, the Group had a concentration of credit risk as approximately 6.0%, 8.0% and 11.6% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 24.1%, 27.0% and 27.9% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1 to 2 years
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
At 31 December 2017				
Trade and other payables	10,782	10,782	10,782	—
Dividends payable	6,000	6,000	6,000	—
	<u>16,782</u>	<u>16,782</u>	<u>16,782</u>	<u>—</u>
At 31 December 2018				
Trade and other payables	13,678	13,678	13,678	—
Interest-bearing borrowings	2,172	2,199	2,199	—
	<u>15,850</u>	<u>15,877</u>	<u>15,877</u>	<u>—</u>
At 31 December 2019				
Trade and other payables	8,979	8,979	8,979	—
Interest-bearing borrowings	1,509	1,515	1,515	—
Lease liabilities	31	33	18	15
	<u>10,519</u>	<u>10,527</u>	<u>10,512</u>	<u>15</u>

28. FAIR VALUE MEASUREMENTS

The following presents the assets measured at fair value or required to disclose their fair value in the Historical Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13 “Fair Value Measurement” with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets measured at fair value

	Level 2		
	At 31 December		
	2017	2018	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Assets measured at fair value			
Other investments			
— Unlisted investments — non-principal guaranteed funds (<i>Note 16</i>)	6,613	2,500	—
— Unlisted investments — unit trust (<i>Note 16</i>)	—	6,203	3,325
	<u>6,613</u>	<u>8,703</u>	<u>3,325</u>

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The details of the measurement basis and movements of the financial assets at fair value through profit or loss are set out in Note 16.

The Group reviews estimation of fair values of the unlisted investments in non-principal guaranteed funds and unit trust which are categorised into Level 2 of the fair value hierarchy. Reports with estimation of the fair values are prepared by the banks on a monthly basis.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 December 2017, 2018 and 2019.

29. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under operating leases, which typically runs an initial lease period of two to five years. None of the leases includes contingent rentals.

At the end of 31 December 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	At 31 December	
	2017	2018
	<i>RM'000</i>	<i>RM'000</i>
Within one year	576	576
In the second to fifth years inclusive	609	33
	<u>1,185</u>	<u>609</u>

30. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

31. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the Historical Financial Information, subsequent to 31 December 2019, the Group has the following subsequent events:

- (i) Pursuant to the resolution of the Company's shareholders passed on 8 April 2020, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 19,962,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.
- (ii) Pursuant to the resolutions in writing of the Company's shareholders passed on 8 April 2020, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares, the directors of the Company were authorised to allot and issue a total of 374,999,900 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$3,749,999 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue).
- (iii) Subsequent to 31 December 2019, the Group's operations in Malaysia have been temporarily disrupted as a result of the relevant government authorities' measures in response to the outbreak of COVID-19, which resulted in a temporary drop in the operation level and the revenue of the Group in the first few months for the year ending 31 December 2020. However, at the date of this report, the Group does not expect those events and measures have any significant adverse impacts to the financial position at 31 December 2019 and the application of going concern basis for the preparation of the Historical Financial Information.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2019.

The information set forth in this appendix does not form part of the Accountants' Report prepare by Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars PLT, Chartered Accountants, Malaysia, the independent joint reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity owners of the Company at 31 December 2019 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity owners of the Company at 31 December 2019 or at any future dates following the Share Offer. It is prepared based on the unaudited net tangible assets of the Group attributable to equity owners of the Company at 31 December 2019 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this Prospectus.

	Unaudited combined net tangible assets attributable to equity owners of the Company at 31 December 2019		Estimated net proceeds from the Share Offer		Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company		Unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company per Share	
	(Note 1) RM'000	(Note 5) HK\$'000	(Note 2, 5) RM'000	(Note 2) HK\$'000	(Note 5) RM'000	(Note 5) HK\$'000	(Note 3) RM	(Note 5) HK\$
Based on the Offer Price of HK\$1.00 per Offer Share	84,235	160,047	46,860	89,034	131,095	249,081	0.26	0.49
Based on the Offer Price of HK\$1.20 per Offer Share	84,235	160,047	57,255	108,784	141,490	268,831	0.28	0.53

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

1. The unaudited combined net tangible assets attributable to equity owners of the Company at 31 December 2019 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus, which is based on the unaudited combined net assets value attributable to equity owners of the Company at 31 December 2019 of approximately RM84,235,000, without adjustment.
2. The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Share at the Offer Price of HK\$1.00 per Offer Share or HK\$1.20 per Offer Share, being the low or high end of the stated offer price range, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately RM8,734,000 listing-related expenses which have been accounted for during the year ended 31 December 2019) and taking no account of any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option or the exercise of any options that may be granted under the Share Option Scheme or any Shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
3. The unaudited pro forma adjusted combined net tangible assets attributable to equity owners of the Company per Share is arrived at after making the adjustments referred to in this section and on the basis of a total of 500,000,000 Shares in issue immediately following completion of the Share Offer but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of any options that may be granted under the share option scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this Prospectus or otherwise.
4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2019.
5. These amounts are converted from RM to HK\$ or HK\$ to RM at an exchange rate of RM1.00 to HK\$1.90. No representation is made that RM/HK\$ amount have been, could have been or may be converted to HK\$/RM at that rate or at all.

The following is the text of a report received from the independent joint reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars PLT, Chartered Accountants, Malaysia, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**B. ASSURANCE REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET
TANGIBLE ASSETS OF THE GROUP**



24 April 2020

The Directors
Ritamix Global Limited
Messis Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ritamix Global Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) prepared by the directors of the Company (the “Directors”). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to equity owners of the Company at 31 December 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued in connection with the initial listing of the Company’s shares in the Main Board of The Stock Exchange of Hong Kong Limited dated 24 April 2020 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group’s combined financial position at 31 December 2019 as if the Share Offer had taken place on 31 December 2019. As part of this process, information about the Group’s combined financial position at 31 December 2019 has been extracted by the Directors from the Group’s historical financial information included in the Accountants’ Report as set out in Appendix I to the Prospectus.

Directors’ responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting accountants' independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintain 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' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction 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 event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the

unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited

Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

24 April 2020

Mazars PLT

Chartered Accountants
Wisma Golden Eagle Realty
11th Floor, South Block, 142-A
Jalan Ampang, 50450 Kuala Lumpur
Malaysia

24 April 2020

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from Nawawi Tie Leung Property Consultants Sdn Bhd, an independent property valuer, in connection with its opinion of value of the property interest of the Group as at 31 January 2020.



Suite 34.01, Level 34
Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur Malaysia

The Board of Directors
Ritamix Global Limited
No. 7, Jalan TP 7
UEP Industrial Park
40400 Shah Alam
Selangor Darul Ehsan
Malaysia

Dear Sirs,

INSTRUCTION, PURPOSE AND DATE OF VALUATION

In accordance with your instruction for us to value the property held by Ritamix Global Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) that have interest in Malaysia (as more particularly described in the valuation certificate), we confirmed that we have inspected the property, made relevant enquiries and obtained such further information as we considered necessary to provide you with our opinion of values of such property as at 31 January 2020 (the “Valuation Date”).

DEFINITION OF MARKET VALUE

Our valuation of the property represents its Market Value. The definition of Market Value is adopted from the Malaysian Valuation Standards Sixth Edition 2019 issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia (“BOVAEP”) follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). The Market Value as defined herein is “the estimated amount for which an asset and liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTIONS

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited and The Malaysian Valuation Standards Sixth Edition 2019 issued by the BOVAEP, International Valuation Standards 2017 published by the IVSC and RICS-Valuation Standards (the “Red Book”) of the Royal Institution of Chartered Surveyors (“RICS”) Global Edition 2017.

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the subject property, we have assumed that, unless otherwise stated, the transferable land use rights of the subject property for its respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its Malaysia legal adviser, Messrs. David Lai & Tan (the “Malaysia Legal Adviser”), regarding the title of the property and the interest of the Group in the subject property. In valuing the subject property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted.

The status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the valuation certificate.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

METHOD OF VALUATION

In valuing the property in Group I, in which the subject property is occupied by the Group, we have used the Depreciated Replacement Cost Approach due to the special nature of the building where there is no readily identifiable comparable market transactions and the building cannot be valued by comparable market transactions. The Depreciated Replacement Cost Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The Depreciated Replacement Cost Approach generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable transaction. In arriving at our opinion of Market Value of the property in Group I, we have adopted the Direct Comparison Approach to arrive at the improved land value by making reference to the comparable transaction evidences in the relevant locality. Adjustments are duly made to reflect the differences including location, size and tenure in arriving at the key assumption. Thereafter, we have adopted the Depreciated Replacement Cost Approach and adopted a unit rate

for the improved land value together with the depreciated building cost in arriving at the Market Value of the property in Group I. The Depreciated Replacement Cost is subject to adequate potential profitability of the business.

SOURCE OF INFORMATION

We were provided by the Group with copies of documents in relation to the title and we have also conducted land search at the respective land office of the local government authority to verify the ownership of the subject property. In this connection, we have also relied on the advice given by the Malaysia Legal Adviser regarding the Group's interest in the property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the reproduced copies that were furnished to us.

In the course of our valuation, we have relied at a very considerable extent on the information given to us in respect of the property in Malaysia and have accepted the advice on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We were provided by the Group with copies of documents in relation to the title and we have also conducted land search at the respective land office of the local government authority to verify the ownership of the subject property. In this connection, we have also relied on the advice given by the Malaysia Legal Adviser regarding the Group's interest in the property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the reproduced copies that were furnished to us.

SITE INSPECTION

Our Malaysia valuer, Mr. Daniel Ma Jen Yi (BOVAEP Registration No. V-759 & RICS Registration No. 6392087) has inspected the exterior and, whenever possible, the interior of the subject property on 21 January 2020. Mr. Daniel Ma Jen Yi is a member of International Association of Certified Valuation Specialists (ICVS), Royal Institution of Chartered Surveyors ("RICS") and has over 22 years of experience in the valuation of properties in Malaysia.

However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development thereon. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of

our inspection, we did not note any serious defects. We are not, however, able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the subject property and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all monetary amounts indicated herein our valuation denotes Ringgit Malaysia (“RM”), which is the official currency of the Malaysia. At the date of our valuation, the currency exchange rate is RM1.00 = HKD1.90.

We enclose herewith a summary of our valuation and our valuation certificate.

Yours faithfully,
for and on behalf of
Nawawi Tie Leung
Property Consultants Sdn Bhd
Mr. Daniel Ma Jen Yi
Registered Valuer (V-759)
B.BUS (AUS)
ICVS, MRICS, MRISM
Executive Director

Note: Mr. Daniel Ma Jen Yi is an Executive Director of Nawawi Tie Leung Property Consultants Sdn Bhd (“NTL”) and a Registered Valuer who has over 22 years of experience in the valuation of properties in Malaysia.

SUMMARY OF VALUATIONS

Property		Market Value in existing state as at 31 January 2020	Interest Attributable to the Group	Market Value in existing state attributable to the Group as at 31 January 2020
		<i>(RM)</i>	<i>(%)</i>	<i>(RM)</i>
Group I — Property held and occupied by the group in the Malaysia				
1	A single storey detached factory with two storey of mezzanine floor and one manufacturing tower annexed with three storey office building at No. 1, Jalan Sapir 33/7, Seksyen 33, Shah Alam Premier Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan, Malaysia	21,500,000	100	21,500,000
Grand total of Group I:		21,500,000	100	21,500,000

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in Malaysia

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 January 2020														
1	<p>A single storey detached factory with two storey of mezzanine floor and one manufacturing tower annexed with three storey office building bearing postal address No. 1, Jalan Sapir 33/7, Seksyen 33, Shah Alam Premier Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan, Malaysia</p> <table><thead><tr><th>Use</th><th>Approximately gross floor area (sq.m.)</th></tr></thead><tbody><tr><td>Office building</td><td>964.24</td></tr><tr><td>Factory</td><td>3,345.81</td></tr><tr><td>Miscellaneous structures:</td><td></td></tr><tr><td>(i) Guard House</td><td>13.94</td></tr><tr><td>(ii) Refuse Chamber</td><td>15.33</td></tr><tr><td>Total</td><td>4,339.32</td></tr></tbody></table> <p>The subject property is held with land use rights for a freehold interest.</p>	Use	Approximately gross floor area (sq.m.)	Office building	964.24	Factory	3,345.81	Miscellaneous structures:		(i) Guard House	13.94	(ii) Refuse Chamber	15.33	Total	4,339.32	<p>The property is occupied by the Group as office and manufacturing factory</p>	<p>RM21,500,000 (100% interest attributable to the Group: RM21,500,000)</p>
Use	Approximately gross floor area (sq.m.)																
Office building	964.24																
Factory	3,345.81																
Miscellaneous structures:																	
(i) Guard House	13.94																
(ii) Refuse Chamber	15.33																
Total	4,339.32																

Notes:

- According to the individual land title held under HSD 51823, PT 43471, Mukim Klang, District of Klang, State of Selangor issued by local land office of Pejabat Tanah dan Galian Selangor on 31 December 1996, the land title of the property has been vested in Ritamix Sdn Bhd.
- A title search was conducted by Nawawi Tie Leung Property Consultants Sdn Bhd at the local land office of Pejabat Tanah dan Galian Selangor on 28 January 2020, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq.m.)
HSD 51823, PT 43471	31 December 1996	Industry	Industry	Freehold	6,868.43

- (3) According to a Certificate of Fitness for Occupation bearing reference no. LAM/S/No. 4033 and approved building plan bearing reference no. MPSA/BGN/BB/600-1(PS)/SEK.33/0018-2009 issued by local authority of Majlis Perbandaran Shah Alam dated 18 August 2011, the building is fully completed and fit for occupation.
- (4) According to the Business and Advertisement License No. 033010620120001 issued by Majlis Bandaraya Shah Alam to Ritamix Sdn Bhd, the property is occupied for food industry, warehouse (distribution/services) and warehouse (storage), which is valid up to 31 December 2019.
- (5) We have been provided with a Legal Opinion on the property prepared by the Malaysia Legal Adviser which contains, among others, the following information:
- (i) Ritamix Sdn Bhd is the registered/beneficial proprietor and enjoys the legal and beneficial interests of subject property.
 - (ii) The subject property is not subject to any restrictions in interest, Ritamix Sdn Bhd has the full right to deal with this property including to sell, transfer, lease, grant of easement, charge and to dispose its ownership in the property.
 - (iii) The subject property is subject to the express condition for industry use.
 - (iv) As at 31 January 2020, subject property is free from encumbrances.
 - (v) As at 31 January 2020, there was also no caveat (a means of registering a party's interest on the said land) entered over the said land.
 - (vi) The receipts of the quit rent for year 2019 and the Assessment Tax for second half of year 2019 in respect of the land indicate that payment was duly made for the year.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:
- | | |
|--|-----|
| Land title | Yes |
| Sale and Purchase Agreement | Yes |
| Certificate of Fitness for Occupation | Yes |
| Approved Building Plan | Yes |
| Temporary Business and Advertisement License | Yes |

This appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 October 2018 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 8 April 2020. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the

holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

Our Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of our Company to purchase its own shares*

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by

our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any

executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in

such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or

share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly

authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Requisition of general meetings*

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(v) *Notices of meetings and business to be conducted*

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered

address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he

acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by our Company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be

required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or

different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 29 October 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium

account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association, in such manner as our Company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of our Company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of our Company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of our Company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of our Company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our Company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our Company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of our Company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and

terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our Company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to our Company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of our Company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of our Company to challenge acts which are ultra vires, illegal,

fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of our Company in issue, appoint an inspector to examine the affairs of our Company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that our Company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of our Company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, our Company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as our Company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where our Company resolves by special resolution that it be wound up voluntarily or where our Company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, our Company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as our Company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of our Company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of our Company disposed of, and call a general meeting of our Company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) our Company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of our Company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that our

Company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon our Company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our Company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 October 2018.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 January 2019 and the principal place of business in Hong Kong is 31st Floor, 148 Electric Road, North Point, Hong Kong. In connection with such registration, our Company has appointed Sir Kwok Siu Man KR of 31st Floor, 148 Electric Road, North Point, Hong Kong as our authorised representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and the constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On the same date, one subscriber Share in our Company with a par value of HK\$0.01 was allotted and issued as fully paid to a nominee subscriber. On the same day, the said one Share was transferred to Garry-Worth for a consideration of HK\$0.01. Upon completion of the above transfer and share issue, Garry-Worth became the sole Shareholder of our Company.
- (b) On 5 November 2018, Garry-Worth and our Company entered into a sale and purchase agreement, pursuant to which our Company acquired one share in Ritamix International from Garry-Worth, being all the issued share of Ritamix International. In consideration of the acquisition, our Company allotted and issued 99 Shares with a par value of HK\$0.01 each, credited as fully paid, to Garry-Worth. After the aforesaid transaction, Ritamix International became a wholly-owned subsidiary of our Company.
- (c) On 10 December 2018, Garry-Worth and the Pre-IPO Investor entered into a sale and purchase agreement, pursuant to which the Pre-IPO Investor acquired 10 Shares with a par value of HK\$0.01 each, representing 10% of the issued share capital of our Company, from Garry-Worth. Upon completion of the acquisition, our Company became owned as to 90% and 10% by Garry-Worth and the Pre-IPO Investor, respectively.

- (d) On 8 April 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 19,962,000,000 Shares with a par value of HK\$0.01 each, all of which shall rank equally in all respects with the existing Shares in issue.

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share to be allotted and issued upon the exercise of the Over-allotment Option and the option that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$200,000,000 divided into 20,000,000,000 Shares with a par value of HK\$0.01 each, of which 500,000,000 Shares with a par value of HK\$0.01 each will be allotted and issued fully paid or credited as fully paid and 19,500,000,000 Shares with a par value of HK\$0.01 each will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “5. Written resolutions of our Shareholders” and “6. Repurchase of our Shares” under this appendix, the exercise of the options that may be granted under the Share Option Scheme, and the Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

4. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants’ Report.

Save as disclosed in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus, there has been no alteration in the share capital or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Written resolutions of our Shareholders

Written resolutions of our Shareholders were passed on 8 April 2020 and 20 April 2020 to approve, amongst others, the following:

- (a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association of our Company;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each by the creation of additional 19,962,000,000 Shares of HK\$0.01 each, all of which shall rank equally in all respects with the existing Shares in issue; and
- (c) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed “Structure and Conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer and the grant of the Over-allotment Option by our Company were approved and the Directors were authorised to (aa) allot and issue the Offer Shares and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms; (bb) implement the Share Offer and the listing of Shares on Main Board; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;
 - (ii) conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise the amount of HK\$3,749,999 from the amount standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 374,999,900 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 8 April 2020, or as each of them may direct in writing, in proportion (or as near as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares in issue;
 - (iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by the Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares

pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or pursuant to, or in consequence of, the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, Shares in aggregate not exceeding (1) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme); and (2) the total number of Shares in issue which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting, or the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking, renewing or varying the mandate given to the Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), until the conclusion of our next annual general meeting, or the date by which the next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in a general meeting revoking, renewing or varying the mandate given to the Directors, whichever occurs first; and

- (vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by the Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 8 April 2020, conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and conditions of the Share Offer" in this prospectus, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). The Repurchase Mandate will remain effective until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Companies Law. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of our share premium account before or at the time the Shares are repurchased, or, subject to the Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

Further, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding days on which its shares were traded on the Stock Exchange.

In addition, the Listing Rules prohibits a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day.

In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate of any of them and a core connected person shall not knowingly sell his or its securities to the company.

(b) *Reasons for repurchase*

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Share to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of Hong Kong and the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Our Company have not made any repurchases of its securities since its incorporation.

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 30 October 2018 entered into between Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw (as vendors) and Ritamix International (as purchaser) relating to the sale and purchase of the entire issued share capital of Gladron Chemicals, Ritamix and Kevon in consideration of (1) RM1.00 from Ritamix International to each of Dato' Sri Howard Lee, Mr. HH Lee and Mr. HS Lee for the acquisition of Gladron Chemicals; (2) RM1.00 from Ritamix International to each of Dato' Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw for the acquisition of Ritamix; and (3) RM1.00 from Ritamix International to each of Dato' Sri Howard Lee and Datin Sri Emerlyn Yaw for the acquisition of Kevon;
- (b) a sale and purchase agreement dated 5 November 2018 entered into between Garry-Worth (as vendor) and our Company (as purchaser) relating to the sale and purchase of the entire issued share capital of Ritamix International in consideration of our Company allotting and issuing 99 Shares, credited as fully paid, to Garry-Worth;
- (c) a sale and purchase agreement dated 10 December 2018 entered into between Garry-Worth (as vendor) and the Pre-IPO Investor (as purchaser) relating to the sale and purchase of 10 Shares in consideration of RM7,263,800.00 (equivalent to approximately US\$1,743,312.00);





- (d) a cornerstone investment agreement dated 21 April 2020 entered into between our Company, Wong Cheung Wang Philip, Messis Capital, and the Sole Bookrunner, pursuant to which Wong Cheung Wang Philip agreed to, among others, acquire the number of Shares equal to HK\$12,000,000 divided by the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares;
- (e) a cornerstone investment agreement dated 21 April 2020 entered into between our Company, China Peace Limited, Messis Capital, and the Sole Bookrunner, pursuant to which China Peace Limited agreed to, among others, acquire the number of Shares equal to HK\$24,000,000 divided by the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares;
- (f) the Deed of Indemnity;
- (g) the Deed of Non-competition; and
- (h) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

- (i) As at the Latest Practicable Date, our Group has registered the following trademarks which are, in the opinion of the Directors, material to our Group's business:

Trademark	Registered Owner	Class	Place of Registration	Trademark Number	Expiry Date
GLADRON	Gladron Chemicals	5, 31	Malaysia	00015500, 00015501	3 November 2020
FARMGUARD	Gladron Chemicals	5	Malaysia	00015502	3 November 2020
Gladron-Emblem	Gladron Chemicals	31	Malaysia	02001408	6 February 2022
KeHong (科宏)	Gladron Chemicals	31	Malaysia	02005071	7 May 2022
RITAVIT	Gladron Chemicals	5, 31	Malaysia	07009143, 07009149	18 May 2027
RITAMIX	Gladron Chemicals	5, 31	Malaysia	07009148, 07009145	18 May 2027
LiTeWei (利特維)	Gladron Chemicals	5, 31	Malaysia	07009147, 07009146	18 May 2027
LiTeMi (利特米)	Gladron Chemicals	31	Malaysia	07009144	18 May 2027
LUTAMIX	Gladron Chemicals	5, 31	Malaysia	07009335, 07009334	22 May 2027
POWERMIN	Gladron Chemicals	5	Vietnam	178496	8 September 2020
POWERMIN	Gladron Chemicals	5	Philippines	4/2018/00016786	17 February 2029
GRAINPHOS	Gladron Chemicals	5	Malaysia	2011052064	12 July 2021
CARNILEAN	Gladron Chemicals	5	Malaysia	2015055045	31 March 2025
POWERMIN	Ritamix	5	Malaysia	2010014528	6 August 2020
LUTAMIX	Ritamix	31	Indonesia	IDM000310270	7 December 2029
LUTAMIX	Ritamix	31	Vietnam	160962	8 December 2029
LUTAMIX	Ritamix	31	India	3930213	30 August 2028

Trademark	Registered Owner	Class	Place of Registration	Trademark Number	Expiry Date
RITAMIX	Ritamix	31	China	8092211	20 April 2021
RITAVIT	Ritamix	31	India	1939488	22 March 2030
RITAVIT	Ritamix	31	Bangladesh	131348	24 March 2027
RITAVIT	Ritamix	31	Indonesia	IDM000327988	6 April 2030
RITAVIT	Ritamix	31	Philippines	4-2010-003238	7 October 2020
RITAVIT	Ritamix	31	China	8092215	20 April 2021
GRAINERZYME	Ritamix	5	Malaysia	2012000857	17 January 2022
GRAINERZYME	Ritamix	5	Philippines	4-2012-001688	16 August 2022
ORGANOMIN	Ritamix	5	Malaysia	2013054063	26 April 2023
POWERMIN	Ritamix	5	Malaysia	2013054066	26 April 2023
DIRECT ABSORBED					
RIPROSIL	Ritamix	5	Malaysia	2017059923	31 May 2027
RIPROCID	Ritamix	5	Malaysia	2017059924	31 May 2027
RIPROSIL	Ritamix	5	Philippines	4/2017/00008641	12 October 2027
RIPROCID	Ritamix	5	Philippines	4/2017/00008644	12 October 2027
RITAMIX	Ritamix	35	India	3918998	17 August 2028
	Gladron Chemicals	35	Hong Kong	304764060	9 December 2028
					
利特米	Gladron Chemicals	35	Hong Kong	304788767	30 December 2028
	Gladron Chemicals	35	Hong Kong	304809015	21 January 2029
					

- (ii) As at the Latest Practicable Date, we had applied for renewal of the following trademarks, and the following trademark applications are, in the opinion of our Directors, material to our business:

Trademark	Applicant	Class	Place of registration	Trademark number	Application date
LUTAMIX	Ritamix	5	Philippines	4/2009/005897	2 October 2019
RITAVIT	Ritamix	31	Vietnam	168852	23 March 2020

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which are, in the opinion of the Directors, material to our Group's business:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1.	www.gladron.com	Gladron Chemicals	28 July 2000	28 July 2020
2.	www.kevonfoods.com	Kevon	7 November 2006	7 November 2020
3.	www.lutamix.com	Ritamix	29 May 2007	29 May 2020
4.	www.ritamix.com	Ritamix	29 May 2007	29 May 2020
5.	www.ritamix-global.com	Gladron Chemicals	25 January 2019	25 January 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors and chief executives of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations after completion of the Capitalisation Issue and the Share Offer*

Immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share to be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares (Note 1)	Percentage of shareholding
Dato' Sri Howard Lee	Interest in a controlled corporation/interest held jointly with others (Notes 2 and 3)	337,500,000(L)	67.5%
Mr. HS Lee	Interest held jointly with others (Note 3)	337,500,000(L)	67.5%
Datin Sri Emerlyn Yaw	Interest held jointly with others (Note 3)	337,500,000(L)	67.5%

Notes:

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company will be owned as to 67.5% by Garry-Worth immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share to be allotted and issued upon the exercise of the Over-allotment Option and the option which may be granted under the Share Option Scheme). Garry-Worth is owned as to 53.37% by Dato’ Sri Howard Lee. Under the SFO, Dato’ Sri Howard Lee is deemed to be interested in the same number of Shares held by Garry-Worth.
- (3) Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Acting in Concert Undertaking. As such, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), Dato’ Sri Howard Lee, Mr. HH Lee, Mr. HS Lee and Datin Sri Emerlyn Yaw will together control 67.5% of the entire issued share capital of our Company.

(b) *Interests and/or short positions of our Substantial Shareholders under the SFO.*

Please refer to the section headed “Substantial Shareholders” in this prospectus for details of the persons (other than a Director or a chief executive of our Company)/corporations who/which will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which is, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group.

Our Directors are not aware of any persons who will immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than those as disclosed above.

2. Particulars of Directors’ service agreements and appointment letters**(a) *Executive Directors***

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least three months’ written notice of non-renewal before the expiry of the then existing term.

(b) *Non-executive Director and Independent non-executive Directors*

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of the Directors

For each of the three years ended 31 December 2019, the aggregate emoluments paid and benefits in kind granted by our Company to our Directors were approximately RM980,000, RM1,134,000 and RM1,100,000, respectively.

For each of the three years ended 31 December 2019, the aggregate of contributions to pension schemes for our Directors were approximately RM90,000, RM102,000 and RM115,000, respectively.

For each of the three years ended 31 December 2019, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were nil, nil and nil, respectively.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration (excluding discretionary bonus) payable to, and benefits in kind receivable by, our Directors for the year ending 31 December 2020 will be approximately RM1.5 million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2019 (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of the three years ended 31 December 2019.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Company to each of our Directors will be as follows:

	<i>RM</i>
Executive Directors	
Dato' Sri Howard Lee	584,000
Datin Sri Emerlyn Yaw	278,000
Non-executive Director	
Mr. HS Lee	60,000
Independent non-executive Directors	
Ms. Ng Siok Hui	60,000
Mr. Lim Chee Hoong	60,000
Mr. Lim Heng Choon	60,000

Each of our executive Directors and non-executive Director is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Company from time to time or for providing services to our Company or executing their functions in relation to our Company's business and operations.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of each of the three years ended 31 December 2019 by our Company to our Directors.

4. Related Party Transactions

Details of the related party transactions are set out under note 25 to the Accountants' Report.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of the associated corporation (within the meaning of Part XV of the SFO), immediately after the completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares to be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to

have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

- (b) our Directors are not aware of any person (other than the Directors or the chief executive of our Company) who will, immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share to be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors or the experts under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix below has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors nor the experts named under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company’s business;
- (e) none of the experts named under the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who are interested in more than 5% of the share capital have any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**1. Summary of terms of the Share Option Scheme****(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentive or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”). As at the Latest Practicable Date, there is no “Invested Entity” other than members of our Group, and our Group has not identified any potential “Invested Entity” for investment.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

- (i) any employee (whether full time or part time, including the Directors (including any non-executive Director and independent non-executive Director)) of our Company, any of its subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an “**eligible employee**”);
- (ii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iii) any customer of any member of our Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (v) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participants contribution to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group shall not exceed 30% of the share capital of our Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Group) to be granted under the Share Option Scheme and any other share option schemes of our Group shall not in aggregate exceed 10% of the total number of Shares (assuming the Over-allotment Option and the Share Option Scheme are not exercised) in issue at the time dealings in our Shares first commence on the Stock Exchange, being 50,000,000 Shares ("**General Scheme Limit**").
- (iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of the Shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue (assuming the Over-allotment Option and the Share Option Scheme are not exercised) as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.

- (iv) Subject to (i) above and without prejudice to (iii) above, our Company may seek separate Shareholders' approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in (iii) above to eligible participants identified by our Company before such approval is sought.

(d) *Maximum entitlement of each eligible participant*

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in a general meeting with such grantee and their close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) *Grant of options to core connected persons*

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate over 0.1% of our Shares in issue; and
 - (2) having an aggregate value, based on the closing price of our Shares on the offer date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in a general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) *Time of acceptance and exercise of an option*

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Main Board or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) *Performance targets*

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(h) *Subscription price for Shares*

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(i) *Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(j) *Restrictions on the time of grant of options*

For so long as our Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's result for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for

our Company to publish announcements of its results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) *Rights of ceasing employment*

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) *Rights on death, ill-health or retirement*

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) *Rights on dismissal*

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed

any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) *Rights on breach of contracts*

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (i) (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) *Rights on a general offer, a compromise or an arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other terms on which his/her option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) *Rights on winding-up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed,

exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) *Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (i) the provisions of paragraphs (m), (l), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, *mutatis mutandis*, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (l), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) *Adjustment of the subscription price*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) *Cancellation of options*

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(iii) or (c)(iv) above.

(u) *Termination of the Share Option Scheme*

Our Company by an ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in

accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so do so. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) *Others*

(i) The Share Option Scheme is conditional upon:

- (1) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
- (2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of the Shareholders of our Company.

(ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in a general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the articles of association for the time being of our Company for a variation of the rights attached to the Shares.

- (iii) Subject to paragraph (v) below, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iv) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the Listing Rules.
- (v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in a general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be within the General Scheme Limit pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a Deed of Indemnity as referred to in paragraph (c) of the paragraph headed “B. Further Information about the Business of our Group — 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our Company’s subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions (including but not limited to any transactions involved in the Reorganisation), events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Share Offer becomes unconditional; and
- (b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any alleged or actual violation or breach or non-compliance by any member of our Group with any laws, regulations, rules or administrative orders or measures in Malaysia, Hong Kong or other applicable jurisdictions on or before the date on which the Share Offer becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited combined accounts of our Company or any member of our Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the Share Offer becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings/Litigation

To the best knowledge of the Directors, as at the Latest Practicable Date, neither our Company nor any of our Company's subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on the results of operations or financial condition.

3. Application for listing of Shares

Our Company have applied to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned herein (including the additional Shares which may be issued upon full exercise of the Over-allotment Option and the Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Messis Capital as the compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses are approximately HK\$24,102 and have been payable by our Company.

6. Promoter

- (a) We do not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus, and have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion of their letter, report, and/or valuation certificate opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Appleby	Legal advisers to our Company as to Cayman Islands law
David Lai & Tan	Legal advisers to our Company as to Malaysian law
Ipsos Sdn. Bhd.	Industry consultant
Mazars CPA Limited; and Mazars PLT	Certified public accountants, Hong Kong; and Chartered accountants, Malaysia
Messis Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Nawawi Tie Leung Property Consultants Sdn Bhd	Property valuer

8. Consents of experts

Each of the abovementioned experts has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and reference to its name included in the form and context in which it respectively appears.

9. Fees of the Sponsor

The Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK\$6.0 million in relation to the Listing and will be reimbursed for their expenses.

10. Independence of the Sponsor

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sponsor for acting as the sponsor of the Listing; and
- (b) by way of the compliance advisory fee to be paid to Messis Capital as our Company's compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules.

No director or employee of the Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of our Company's subsidiaries. None of the directors and employees of the Sponsor has any directorship in our Company or any member of our Group. The Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our Company's subsidiaries and no commission (excluding sub-underwriters' commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Share or any of our Company's subsidiaries;
- (b) no founder, management or deferred shares of our Company have been allotted and issued or agreed to be allotted and issued.
- (c) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (d) our Company has no outstanding convertible debt securities;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2019, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report; and
- (g) the Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

13. Bilingual Prospectus

Pursuant to section 4 of our Company (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

1. copies of the **WHITE** and **YELLOW** Application Forms;
2. copies of the material contracts as referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus; and
3. the written consents as referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountants’ Report from Mazars CPA Limited and Mazars PLT, the text of which is set out in Appendix I to this prospectus;
3. the audited combined financial statements of our Group during the Track Record Period;
4. the report from Mazars CPA Limited and Mazars PLT on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
5. the full valuation report relating to the property interests of our Group prepared by Nawawi Tie Leung Property Consultants Sdn Bhd, the text of which is set out in Appendix III to this prospectus;
6. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
7. the legal opinions issued by the Malaysian Legal Advisers;
8. the industry report prepared by Ipsos Sdn. Bhd.;

9. the Companies Law;
10. the rules of the Share Option Scheme;
11. the material contracts as referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
12. the service agreements and letters of appointment as referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 2. Particulars of Directors’ service agreements and appointment letters” in Appendix V to this prospectus; and
13. the written consents as referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix V to this prospectus.

RITAMIX GLOBAL LIMITED