

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF YENHER HOLDINGS BERHAD (“YENHER” OR THE “COMPANY”) DATED 22 JUNE 2021 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Electronic Prospectus shall apply throughout this notice.)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Berhad’s website at www.bursamalaysia.com (“Website”).

Availability and Location of Paper/Printed Prospectus

Any applicant who is in doubt of the validity or integrity of the Electronic Prospectus should immediately request for a paper/printed copy of the Prospectus directly from the Company or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Malaysia Securities Berhad, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The IPO and distribution of the Electronic Prospectus are subject to the laws of Malaysia. The Electronic Prospectus will not be distributed outside Malaysia. The Company, the Directors of the Company, the Promoters, the Selling Shareholders, the Sole Principal Adviser, the Sole Underwriter and the Sole Placement Agent have not authorised anyone and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. Accordingly, the Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase of, or invitation to subscribe for or purchase of the IPO Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of the Electronic Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of the Electronic Prospectus are required to inform themselves of and to observe such restrictions.

Close of Application

Applications will be accepted from **10.00 a.m. on 22 June 2021** and will close at **5.00 p.m. on 1 July 2021**. Any change to the timetable will be advertised by Yenher in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Malaysia Berhad. Users’ access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained on the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



YENHER HOLDINGS BERHAD
(Registration No. 202001008388 (1364708-X))
(Incorporated in Malaysia under the Companies Act 2016)

No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat,
14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.

TEL : +604 588 0887 | FAX : +604 588 0928

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YENHER HOLDINGS BERHAD



PROSPECTUS

P R O S P E C T U S

YENHER HOLDINGS BERHAD

(Registration No. 202001008388 (1364708-X))
(Incorporated in Malaysia under the Companies Act 2016)



INITIAL PUBLIC OFFERING ("IPO") OF UP TO 106,188,000 ORDINARY SHARES IN YENHER HOLDINGS BERHAD ("YENHER") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING AND QUOTATION OF THE ENTIRE ENLARGED ISSUED SHARES OF YENHER ("SHARES") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) PUBLIC ISSUE OF 64,431,000 NEW SHARES IN THE FOLLOWING MANNER:
- 15,000,000 IPO SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC VIA BALLOTING;
 - 15,000,000 IPO SHARES MADE AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF YENHER AND ITS SUBSIDIARIES ("GROUP") AS WELL AS OTHER PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP; AND
 - 34,431,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA ("MITI"); AND
- (II) OFFER FOR SALE OF UP TO 41,757,000 EXISTING SHARES IN THE FOLLOWING MANNER:
- 3,069,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MITI; AND
 - 38,688,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO OTHER INSTITUTIONAL AND SELECTED INVESTORS

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THE PROSPECTUS, AT AN ISSUE/OFFER PRICE OF RM0.95 PER IPO SHARE PAYABLE IN FULL UPON APPLICATION

Sole Principal Adviser, Sole Underwriter and Sole Placement Agent



RHB Investment Bank Berhad

(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 132.

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

THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION IN RESPECT OF OUR IPO. THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE SAID APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

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

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

THIS PROSPECTUS IS DATED 22 JUNE 2021

All defined terms used in this Prospectus are defined under "Presentation of Information", "Definitions" and "Glossary of Technical Terms" commencing on pages ix, xi and xv respectively.

RESPONSIBILITY STATEMENTS

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

RHB Investment Bank, being our Sole Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies Malaysia, who takes no responsibility for its contents.

You should rely on your own evaluation to assess the merits and risks of your investment in our Shares. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

You should not take the agreement by the Sole Underwriter named in this Prospectus to underwrite our IPO Shares as an indication of the merits of our Shares being offered.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any person in relation to our Company.

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

This Prospectus is prepared and published solely for our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent or any of their respective directors, or any other persons involved in our IPO.

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

Our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent have also not authorised anyone and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase of, or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

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

It is your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not contravene any law of countries or jurisdictions to which you may be subject to. We will further assume that you had accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It is also your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor the Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent nor any other advisers in relation to our IPO will accept any responsibility or liability if any application made by you shall become illegal, unenforceable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Malaysia Berhad's website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the Internet is not a fully secure medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us or our Issuing House. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

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

- (i) we do not endorse and are not affiliated in any way to the third party internet sites. Accordingly, we are not responsible for the availability of or the content or any data, information, file or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the third party internet sites;
- (ii) we are not responsible for the quality of products or services in the third party internet sites, particularly in fulfilling any of the terms of any agreement with the third party internet sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the third party internet sites or the use of or reliance on any data, information, file or other material provided by the third party internet sites; and

- (iii) any data, information, file or other material downloaded from the third party internet sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where the Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (a) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus, which has been downloaded or obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the Internet is not a fully secure medium; and
- (c) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

Event	Time / date
Opening of application for our IPO Shares	10.00 a.m., 22 June 2021
Closing of application for our IPO Shares	5.00 p.m., 1 July 2021
Balloting of applications for our IPO Shares under the Retail Offering	5 July 2021
Allotment/transfer of our IPO Shares to successful applicants	13 July 2021
Listing	15 July 2021

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

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PRESENTATION OF INFORMATION

All references to “our Company”, “the Company” and “Yenher” in this Prospectus are to Yenher Holdings Berhad. All references to “our Group”, “the Group” and “Yenher Group” in this Prospectus are to our Company and our subsidiaries collectively, and all references to “we”, “us”, “our” and “ourselves” in this Prospectus are to our Company and where the context otherwise requires, shall include our subsidiaries.

All references to “you” are to our prospective investors.

All references to “LPD” in this Prospectus are to 31 May 2021, being the latest practicable date prior to the registration of this Prospectus with the SC.

Unless the context otherwise requires, references to “Management” in this Prospectus are to our Group Managing Director, Executive Directors and other Key Senior Management as at the date of this Prospectus, and statements to our beliefs, expectations, estimates and opinions are those of our Management.

Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any reference to persons shall, where applicable, include companies and corporations.

Any reference in this Prospectus to any provision of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to the provision of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

All references to a time of day and date in this Prospectus are references to time and date in Malaysia, unless otherwise stated.

Certain amounts and percentage figures included in this Prospectus have been subjected to rounding adjustments. As a result, any discrepancy in the tables or charts between the amounts listed and totals in this Prospectus is due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

The information on our website or any website, directly or indirectly, linked to such website does not form part of this Prospectus and you should not rely on those information for the purpose of your decision whether or not to invest in our Shares.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry in which we operate as well as our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Protégé, an independent market research and consulting firm, as included in Section 7 of this Prospectus. In compiling its data for the review, Protégé relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. Further, third party projections, including the projections from the IMR Report, cited in this Prospectus are subject to uncertainties that could cause actual data to differ materially from the projected figures. We cannot give any assurance that the projected figures will be achieved and you should not place undue reliance on the statistical data and third party projections cited in this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies and prospects are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to be materially different from any future result, performance or achievement, or industry result expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminologies such as the words "expect", "believe", "anticipate", "plan", "aim", "intend", "estimate", "forecast", "may", "will", "would" and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- the general industry environment, including the demand for and supply of our products, trends and competitive position;
- our business strategies, plans and potential growth opportunities;
- our financial performance and financing plan including future earnings, cash flows and liquidity; and
- the regulatory environment and the effects of future regulation.

Factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in the forward-looking statements in this Prospectus include those discussed in Section 8 of this Prospectus on "Risk Factors" and Section 11.3.2 of this Prospectus on "Significant Factors Affecting our Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at LPD and made only as at LPD.

Should we become aware of any subsequent significant change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context otherwise requires:

Acquisitions	:	The acquisitions by our Company of the entire equity interests in Yenher Agro and Yenher Biotech, details of which are set out in Section 5.1.1 of this Prospectus
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent
Admission	:	Admission of our Shares to the Official List of the Main Market of Bursa Securities
Application	:	Application for our IPO Shares under the Retail Offering by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	Application form for the subscription of our IPO Shares under the Retail Offering accompanying this Prospectus
ATM	:	Automated teller machine
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application in respect of the payment for our IPO Shares
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor to record his deposits or withdrawals of securities and to deal in such securities
CGH Holdings	:	CGH Holdings Sdn Bhd
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	Constitution of our Company as may be amended from time to time
COVID-19	:	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-Cov-2). The first outbreak of this new virus and disease was reported in December 2019 and it is now a pandemic affecting many countries globally
Directors	:	Directors of our Company
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or an electronic storage medium including, but not limited to CD-ROMs (<i>compact disc - read only memory</i>)
Electronic Share Application	:	Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATMs

DEFINITIONS *(Cont'd)*

Eligible Employees	: Directors and employees of our Group who are eligible to participate in the Retail Offering
Eligible Persons	: Collectively, the Eligible Employees and other persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPS	: Earnings per share
FYE	: Financial year ended/ending, as the case may be
GP	: Gross profit
IMR or Protégé	: Protégé Associates Sdn Bhd, the Independent Market Researcher
IMR Report	: Independent market research on the animal health and nutrition industry in Malaysia dated 8 June 2021 prepared by Protégé
Institutional Offering	: Offering of up to 76,188,000 IPO Shares at the IPO Price, subject to the clawback and reallocation provisions, to institutional and selected investors, including Bumiputera investors approved by the MITI
Internet Participating Financial Institution	: Participating financial institution for the Internet Share Application, as listed in Section 14.6 of this Prospectus
Internet Share Application	: Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPO	: Initial public offering of our Shares comprising the Public Issue and Offer for Sale
IPO Price	: Issue/offer price of RM0.95 for each IPO Share
IPO Shares	: Collectively, the Issue Shares and Offer Shares
Issue Shares	: 64,431,000 new Shares to be issued by our Company under the Public Issue
Issuing House	: Malaysian Issuing House Sdn Bhd
Key Senior Management or Management	: Key senior management personnel of our Group including our Group Managing Director, Executive Directors and those as set out in Section 4.4 of this Prospectus
kg	: kilogram
Listing	: Listing and quotation of the entire enlarged issued Shares of our Company, comprising 300,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 May 2021, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public	: Malaysian citizens, and companies, cooperatives, societies and institutions incorporated or organised under the laws of Malaysia

DEFINITIONS *(Cont'd)*

Market Day	: A day on which Bursa Securities is open for trading in securities
MCO	: Movement control order issued under the Prevention and Control of Infections Disease Act 1988 and the Police Act 1967 as a preventive measure to curb the spread of the COVID-19 infection in Malaysia
MFRS	: Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
MITI	: Ministry of International Trade and Industry of Malaysia
N/A	: Not applicable
NA	: Net assets
NBV	: Net book value
Offer for Sale	: Offer for sale of up to 41,757,000 Offer Shares at the IPO Price by the Selling Shareholders
Offer Shares	: 41,757,000 existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	: A list specifying all securities which have been admitted for listing and have not been removed from Bursa Securities
Participating Financial Institution	: Participating financial institution for the Electronic Share Application, as listed in Section 14.5 of this Prospectus
PAT	: Profit after taxation
PBT	: Profit before taxation
PRC	: People's Republic of China
Promoters	: The promoters of our IPO, namely CGH Holdings, Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye and Theoh Mooi Teng, details of which are set out in Section 4.1 of this Prospectus
Prospectus	: This Prospectus dated 22 June 2021 issued by our Company
Public Issue	: Public issue of 64,431,000 Issue Shares at the IPO Price by our Company, subject to the terms and conditions of this Prospectus
R&D	: Research and development
Retail Offering	: Offering of 30,000,000 Issue Shares at the IPO Price, subject to the clawback and reallocation provisions, to the Malaysian Public and Eligible Persons
Retail Underwriting Agreement	: The retail underwriting agreement dated 2 June 2021 entered into between our Company and the Sole Underwriter for the underwriting of 30,000,000 Issue Shares under the Retail Offering

DEFINITIONS *(Cont'd)*

RHB Investment Bank or Sole Principal Adviser or Sole Underwriter or Sole Placement Agent	: RHB Investment Bank Berhad
Rules of Bursa Depository	: The rules of Bursa Depository as issued under the SICDA
SC	: Securities Commission Malaysia
Selling Shareholders	: The selling shareholders pursuant to the Offer for Sale, namely Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, details of which are set out in Section 3.3.2 of this Prospectus
Share(s)	: Ordinary share(s) in our Company
Share Registrar	: <i>AGRITEUM</i> Share Registration Services Sdn Bhd
SICDA	: Securities Industry (Central Depositories) Act 1991 of Malaysia
sq ft	: square feet
Yenher or Company	: Yenher Holdings Berhad
Yenher Group or Group	: Collectively, our Company and subsidiaries

Subsidiaries of our Company

Yenher Agro	: Yenher Agro-Products Sdn Bhd
Yenher Biotech	: Yenher Biotech Sdn Bhd

Currencies

Euro	: Euro, the lawful currency of the European Union
GBP	: Great Britain Pounds, the lawful currency of the United Kingdom
NTD	: New Taiwan Dollar, the lawful currency of Taiwan, the Republic of China
RM and sen	: Ringgit Malaysia and sen, the lawful currency of Malaysia
RMB	: Renminbi, the lawful currency of the PRC
SGD	: Singapore Dollar, the lawful currency of Singapore
USD	: United States Dollar, the lawful currency of the United States of America

GLOSSARY OF TECHNICAL TERMS

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

acidifier	:	A type of organic and/or inorganic acid which improves the digestibility of nutrients by animals
amino acids	:	Organic compounds which are considered the building blocks of proteins. They are 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 of animals
antioxidants	:	Compounds which inhibit oxidation, a chemical reaction that can produce free radicals which will lead to chain reactions that may damage the cells of organisms. They are used to protect essential animal nutrients from deterioration
Atrophic rhinitis	:	A contagious respiratory disease which affects swine. It is characterised by, among others, sneezing and nostril tissue swelling which may reduce productivity and increase the risk of secondary viral or bacterial infection
<i>Bacillus amyloliquefaciens</i>	:	A species of bacterium that produces amylase, an enzyme (commonly found in saliva of mammals) used to hydrolyse (break down) starch into sugar
chromatography	:	A technique used for identifying and separating components in a mixture. The mixture is dissolved in a solvent that is usually in the form of liquid or gas. The mixture is then passed through another substance that is usually in liquid or solid form. As the different components in the mixture have different levels of affinity for the substance it is passed through, they pass through such substance at different rates, thus enabling the user to determine the types of components in the mixture
<i>Clostridium perfringens</i>	:	A species of bacterium that causes chronic or acute inflammation of the small intestine in piglets. They multiply at great speed and produce toxins, which under certain conditions, can lead to severe diarrhoea and high mortality in piglets
Colibacillosis	:	An infectious disease that can lead to diarrhoea in swine and respiratory disease in poultry
corn gluten meal	:	A by-product of corn processing and source of protein for farm animals
enzyme	:	A type of protein which facilitates biochemical reactions in the body and is commonly used in animal feed to improve the digestibility of animals and enhance nutrient intake
feed conversion ratio	:	A ratio which measures the efficiency of livestock converting animal feed into desired output (such as eggs or meat), where feed given is divided by the output over a period of time
fishmeal	:	A product that is obtained by cooking, pressing, drying and milling of fresh raw fish or fish trimmings, and is generally used to feed farm animals

GLOSSARY OF TECHNICAL TERMS *(Cont'd)*

GMP	: Good Manufacturing Practice, a quality assurance system which ensures that products are consistently produced and controlled according to quality standards appropriate for their intended use
mycotoxin	: A toxic secondary metabolite produced by fungus which may cause diseases and deaths in animals
Newcastle disease	: A highly contagious viral avian disease which affects the digestive, respiratory and nervous system of the domestic poultry and other bird species
non-starch polysaccharides	: A type of carbohydrate that can be found in food. They make up a large part of animals' dietary fibre
palm kernel meal	: A by-product of the extraction of palm kernel oil and is a source of protein and fibre for farm animals
peptides	: Short chains of amino acids that are linked by peptide bonds
phytic acid	: A compound that can be found in plant tissues such as those of seeds, legumes, cereals and grains. Phytic acid has a strong affinity for minerals such as calcium, iron and zinc, and can bind with them. The presence of phytic acid in feed will limit the animal's ability to absorb such minerals
Porcine Reproductive and Respiratory Syndrome (PRRS)	: A viral disease which affects swine of all age groups and is characterised by two (2) overlapping clinical presentations, reproductive impairment or failure, and respiratory disease in swine. Reproductive impairment or failure is more obvious in sows or gilts but can also affect boars. The respiratory syndrome is more often observed in young growing pigs but also occurs in older breeding stock
prebiotics	: Compounds in food that induce the growth or activity of beneficial microorganisms such as bacteria and fungi
probiotics	: Live microorganisms 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)
Salmonellosis	: A bacterial disease (also known as Salmonella infection) that causes inflammation and necrosis (death of body tissue) of the intestine, diarrhoea and sepsis in poultry, swine and ruminants
soybean meal	: A by-product of the extraction of soybean oil and source of protein for farm animals
toxin binder	: A substance used in animal feed to neutralise harmful chemicals and mycotoxins
ultraviolet (UV) light	: A form of electromagnetic radiation that is not visible to the human eye. On the electromagnetic spectrum, UV light has wavelengths of around 10 nanometers to 400 nanometers
vitamin A acetate	: A natural form of vitamin A which is the acetate ester of retinol (vitamin A). It binds to and activates retinoid receptors, inducing cell differentiation and decreasing cell proliferation.

CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Nationality	Address
Dr. Wan Mohd Kamil bin Wan Nik	Independent Non-Executive Chairman	Malaysian	No. 26, Persiaran Perpaduan 7 Villa Perpaduan 31150 Ulu Kinta Perak Darul Ridzuan
Cheng Mooh Tat	Non-Independent Group Managing Director	Malaysian	No. 16, Lorong Tambun Indah 18 Taman Tambun Indah 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang
Cheng Mooh Kheng	Non-Independent Executive Director	Malaysian	No. 18, Lorong Tambun Indah 18 Taman Tambun Indah 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang
Theoh Mooi Teng	Non-Independent Executive Director	Malaysian	No. 16, Lorong Tambun Indah 18 Taman Tambun Indah 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang
Tan Peng Lam	Independent Non-Executive Director	Malaysian	No. 11, Jalan Sungai Emas 3 11100 Batu Ferringhi Pulau Pinang
Dato' Lim Choon Khim	Independent Non-Executive Director	Malaysian	No. 6C-2-2, The Address Jalan Bukit Jambul 11900 Bayan Lepas Pulau Pinang

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Tan Peng Lam	Chairman	Independent Non-Executive Director
Dr. Wan Mohd Kamil bin Wan Nik	Member	Independent Non-Executive Chairman
Dato' Lim Choon Khim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Dr. Wan Mohd Kamil bin Wan Nik	Chairman	Independent Non-Executive Chairman
Tan Peng Lam	Member	Independent Non-Executive Director
Dato' Lim Choon Khim	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)**REMUNERATION COMMITTEE**

Name	Designation	Directorship
Dato' Lim Choon Khim	Chairman	Independent Non-Executive Director
Dr. Wan Mohd Kamil bin Wan Nik	Member	Independent Non-Executive Chairman
Tan Peng Lam	Member	Independent Non-Executive Director

COMPANY SECRETARIES

: Lim Kim Teck
Professional qualification: Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**")
(MAICSA Membership No.: 7010844 / SSM PC. No.: 202008002059)

Kong Sown Kaey
Professional qualification: MAICSA
(MAICSA Membership No.: 7047655 / SSM PC. No.: 202008001434)

No. 35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Pulau Pinang
Tel. No. : +604 397 6672

REGISTERED OFFICE

: No. 35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Pulau Pinang
Tel. No. : +604 397 6672

HEAD/MANAGEMENT OFFICE

: No. 1628, Jalan IKS Simpang Ampat 1
Taman IKS Simpang Ampat
14100 Simpang Ampat
Seberang Perai Selatan
Pulau Pinang
Tel. No. : +604 588 0887
Website : www.yenheragro.com
E-mail : enquiry@yenheragro.com

**SOLE PRINCIPAL ADVISER,
SOLE UNDERWRITER AND
SOLE PLACEMENT AGENT**

: RHB Investment Bank Berhad
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel. No. : +603 9287 3888

CORPORATE DIRECTORY (Cont'd)

AUDITORS AND REPORTING ACCOUNTANTS	: Folks DFK & Co. (AF 0502) 12 th Floor, Wisma Tun Sambanthan No. 2, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel. No. : +603 2273 2688
	Partner-in-charge : Leong Kok Tong Approval No. : 02973/11/2021J Professional : (i) Malaysian Institute of Accountants (MIA) Qualification : (MIA Membership No.: 8284) (ii) Malaysian Institute of Certified Public Accountants (MICPA) (MICPA Membership No.: 2719)
LEGAL ADVISER FOR OUR IPO	: Wong Beh & Toh 1 st Floor, No. 173 & 174 Jalan Kelab Cinta Sayang Taman Ria Jaya 08000 Sungai Petani Kedah Darul Aman Tel. No. : +604 442 9081
INDEPENDENT MARKET RESEARCHER	: Protégé Associates Sdn Bhd Suite C-09-12, Plaza Mont' Kiara No. 2, Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Tel. No. : +603 6201 9301
	Name of signing : Seow Cheow Seng partner
	(See Section 7 of this Prospectus for the profile of the firm and signing partner)
SHARE REGISTRAR	: AGRITEUM Share Registration Services Sdn Bhd 2 nd Floor, Wisma Penang Garden No. 42, Jalan Sultan Ahmad Shah 10050 George Town Pulau Pinang Tel. No. : +604 228 2321
ISSUING HOUSE	: Malaysian Issuing House Sdn Bhd Level 11, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Tel. No. : +603 7890 4700
LISTING SOUGHT	: Main Market of Bursa Securities

1. INTRODUCTION

1.1 APPROVALS AND CONDITIONS

The approvals and conditions imposed by the relevant authorities for our IPO and Listing are as follows:

1.1.1 SC

The SC had vide its letter dated 7 May 2021, approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following condition:

Details of condition imposed	Status of compliance
RHB Investment Bank and Yenher to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing	To be complied

The SC had also vide the same letter, approved the resultant equity structure of our Company pursuant to the Listing under the equity requirement for public listed companies. The effects of our Listing on the equity structure of our Company are as follows:

Category of shareholders	As at 1 December 2020 ⁽¹⁾		After the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
▪ Dr. Wan Mohd Kamil bin Wan Nik ("Dr. Wan")	-	-	⁽³⁾ 50,000	0.02
▪ Malaysian Public via balloting	-	-	⁽⁴⁾ 7,500,000	2.50
▪ Bumiputera investors approved by the MITI	-	-	⁽⁴⁾ 37,500,000	12.50
Total Bumiputera	-	-	45,050,000	15.02
Non-Bumiputera	⁽²⁾ 235,569,000	100.00	^{(2),(5)} 254,950,000	84.98
Total Malaysian	235,569,000	100.00	300,000,000	100.00
Foreigners	-	-	-	-
Total	235,569,000	100.00	300,000,000	100.00

Notes:

- (1) Being the latest practicable date prior to the submission of our listing application to the SC.
- (2) Held by CGH Holdings, Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye, Yeoh Ngong Koke and Boon Jenn Woei.
- (3) Assuming Dr. Wan, our Independent Non-Executive Chairman, subscribes in full for the 50,000 Issues Shares allocated to him under the allocation to the Eligible Persons. For information purposes, Dr. Wan is not a Bumiputera shareholder recognised/approved by the MITI.
- (4) Assuming all the IPO Shares allocated to Bumiputera public investors under the Retail Offering and Bumiputera investors approved by the MITI under the Institutional Offering are fully subscribed.
- (5) Assuming:
 - (i) all the remaining 7,500,000 Issue Shares made available for application by the Malaysian Public through a balloting process, are fully subscribed by Malaysians who are non-Bumiputera;
 - (ii) all the remaining 14,950,000 Issue Shares made available for application by Eligible Persons are fully subscribed by Eligible Persons who are Malaysians and non-Bumiputera; and

1. INTRODUCTION (Cont'd)

- (iii) all the 38,688,000 Offer Shares under the Institutional Offering to other institutional and selected investors are fully subscribed by Malaysian institutional and selected investors and all these investors are non-Bumiputera.

The SC had also vide its letter dated 24 December 2020, approved a relief sought by us from having to comply with the following requirement under the SC's Prospectus Guidelines:

Reference	Details of relief sought	Conditions imposed (if any)
Paragraph 5.10 of Division 1, Part II of the Prospectus Guidelines	Relief from having to disclose the names of the top five (5) major customers (except for customers who are related parties) for each of the financial year covered by the historical financial information as disclosed in the Prospectus. However, the description of the business activities of these third party major customers as well as the products and/or services that the Group supplied/provided to them during the relevant financial years will be disclosed in the Prospectus.	-

1.1.2 Bursa Securities

Bursa Securities had vide its letter dated 25 May 2021, approved our Admission and Listing.

1.1.3 MITI

MITI had vide its letter dated 13 April 2021, stated that it has taken note and has no objection for us to implement our Listing.

1.2 MORATORIUM ON OUR SHARES

In accordance with the SC's Equity Guidelines, the Shares held directly by our Promoters will be placed under moratorium for a period of six (6) months from the date of our Listing ("**Moratorium Period**").

The details of our Shares that will be placed under moratorium are as follows:

Name of Promoter	No. of Shares to be held under moratorium	(1)%
CGH Holdings	135,000,000	45.00
Cheng Mooh Tat	22,500,000	7.50
Cheng Mooh Kheng	10,500,000	3.50
Cheng Mooh Chye	10,500,000	3.50
Theoh Mooi Teng	(2)800,000	0.27
Total	179,300,000	59.77

Notes:

- (1) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (2) Assuming Theoh Mooi Teng, our Non-Independent Executive Director, subscribes in full for the 800,000 Issues Shares allocated to her under the allocation to the Eligible Persons.

1. INTRODUCTION *(Cont'd)*

Our Promoters have fully accepted the moratorium and have provided undertaking letters to the SC that they will not sell, transfer or assign any of their respective Shares during the Moratorium Period.

The abovementioned moratorium restrictions are specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

The shareholders of CGH Holdings, namely Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye have also in their respective undertaking letters to the SC undertaken that they will not sell, transfer or assign any of their respective shares in CGH Holdings during the Moratorium Period.

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2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

2.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO involves the offering of up to 106,188,000 IPO Shares representing approximately 35.40% of our enlarged issued Shares at the IPO Price of RM0.95 per IPO Share. Our IPO Shares are expected to be allocated in the following manner, subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Retail Offering						
Malaysian Public (via balloting):						
▪ Bumiputera	7,500,000	2.50	-	-	7,500,000	2.50
▪ Non-Bumiputera	7,500,000	2.50	-	-	7,500,000	2.50
	15,000,000	5.00	-	-	15,000,000	5.00
Eligible Persons:						
▪ Directors of our Company	1,050,000	0.35	-	-	1,050,000	0.35
▪ Eligible employees of our Group	2,470,000	0.82	-	-	2,470,000	0.82
▪ Other persons who have contributed to the success of our Group	11,480,000	3.83	-	-	11,480,000	3.83
	15,000,000	5.00	-	-	15,000,000	5.00
Sub-total	30,000,000	10.00	-	-	30,000,000	10.00
Institutional Offering						
Bumiputera investors approved by the MITI	34,431,000	11.48	3,069,000	1.02	37,500,000	12.50
Other institutional and selected investors	-	-	38,688,000	12.90	38,688,000	12.90
Sub-total	34,431,000	11.48	41,757,000	13.92	76,188,000	25.40
Total	64,431,000	21.48	41,757,000	13.92	106,188,000	35.40

Note:

(1) Based on the enlarged total number of 300,000,000 Shares after our IPO.

Moratorium on our Shares

In accordance with the SC's Equity Guidelines, CGH Holdings, Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye and Theoh Mooi Teng have provided their respective undertaking letters to the SC that they will not sell, transfer or assign any of their respective Shares for a period of six (6) months from the date of our Listing.

For further information on our IPO and the moratorium on our Shares, please refer to Sections 3 and 1.2 of this Prospectus respectively.

2. PROSPECTUS SUMMARY *(Cont'd)*

2.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Act on 9 March 2020 as a private company limited by shares under the name of Yenher Holdings Sdn Bhd. We then formed our Group through the Acquisitions on 28 August 2020. On 3 November 2020, our Company was converted into a public limited company to facilitate our Listing.

We are an investment holding company and through our subsidiaries, we are principally involved in the manufacturing and distribution of animal health and nutrition products. Under our manufacturing operations, we manufacture premixes, complete feed, formulated products and biotech animal feed ingredients mainly for the poultry and swine subsectors. Our distribution segment, on the other hand, focuses on the distribution of feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products, that cater for the poultry, swine, ruminants, aquaculture and companion animals subsectors. To complement and support the sales of our manufactured and distribution products, we also provide value-added diagnostic and material analyses services ranging from microbiological tests, chemical tests to serology tests to our customers. We also provide complimentary consulting services relating to farm management, disease diagnoses and development of animal health programmes such as farm bio-security measures, vaccination programmes and animal nutrition feeding plans to our customers.

Our principal market is in Malaysia which contributed approximately RM163.51 million or 91.31% of our revenue for the FYE 31 December 2019, while the remaining RM15.56 million or 8.69% was contributed by our export markets which include Indonesia, Brunei, Hong Kong and Pakistan. For the FYE 31 December 2020, Malaysia remains our largest market, contributing approximately RM181.91 million or 89.77% of our revenue for the year, while the export markets contributed approximately RM20.72 million or 10.23%.

For further information on our business, please refer to Section 6 of this Prospectus.

2.3 OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

(i) **Qualified and experienced key management team**

Our Group is led by our Group Managing Director, Cheng Mooh Tat and our Executive Directors, Cheng Mooh Kheng and Theoh Mooi Teng. They each have more than 25 years of experience in the animal health and nutrition industry. They are supported by a group of key personnel who each possesses more than 10 years of experience in the respective fields of animal health and nutrition, veterinary services, manufacturing and laboratory analyses.

(ii) **Wide range of products to meet diverse customer needs**

We offer a wide selection of animal health and nutrition products that cater for the livestock industry. We manufacture a series of premixes for every age-group of the poultry and swine subsectors as well as complete feed, formulated products and biotech animal feed ingredients for the poultry and swine subsectors. We also distribute feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products which are sourced from reputable international suppliers. In addition, we also offer value-added services to our customers which include veterinary technical services such as rendering advice relating to common issues affecting their livestock as well as diagnostic and material analyses where we conduct a variety of tests to determine the performance and effectiveness of our products.

2. PROSPECTUS SUMMARY (Cont'd)

(iii) In-house manufacturing ability with strong focus in product R&D

We place great emphasis on the development and formulation of new products to meet the diverse needs of our customers. Through our R&D efforts, we have developed and formulated new products to expand our product range, and are able to tailor our product offerings to meet the needs of our customers.

(iv) Availability of laboratory equipped with testing equipment

We have an in-house laboratory that allows us to conduct diagnostic and material analyses on our products. These analyses enable us to assess the effectiveness of our Group's products and solutions on our customers' livestock. In addition, our in-house laboratory also supports our R&D initiatives by providing the platform required to develop new and improved products.

(v) Extensive sales support services

We have an extensive sales and technical team comprising veterinarians, sales and marketing personnel, nutritionists and chemists, all of whom serve as frontliners to our customers. They are able to render advice to our customers on proper application and effects of the available feed additives pre and post-sales as well as design suitable feed programmes and feed formula to meet our customers' needs.

For further details on our competitive strengths, please refer to Section 6.5 of this Prospectus.

2.4 OUR FUTURE PLANS AND STRATEGIES

Our future plans and strategies are as follows:

(i) Construction of a new GMP-compliant manufacturing plant

As at LPD, both of our existing manufacturing plants for the production of premixes, complete feed and formulated products as well as for the production of biotech animal feed ingredients are running at full capacity i.e. at a production utilisation rate of 100% based on one (1) production shift of 8.5 hours per day, six (6) days per week. However, in order to keep up with our customers' demand, we have extended our production hours by approximately three (3) hours daily on top of the normal production hours.

As such, we intend to construct a new GMP-compliant manufacturing plant to cater to the increasing demand for our products. The new manufacturing plant will house all of our manufacturing activities under one (1) roof and will include the following:

- Factory A: A factory to manufacture premixes, complete feed and formulated products, which will include a warehouse;
- Factory B: A factory to manufacture biotech animal feed ingredients;
- Office building: New office space and a R&D center for R&D activities as well as diagnostic and material analyses; and
- Canteen.

Factory A will enable us to increase our monthly production capacity of premixes, complete feed and formulated products from 573 tonnes to about 2,600 tonnes, whereas Factory B will enable us to increase our monthly production capacity for our biotech animal feed ingredients from 287 tonnes to about 1,500 tonnes.

Barring any unforeseen circumstances, we expect the new manufacturing plant to be fully operational in the fourth quarter of 2023. Thereafter, we will apply for GMP certification for both factories and this process is expected to take approximately six (6) months to complete from the date of application.

2. PROSPECTUS SUMMARY (Cont'd)**(ii) Expansion of business into new market**

We intend to expand our business into new markets either through the establishment of representative offices or branch offices, or appointment of distributors in the identified markets. We have identified Myanmar, Bangladesh and the PRC as potential markets to expand our business. We expect to expand our business into these countries within 24 months from the date of our Listing as various studies are required to be conducted to determine the feasibility of entering these markets.

(iii) Expansion of product range

We will continue to develop and/or introduce new products under our manufacturing and distribution segments. This will serve to strengthen our product portfolio as well as enable us to meet the changing demands of the livestock industry. As at LPD, we are working on a new probiotic additive that is currently in the prototype testing stage. We expect the whole process to take two (2) to three (3) years to complete as we are required to conduct farm trials to determine the efficacy of the product.

For further details on our future plans and strategies, please refer to Section 6.6 of this Prospectus.

2.5 RISK FACTORS

Our business is subject to a number of risk factors which may have a material adverse impact on our business, financial condition and results of operations. The following is a summary of the key risk factors that we face in our business operations:

(i) Our business is dependent on the livestock industry

As our Group is principally involved in the manufacturing and distribution of animal health and nutrition products, our business operations are highly dependent on the performance of the livestock industry, which in turn is affected by, among others, change in world population, change in consumers' dietary preferences and habits as well as disease outbreaks. As such, any significant drop in the demand for livestock, especially for poultry and swine, would adversely affect the demand for our products and services, which in turn, would have an adverse impact on our business, financial condition and results of operations.

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

The threat of animal disease outbreaks is one of the major problems faced by the livestock industry. As demand for animal health and nutrition products is highly dependent on the performance of the livestock industry, any widespread outbreak of such animal diseases would severely impact the demand for our animal health and nutrition products.

(iii) Our success depends on our Group Managing Director, Executive Directors and other Key Senior Management personnel

The success of our Group is heavily attributed to our Group Managing Director, Cheng Mooh Tat as well as our Executive Directors, Cheng Mooh Kheng and Theoh Mooi Teng, and our qualified Key Senior Management, who have over the years gained a vast amount of experience and knowledge in the field of animal health and nutrition products. Our success and future growth also depend on our ability to identify, hire, train and retain employees who are capable, skilled and qualified in performing their roles and responsibilities. As such, we recognise that the loss of any of our Key Senior Management and other key employees in the future, and our inability to find suitable replacement in a timely manner, may have a material adverse effect on our business, financial condition, results of operations and prospects.

2. PROSPECTUS SUMMARY (Cont'd)**(iv) Our manufacturing operations is dependent on the supply of workers**

Our manufacturing operations is dependent on the supply of workers. To cater to the needs of our manufacturing operations, we hire 47 foreign workers from Bangladesh, Nepal and Myanmar representing approximately 34.06% of our total workforce as at LPD who are involved in the production, warehousing and delivery duties. However, pursuant to the requirements imposed by the Malaysian Investment Development Authority on our manufacturing license, we are required to employ at least 80% Malaysians in our total workforce by 31 December 2022, failing which, our license may be revoked.

As a result, our business operations and financial performance may be materially affected if we are not able to replace our foreign workers with local hires or increase the number of local hires in tandem with the growth in our business, in order for our Group to meet the conditions of our manufacturing license which is critical for our operations.

(v) Our business, financial condition and results of operations may be adversely affected by the volatility of prices and interruption in the supply of raw materials which we distribute and use for our production as well as products which we distribute

During the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020, the costs of raw materials and distribution products represented 94.80%, 94.54%, 93.92% and 93.85% of our total cost of sales respectively. The prices of raw materials which we distribute and use for the production of our own in-house manufactured products, as well as products which we distribute may be affected by, among others, market demand and supply, change in government policies or other external circumstances.

In addition, the animal health and nutrition industry is also exposed to fluctuations in crude oil prices as selected petrochemicals such as benzene, cellulose acetate and propylene glycols are raw materials used in the production of veterinary pharmaceutical and biological products. As such, any increase in crude oil prices could adversely impact the operations and profit margins of manufacturers and suppliers of these veterinary pharmaceutical and biological products, and may cause an upward pressure to their selling prices.

We may not be able to anticipate any future abrupt price hikes or any future disruption to our supply chain, and therefore we may not be able to effectively pass on the increased procurement costs to our customers or meet our customers' demand. As such, this could potentially have an adverse impact on our business, financial condition and results of operations.

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

Our distribution segment contributed approximately 53.14%, 52.09%, 45.11% and 44.26% of our Group's revenue for the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020 respectively. These distribution products are sourced from various international animal health product suppliers and as such, our distribution business relies heavily on sufficient and stable supply of products from our suppliers. Consequently, any increase in the costs of such products, prolonged shortage of the required products, operational issues or financial constraints of our suppliers to fulfil their obligations towards us or cessation of any of our distribution agreement entered into with our suppliers, could impede our ability to meet our customers' needs for such products. This in turn could lead to loss of sales and could adversely affect our business, financial condition and results of operations.

2. PROSPECTUS SUMMARY (Cont'd)**(vii) Our business is subjected to shipping disruption and fluctuation in shipping and freight rates**

A significant portion of our purchases, both for our manufacturing and distribution activities, are sourced from suppliers located overseas and thus we rely heavily on marine and air transportation to deliver these supplies to us. Hence, we are exposed to shipping and freight disruptions that may arise as a result of adverse weather conditions, political turmoil, pirate attacks, social unrest, port strikes, oil spills, delayed or lost shipments, which in turn may have an adverse impact on our business operations. In addition, any major fluctuation in shipping and freight rates may have a substantial impact on our cost and our GP margins if we are unable to pass on such increase in costs to our customers by raising selling prices.

(viii) Our business may be affected by the spread or outbreak of COVID-19 or any other contagious or virulent diseases

The occurrence of a prolonged outbreak of an epidemic or other adverse public health developments in Malaysia could materially disrupt our business operations. While our Group's operations are categorised as an essential service and we were allowed to operate during the various phases of the MCOs imposed by the Malaysian Government, the outbreak of COVID-19 and the implementation of the MCO had to a certain degree affected our operations. For instance, our Group recorded lower production output due to restrictions on the number of employees who were allowed at our premises during the first of the three (3) phases of the MCO from 18 March 2020 to 28 April 2020. However, we do not expect the nationwide full lockdown commencing 1 June 2021 to have any material impact on our Group's production output as we are allowed to have 60% workforce in our manufacturing plants and our office (as compared to only 50% workforce capacity in March to April 2020) and given that this is the second full nationwide lockdown, we are able to better manage our production and business operations as compared to the first lockdown.

The escalation of the COVID-19 outbreak globally has also disrupted global supply chains which could have led to a shortage of supply and/or delay in delivery by our suppliers, of either raw materials required for our manufacturing activities or supplies from our suppliers for distribution to our customers. In addition, should any of our employees contract or be suspected of contracting COVID-19, we are required to quarantine the said employees and disinfect our offices, manufacturing plant and warehouses prior to resumption of our operations. Notwithstanding this, since the introduction of the MCO in March 2020 up to the date of this Prospectus, we have not experienced any material disruption to our supply chain and none of our employees has contracted or has been suspected of contracting COVID-19. Our Group's financial performance has also not been materially affected since the MCO was first introduced in March 2020.

Having said that, there can be no assurance that the outbreak of COVID-19 can be effectively controlled, or another outbreak of similar nature to COVID-19 will not happen in the future. Should the outbreak continue to disrupt the local and global economic conditions, our business, financial condition, results of operations and prospects may also be adversely affected.

For further details on our risk factors, please refer to Section 8 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)

2.6 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Promoters and substantial shareholders as well as their respective shareholdings in our Company before and after our IPO are as follows:

Name	Country of incorporation / Nationality	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
<u>Promoters and substantial shareholders</u>									
CGH Holdings	Malaysia	135,000,000	57.31	-	-	135,000,000	45.00	-	-
Cheng Mooh Tat	Malaysian	43,310,600	18.39	(3)135,000,000	57.31	22,500,000	7.50	(3)135,000,000	45.00
Cheng Mooh Kheng	Malaysian	20,973,200	8.90	(3)135,000,000	57.31	10,500,000	3.50	(3)135,000,000	45.00
Cheng Mooh Chye	Malaysian	20,973,200	8.90	(3)135,000,000	57.31	10,500,000	3.50	(3)135,000,000	45.00
<u>Promoter</u>									
Theoh Mooi Teng	Malaysian	-	-	-	-	(4)800,000	0.27	-	-

Notes:

- (1) Based on the total number of 235,569,000 Shares as at the date of this Prospectus.
- (2) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his interest in CGH Holdings pursuant to Section 8 of the Act.
- (4) Assuming she subscribes in full for the 800,000 Issues Shares allocated to her under the allocation to the Eligible Persons.

For further information on our Promoters and substantial shareholders, please refer to Section 4.1 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)**2.7 DIRECTORS AND KEY SENIOR MANAGEMENT**

As at LPD, our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Dr. Wan Mohd Kamil bin Wan Nik	Independent Non-Executive Chairman
Cheng Mooh Tat	Non-Independent Group Managing Director
Cheng Mooh Kheng	Non-Independent Executive Director
Theoh Mooi Teng	Non-Independent Executive Director
Tan Peng Lam	Independent Non-Executive Director
Dato' Lim Choon Khim	Independent Non-Executive Director
<u>Key Senior Management</u>	
Cheng Mooh Tat	Non-Independent Group Managing Director
Cheng Mooh Kheng	Non-Independent Executive Director
Theoh Mooi Teng	Non-Independent Executive Director
Dr. Lee Choon Shen	General Manager of Business Development and Sales
Dr. Fong Chee Wee	Regional Technical Manager
Lim Sek Yang	Deputy General Manager of Finance
Phuah Hoo Kiat	Production Manager
Wong Chee Siang	Laboratory Manager

For further information on our Directors and Key Senior Management, please refer to Sections 4.2 and 4.4 of this Prospectus respectively.

2.8 USE OF PROCEEDS

We expect to use the gross proceeds of approximately RM61.21 million from the Public Issue in the following manner:

Details of the use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM'000	% of total gross proceeds from the Public Issue
Construction of a new GMP-compliant manufacturing plant	Within 30 months	31,000	50.64
Purchase of new machinery and equipment	Within 30 months	9,700	15.85
Working capital	Within 36 months	16,709	27.30
Estimated listing expenses	Within one (1) month	3,800	6.21
Total		61,209	100.00

For further details on the use of proceeds arising from the Public Issue, please refer to Section 3.7 of this Prospectus.

2. PROSPECTUS SUMMARY (Cont'd)

2.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

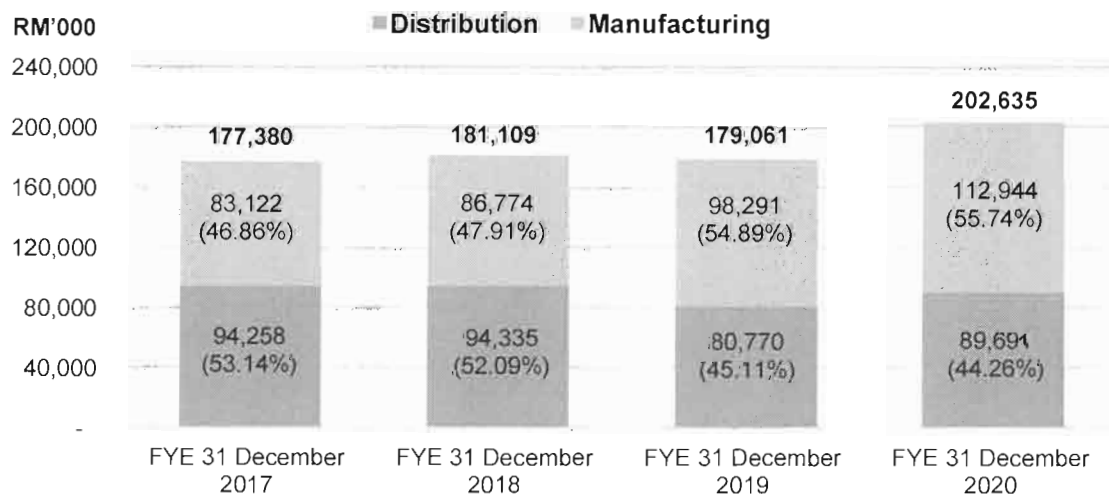
The following table sets out the key financial highlights of our Group for the financial years indicated:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	177,380	181,109	179,061	202,635
Cost of sales	(132,056)	(136,633)	(134,612)	(150,213)
GP	45,324	44,476	44,449	52,422
PBT	25,921	34,174	26,323	29,659
PAT for the financial year	19,038	27,285	19,745	22,397
Total comprehensive income for the financial year	19,038	27,285	28,157	23,337
Total equity	86,187	87,164	105,421	128,758
Total borrowings	17,971	5,765	5,231	-
Lease liabilities	-	-	2,349	1,530
Key financial ratios:				
GP margin ⁽¹⁾ (%)	25.55	24.56	24.82	25.87
PBT margin ⁽²⁾ (%)	14.61	18.87	14.70	14.64
PAT margin ⁽³⁾ (%)	10.73	15.07	11.03	11.05
Basic and diluted EPS ⁽⁴⁾ (sen)	8.08	11.58	8.38	9.51
Gearing ratio ⁽⁵⁾ (times)	0.21	0.07	0.07	0.01

Notes:

- (1) GP margin is computed based on GP over revenue of our Group.
- (2) PBT margin is computed based on PBT over revenue of our Group.
- (3) PAT margin is computed based on PAT over revenue of our Group.
- (4) For comparative purposes, the basic EPS of our Group is computed based on the PAT of our Group over the total number of 235,569,000 Shares after the Acquisitions. For information purposes, the diluted EPS of our Group is equal to the basic EPS of our Group as there were no potential dilutive securities in issue during the respective financial years under review.
- (5) Gearing ratio is computed based on total borrowings and lease liabilities over total shareholders' equity as at the end of the respective financial year.

The chart below sets out our revenue by business segments for the financial years under review:



2. PROSPECTUS SUMMARY (Cont'd)

For further details on our financial information, please refer to Sections 11 and 12 of this Prospectus.

2.10 DIVIDEND POLICY

It is the intention of our Board to recommend and distribute dividend of at least 40% of our annual audited profit attributable to the shareholders of our Company. This will allow our shareholders to participate in the profits of our Group while leaving adequate reserves for the future growth of our Group.

Notwithstanding our intention above, as we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiaries. The payment of dividends by our subsidiaries is dependent on, among others, their distributable profits, financial performance and cash flow requirements for operations and capital expenditures as well as the covenants in their existing loan agreements with the respective financial institutions.

For information purposes, the table below sets out the dividend pay-out ratio of our Group for the financial years indicated:

	FYE 31 December			
	2017	2018	2019	2020
Dividend declared (RM'000)	20,000	25,000	9,900	-
PAT (RM'000)	19,038	27,285	19,745	22,397
Dividend pay-out ratio	105.05%	91.63%	50.14%	*-

Note:

- * For information purposes, Yenher Agro, our wholly-owned subsidiary, declared a first and final single-tier dividend of RM5.80 per ordinary share amounting to RM11.60 million in total in respect of the FYE 31 December 2020. The said dividend was paid to our Company, being the sole shareholder of Yenher Agro, on 20 April 2021 out of its operating cash flows.

Subsequently, on 30 April 2021, our Company declared an interim dividend of RM10.80 million for the FYE 31 December 2021 which was then paid to our existing shareholders on 3 May 2021.

Save as disclosed above, there is no dividend paid or declared subsequent to 31 December 2020 but prior to our Listing.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical pay-outs. Please refer to Section 8.3.4 of this Prospectus for the risk factor which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

For further details on our dividend policy, please refer to Section 11.7 of this Prospectus.

3. DETAILS OF OUR IPO

3.1 OPENING AND CLOSING OF APPLICATIONS

The application for our IPO Shares will open at 10.00 a.m. on 22 June 2021 and close at 5.00 p.m. on 1 July 2021. Late applications will not be accepted.

3.2 INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

Event	Time / date
Opening of application for our IPO Shares	10.00 a.m., 22 June 2021
Closing of application for our IPO Shares	5.00 p.m., 1 July 2021
Balloting of applications for our IPO Shares under the Retail Offering	5 July 2021
Allotment/transfer of our IPO Shares to successful applicants	13 July 2021
Listing	15 July 2021

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

3.3 PARTICULARS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated or transferred in the manner described below, subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus:

3.3.1 Public Issue

Our Public Issue involves the offering of 64,431,000 Issue Shares, representing approximately 21.48% of our enlarged issued Shares, at the IPO Price and will be allocated in the following manner:

(i) Malaysian Public

15,000,000 Issue Shares, representing 5.00% of our enlarged issued Shares, will be made available for application by the Malaysian Public through a balloting process, of which 7,500,000 Issue Shares have been set aside for application by Bumiputera investors including individuals, companies, cooperatives, societies and institutions.

3. DETAILS OF OUR IPO (Cont'd)**(ii) Eligible Persons**

15,000,000 Issue Shares, representing 5.00% of our enlarged issued Shares, will be reserved for application by the Eligible Persons as follows:

Eligible Persons	Note	No. of persons	Aggregate no. of Issue Shares allocated
Directors of our Company	(a)	4	1,050,000
Eligible employees of our Group	(b)	70	2,470,000
Other persons who have contributed to the success of our Group	(c)	356	11,480,000
Total		430	15,000,000

- (a) The criteria for allocation of the Issue Shares to our Directors (save for Cheng Mooh Tat and Cheng Mooh Kheng who are also the Selling Shareholders) are based on, among others, their respective roles, responsibilities and contributions to our Group. The number of Issue Shares to be allocated to our eligible Directors is as follows:

Name	Designation	No. of Issue Shares allocated
Dr. Wan Mohd Kamil bin Wan Nik	Independent Non-Executive Chairman	50,000
Theoh Mooi Teng	Non-Independent Executive Director	800,000
Tan Peng Lam	Independent Non-Executive Director	100,000
Dato' Lim Choon Khim	Independent Non-Executive Director	100,000
Total		1,050,000

- (b) The criteria for allocation of the Issue Shares to eligible employees of our Group are as follows:

- confirmed and employed on a full-time basis;*
- length of service;
- seniority, i.e. position/job grade and responsibility; and
- past performance and contributions to our Group.

The number of Issue Shares to be allocated to our other Key Senior Management is as follows:

Name	Designation	No. of Issue Shares allocated
Dr. Lee Choon Shen	General Manager of Business Development and Sales	60,000
Dr. Fong Chee Wee	Regional Technical Manager	50,000
Lim Sek Yang	Deputy General Manager of Finance	60,000
Phuah Hoo Kiat	Production Manager	80,000
Wong Chee Siang	Laboratory Manager	65,000
Total		315,000

3. DETAILS OF OUR IPO (Cont'd)

- (c) The criteria for allocation of the Issue Shares to other persons who have contributed to the success of our Group are based on, among others, their current and/or past contributions to our Group as well as the length of their business relationship with our Group.

None of our substantial shareholders, Directors or Key Senior Management has indicated to us on their intention to subscribe for our IPO Shares.

(iii) Private placement to Bumiputera investors approved by the MITI

34,431,000 Issue Shares, representing approximately 11.48% of our enlarged issued Shares, will be made available for application by way of private placement to identified Bumiputera investors approved by the MITI.

3.3.2 Offer for Sale

The Selling Shareholders are offering up to 41,757,000 Offer Shares, representing up to approximately 17.73% of our existing total number of Shares as at LPD and 13.92% of our enlarged issued Shares at the IPO Price, by way of private placement in the following manner:

- (i) 3,069,000 Offer Shares, representing approximately 1.02% of our enlarged issued Shares to identified Bumiputera investors approved by the MITI; and
- (ii) 38,688,000 Offer Shares, representing approximately 12.90% of our enlarged issued Shares to other institutional and selected investors.

Details of our Selling Shareholders, their relationships with our Group within the past three (3) years, the number of Offer Shares to be offered by them as well as their shareholdings in our Company before and after our IPO are as follows:

Name / Address	Material relationship with our Group	Shareholdings as at LPD		Shares to be offered pursuant to the Offer for Sale			Shareholdings immediately after our IPO	
		No. of Shares	(1)%	No. of Shares	(1)%	(2)%	No. of Shares	(2)%
Cheng Mooh Tat / No. 16, Lorong Tambun Indah 18, Taman Tambun Indah, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang	Promoter, substantial shareholder, Group Managing Director as well as directors of Yenher Agro and Yenher Biotech	43,310,600	18.39	20,810,600	8.83	6.94	22,500,000	7.50
Cheng Mooh Kheng / No. 18, Lorong Tambun Indah 18, Taman Tambun Indah, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang	Promoter, substantial shareholder, Executive Director as well as directors of Yenher Agro and Yenher Biotech	20,973,200	8.90	10,473,200	4.45	3.49	10,500,000	3.50

3. DETAILS OF OUR IPO (Cont'd)

Name / Address	Material relationship with our Group	Shareholdings as at LPD		Shares to be offered pursuant to the Offer for Sale			Shareholdings immediately after our IPO	
		No. of Shares	(1)%	No. of Shares	(1)%	(2)%	No. of Shares	(2)%
Cheng Mooh Chye / No. 11A, Lorong Tambun Indah 14, Taman Tambun Indah, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang	Promoter, substantial shareholder as well as directors of Yenher Agro and Yenher Biotech	20,973,200	8.90	10,473,200	4.45	3.49	10,500,000	3.50

Notes:

(1) Based on the total number of 235,569,000 Shares as at LPD.

(2) Based on the enlarged total number of 300,000,000 Shares after our IPO.

A summary of our IPO Shares offered under the Retail Offering and Institutional Offering (subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus) is as follows:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Retail Offering						
Malaysian Public (via balloting):						
▪ Bumiputera	7,500,000	2.50	-	-	7,500,000	2.50
▪ Non-Bumiputera	7,500,000	2.50	-	-	7,500,000	2.50
	15,000,000	5.00	-	-	15,000,000	5.00
Eligible Persons:						
▪ Directors of our Company	1,050,000	0.35	-	-	1,050,000	0.35
▪ Eligible employees of our Group	2,470,000	0.82	-	-	2,470,000	0.82
▪ Other persons who have contributed to the success of our Group	11,480,000	3.83	-	-	11,480,000	3.83
	15,000,000	5.00	-	-	15,000,000	5.00
Sub-total	30,000,000	10.00	-	-	30,000,000	10.00
Institutional Offering						
Bumiputera investors approved by the MITI	34,431,000	11.48	3,069,000	1.02	37,500,000	12.50
Other institutional and selected investors	-	-	38,688,000	12.90	38,688,000	12.90
Sub-total	34,431,000	11.48	41,757,000	13.92	76,188,000	25.40
Total	64,431,000	21.48	41,757,000	13.92	106,188,000	35.40

Note:

(1) Based on the enlarged total number of 300,000,000 Shares after our IPO.

3. DETAILS OF OUR IPO (Cont'd)

The Retail Offering has been fully underwritten whilst the Institutional Offering is not underwritten. Irrevocable undertakings will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

There is no over-allotment or "greenshoe" option which will increase the number of our IPO Shares.

3.3.3 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) if our IPO Shares allocated to Bumiputera investors approved by the MITI ("**MITI Tranche**") are not fully taken up by such Bumiputera investors, such IPO Shares will be made available for subscription by the other institutional investors under the Institutional Offering.

If after the above reallocation, the MITI Tranche is still not fully taken up under the Institutional Offering, and there is a corresponding over-subscription for Issue Shares by Bumiputera public investors under the Retail Offering, our IPO Shares will be clawed back from the remaining MITI Tranche and allocated to the Bumiputera public investors under the Retail Offering;

- (ii) subject to item (i) above, if there is an under-subscription in the Institutional Offering and there is an over-subscription in the Retail Offering, our IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering in the following order of priority (subject to each of them having applications for IPO Shares which have not been fully satisfied):
 - (a) firstly, to the Malaysian Public; and
 - (b) secondly, to the Eligible Persons allocated in the manner as set out in item (iv) below;
- (iii) if there is an under-subscription in the Retail Offering and there is an over-subscription in the Institutional Offering, our IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering. However, if there is an under-subscription in the Retail Offering but no over-subscription in the Institutional Offering, such remaining IPO Shares available under the Retail Offering will be underwritten by the Sole Underwriter; and
- (iv) any IPO Share not taken up by the respective Eligible Persons based on their pre-determined allocations shall be made available for application by the other Eligible Persons who have applied for excess IPO Shares in addition to their pre-determined allocation ("**Excess IPO Shares**"). Such Excess IPO Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
 - (a) firstly, allocation on a pro-rata basis to the Eligible Persons who have applied for the Excess IPO Shares based on the number of Excess IPO Shares applied for; and
 - (b) secondly, to minimise odd lots.

3. DETAILS OF OUR IPO *(Cont'd)*

Any IPO Share not fully taken up by Eligible Persons (after reallocation of the Excess IPO Shares to other Eligible Persons) will be made available for application by the Malaysian Public. Any IPO Share under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by the Sole Underwriter.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and Institutional Offering at the closing of our IPO.

Notwithstanding the above, in the event there is an under-subscription for our IPO Shares, the subscriptions received for our IPO Shares will first be applied towards subscribing in full the Issue Shares under the Public Issue. Thereafter, any additional subscription for our IPO Shares will be allocated from the Offer Shares offered by the Selling Shareholders under the Offer for Sale and any remaining Offer Shares not subscribed for after the aforementioned allocation will be retained by the Selling Shareholders. For the avoidance of doubt, the Public Issue will take priority over the Offer for Sale in the event of an under-subscription of our IPO Shares.

Our IPO Shares will be allocated on a fair and equitable manner and the basis of allocation for such IPO Shares shall take into account the desirability of distributing such IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirement of Bursa Securities and to establish a liquid market for our Shares.

To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

3.3.4 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised by our Company and the Selling Shareholders from our IPO. However, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by public shareholders. Under the Listing Requirements, we are required to have at least 25% of the total number of our Shares in the hands of a minimum number of 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the aforementioned public shareholding spread requirement is not met, we may not be permitted to proceed with our Listing. In such event, we will repay in full, without interest, all monies paid in respect of any application for our IPO Shares. In accordance with the provision of Section 243(2) of the CMSA, if such money is not repaid within 14 days after we become liable to do so, our Company and the officers of our Company shall then be jointly and severally liable to repay such money with interest at the rate of 10.0% per annum or at such rate as may be prescribed by the SC from the expiration of that 14-day period.

3. DETAILS OF OUR IPO (Cont'd)**3.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING**

Upon completion of our IPO, our share capital will be as follows:

	No. of Shares	RM
As at the date of this Prospectus	235,569,000	117,784,501
To be issued pursuant to our IPO	64,431,000	⁽¹⁾ 59,600,450
Enlarged issued share capital upon Listing	300,000,000	177,384,951

Note:

- (1) Calculated based on the IPO Price of RM0.95 per IPO Share and after deducting the estimated listing expenses of approximately RM1.61 million which is directly attributable to our IPO and allowed to be debited against the share capital of our Company.

As at the date of this Prospectus, we only have one (1) class of shares in our Company, namely ordinary shares.

The Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared after the date of allotment of the Issue Shares, subject to any applicable Rules of Bursa Depository.

The Offer Shares rank equally in all respects with our other existing Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared after the date of transfer of the Offer Shares, subject to any applicable Rules of Bursa Depository.

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

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

3. DETAILS OF OUR IPO (Cont'd)

3.5 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our Directors and the Selling Shareholders, together with our Sole Principal Adviser, Sole Underwriter and Sole Placement Agent, have determined and agreed on the IPO Price of RM0.95 per IPO Share, after taking into consideration the following:

- (i) our operating history and financial performance as described in Sections 6 and 11 of this Prospectus respectively;
- (ii) our Group's EPS of approximately 7.47 sen based on our audited consolidated PAT attributable to the owners of our Company of approximately RM22.40 million for the FYE 31 December 2020 and our enlarged total number of 300,000,000 Shares after our IPO, which translates into a price-to-earnings multiple of approximately 12.72 times;
- (iii) our competitive strengths as set out in Section 6.5 of this Prospectus;
- (iv) our future plans and strategies as set out in Section 6.6 of this Prospectus;
- (v) the overview and future outlook of the animal health and nutrition industry in Malaysia as described in Section 7 of this Prospectus; and
- (vi) the prevailing market conditions which include market performance of key global indices and companies which are in businesses similar to ours, as well as investors' sentiments.

You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are also reminded to carefully consider the risk factors as set out in Section 8 of this Prospectus before deciding to invest in our Shares.

Expected market capitalisation

Based on the IPO Price of RM0.95 per IPO Share, the total market capitalisation of our Company upon Listing will be RM285.00 million.

3.6 DILUTION

Dilution is the amount by which the price paid by the retail and institutional investors for our IPO Shares exceeds our pro forma consolidated NA per Share immediately after our IPO.

Our pro forma consolidated NA per Share as at 31 December 2020 was approximately RM0.50 per Share after adjusting for the declaration of an interim dividend of RM10.80 million to our existing shareholders on 30 April 2021 ("**Dividend Declaration**") but before our IPO.

After giving effect to the issuance of 64,431,000 new Shares under our IPO and after adjusting for the use of proceeds from our IPO, our pro forma consolidated NA per Share based on our enlarged issued Shares upon Listing of 300,000,000 Shares would be approximately RM0.59 per Share. This represents:

- (i) an immediate increase in the pro forma consolidated NA per Share of approximately RM0.09 or 17.42% to our existing shareholders; and
- (ii) an immediate dilution in the pro forma consolidated NA per Share of approximately RM0.36 or 38.11% to new investors.

3. DETAILS OF OUR IPO (Cont'd)

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

	RM
IPO Price	0.95
Pro forma consolidated NA per Share as at 31 December 2020 after the Dividend Declaration but before our IPO	0.50
Pro forma consolidated NA per Share as at 31 December 2020 after the Dividend Declaration and after giving effect to our IPO and the use of proceeds from our IPO	0.59
Increase in pro forma consolidated NA per Share to our existing shareholders	0.09
Dilution in pro forma consolidated NA per Share to new investors	0.36
Dilution in pro forma consolidated NA per Share to new investors as a percentage of the IPO Price	38.11%

Save for the Shares issued pursuant to the Acquisitions as detailed in Section 5.1.1 of this Prospectus, none of our Directors, Key Senior Management, substantial shareholders or persons connected with them have acquired any securities in our Company, neither have they entered into any transaction which grants them the right to acquire any of our Shares since our incorporation up to the date of this Prospectus.

3.7 USE OF PROCEEDS

We expect to use the gross proceeds of approximately RM61.21 million from the Public Issue in the following manner:

Details of the use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM'000	% of total gross proceeds from the Public Issue
Construction of a new GMP-compliant manufacturing plant	Within 30 months	31,000	50.64
Purchase of new machinery and equipment	Within 30 months	9,700	15.85
Working capital	Within 36 months	16,709	27.30
Estimated listing expenses	Within one (1) month	3,800	6.21
Total		61,209	100.00

3. DETAILS OF OUR IPO (Cont'd)

Details of our use of proceeds from the Public Issue are as follows:

3.7.1 Construction of a new GMP-compliant manufacturing plant

As at the date of this Prospectus, our Group operates out of the three (3) properties comprising factories and warehouses located in Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang, with a combined land area and built-up area of 181,146 sq ft and 123,037 sq ft respectively. Details of these properties are as follows:

Properties	Owned / Rented	Existing use of the property	Land area (sq ft)	Built-up area (sq ft)
No. 1628, Jalan IKS Simpang Ampat 1 (" Unit 1628 ")	Owned	Head office and warehouse	27,782	21,652
No. 1684, Jalan IKS Simpang Ampat 1 (" Unit 1684 ")	Owned	Office and manufacturing plant for our premises, complete feed and formulated products	42,776	31,635
No. 1, Lorong IKS Simpang Ampat E (" Rented Premises ")	Rented	Manufacturing plant for our biotech animal feed ingredients, warehouse and R&D center	110,588	69,750
Total			181,146	123,037

Our existing manufacturing plant at Unit 1684 which manufactures our premises, complete feed and formulated products, has a monthly production capacity of approximately 573 tonnes while our existing manufacturing plant at the Rented Premises which manufactures our biotech animal feed ingredients, has a monthly production capacity of approximately 287 tonnes. As at LPD, both of our manufacturing plants are running at full capacity i.e. at a production utilisation rate of 100% based on one (1) production shift of 8.5 hours per day, six (6) days per week. However, in order to keep up with our customers' demand, our Group has been operating approximately three (3) hours of overtime daily on top of the normal production hours.

In view of the above and as part of our future plans and strategies to further expand our business operations, we have earmarked RM31.00 million or approximately 50.64% of the total gross proceeds to be raised from the Public Issue to construct a new GMP-compliant manufacturing plant to meet the increasing demand for our manufactured products. It is also our intention to house all of our manufacturing activities in this new manufacturing plant and we intend to terminate our tenancy agreements for the Rented Premises upon completion of the construction of our new GMP-compliant manufacturing plant. In addition, we will also be relocating our existing machinery and equipment (including office equipment, laboratory equipment and furniture) from our existing manufacturing plants to the new manufacturing plant.

3. DETAILS OF OUR IPO (Cont'd)

We will construct our new GMP-compliant manufacturing plant on our existing vacant freehold land with a land area of 464,786 sq ft located in Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang. The details of the new manufacturing plant are as follows:

Location	:	Lot No. 20111 held under GRN 165939 in Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang	
Description of the property	:	A three (3)-storey office building (inclusive of a R&D center) annexed with two (2) single-storey factory buildings and a single-storey canteen	
Land area	:	464,786 sq ft	
Estimated built-up area	:	234,656.14 sq ft	
Estimated floor space	:	160,220.54 sq ft	
Estimated % proposed use of floor space	:		%
		Office building (inclusive of a R&D center)	9
		Factory A (with warehouse)	66
		Factory B	23
		Canteen	2
		Total	100
Estimated annual production capacity	:	▪ Factory A - 31,200 tonnes per annum ▪ Factory B - 18,000 tonnes per annum	

The new manufacturing plant will comprise two (2) factories as follows:

Factories	Estimated built-up area (sq ft)	Purpose
Factory A	49,083.38	To manufacture premixes, complete feed and formulated products
Factory B	37,548.68	To manufacture biotech animal feed ingredients

The new manufacturing plant will enable us to increase our monthly production capacity for our premixes, complete feed and formulated products currently produced at Unit 1684 by approximately 353.75%, from 573 tonnes to about 2,600 tonnes, while our monthly production capacity for our biotech animal feed ingredients currently produced at the Rented Premises will increase by approximately 422.65%, from 287 tonnes to about 1,500 tonnes. These factories will also be used to manufacture new products that may be developed by our Group in the future.

We will also set aside a floor area of approximately 100,229.67 sq ft for warehousing purpose, in anticipation of the increase in our inventory level for raw materials and finished goods. The availability of a bigger warehouse will also allow us to increase our inventory levels for distribution products, which is in line with our plan to continue strengthening our distribution segment by adding new types of products manufactured by reputable international suppliers to our product portfolio.

3. DETAILS OF OUR IPO (Cont'd)

In addition to the above, we will relocate our head office and R&D center which are currently located at Unit 1628 and the Rented Premises respectively, to this new manufacturing plant. The new head office is estimated to have a built-up area of approximately 41,354.36 sq ft as compared to the current built-up area of approximately 21,652 sq ft while the new R&D center will occupy a floor area of approximately 4,036.47 sq ft as compared to our current R&D laboratory which only measures approximately 985.97 sq ft. With the additional space in the new R&D center, we will be able to carry out more R&D activities as well as diagnostic and material analyses.

In view that we can only move our head office, manufacturing facilities, warehouse and R&D center to this new manufacturing plant two (2) to three (3) years later, we do not have any plan for the future use of Unit 1628 and Unit 1684 as at LPD. In the event these premises remain idle after we have relocated to the new manufacturing plant, we may consider disposing or renting out these premises, depending on the future property market conditions. Any proceeds raised from the disposal of these properties will be used for our working capital purposes.

We obtained the layout plan approval for the construction of this new manufacturing plant from Majlis Bandaraya Seberang Perai on 17 July 2020. We also obtained the permit for land filling and earthworks from Jabatan Kerja Raya Pulau Pinang and Majlis Bandaraya Seberang Perai on 8 December 2020 and 1 March 2021 respectively. After receiving all the necessary permits for land filling and earthworks, we began land clearing and filling works on 8 March 2021 which mark the commencement of the first stage of construction works. The first stage of construction works will also include other civil engineering works and we will be submitting the building plan for the new manufacturing plant to Majlis Bandaraya Seberang Perai in June 2021 for approval. Barring any unforeseen circumstances, we expect to receive the building plan approval by August 2021 and complete the first stage of construction works in the fourth quarter of 2022. The second stage of construction works will, on the other hand, involve mechanical and electrical engineering works, installation of machinery and equipment, as well as testing and commissioning of the same and is expected to commence in the first quarter of 2023. The new manufacturing plant is expected to be fully operational in the fourth quarter of 2023. Thereafter, we will apply for GMP certification for both factories and this process is expected to take approximately six (6) months to complete from the date of application.

For information purposes, the total construction costs for this new manufacturing plant is expected to be RM32.00 million, the breakdown of which is as follows:

Details	Estimated costs (RM'000)
Land fill and piling works	4,500
Building structure and infrastructure	26,000
Professional and authority fees ⁽¹⁾	1,500
Total	32,000

Note:

- (1) This amount excludes the professional and authority fees for preliminary works carried out by our Group for the construction of this new manufacturing plant. As at LPD, our Group incurred such preliminary expenses of approximately RM0.05 million, of which we had paid using our internal funds.

As at the date of this Prospectus, we expect to incur about RM1.00 million of such construction costs before our Listing and this will be funded using our internal funds. As such, we intend to allocate RM31.00 million or 50.64% of the total gross proceeds to be raised from the Public Issue to fund the remaining construction costs for the plant.

3. DETAILS OF OUR IPO (Cont'd)

If the actual cost of construction for the new manufacturing plant is higher than the amount budgeted, the deficit will be funded out of the IPO proceeds allocated for working capital purposes, internal funds and/or bank borrowings. However, if the actual cost of construction is lower than the amount budgeted, the excess will be used for our working capital purposes.

While we expect to incur some relocation expenses such as transportation costs and decommissioning and reassembly costs for certain of our machinery which will be funded using our internal funds, we are unable to quantify such costs at this juncture. In addition, we do not foresee any major production downtime as the transition from our current manufacturing plants at Unit 1684 and the Rented Premises to the new manufacturing plant will be carried out gradually such that it will not materially affect our current production.

3.7.2 Purchase of new machinery and equipment

We had on 22 April 2018, entered into a works/supply contract with an international plant equipment manufacturer for the design, supply and installation of an animal feed premix manufacturing plant which will be assembled at our new Factory A as mentioned in Section 3.7.1 above. For information purposes, the said international manufacturer is a company based in the PRC that is involved in the manufacturing of plant equipment for food processing and advanced materials and is part of a multinational plant equipment manufacturer based in Switzerland.

This new animal feed premix manufacturing plant will include machineries and equipment which will help us to automate our production operations, from input of raw materials to packaging of finished goods. The new automated features will make our production operations less labour intensive and more accurate in terms of ingredients dosing whilst reducing human error and wastage of raw materials. The automated processes are also expected to further improve the quality of our manufactured products. The technical specifications of the new machinery and equipment to be assembled at our new Factory A will be GMP-compliant. Furthermore, the new manufacturing plant will also integrate our production activities with our enterprise resources planning system for better inventory tracking.

The value of this works/supply contract for the design, supply and installation of the animal feed premix manufacturing plant is USD2.76 million and we have paid a deposit of USD414,000 to the manufacturer. As such, we have allocated RM9.70 million⁽¹⁾ or 15.85% of the total gross proceeds to be raised from the Public Issue to fund the remaining balance of the contract value for this new animal feed premix manufacturing plant.

Note:

- (1) This amount represents the difference between the value of the works/supply contract of USD2.76 million and the cash deposit paid of USD414,000, which is converted to RM at the exchange rate of USD1.0000 : RM4.1290, being the middle rate quoted by Bank Negara Malaysia at 5.00 p.m. as at LPD.

As the works/supply contract is denominated in USD, the actual amount which we are eventually required to pay could differ depending on the prevailing USD : RM exchange rate. If the actual cost is higher than the amount budgeted, the deficit will be funded out of the IPO proceeds allocated for working capital purposes and/or internal funds. However, if the actual cost is lower than the amount budgeted, the excess will be used for our working capital purposes.

3. DETAILS OF OUR IPO (Cont'd)

For information purposes, we intend to shift our machinery and equipment used for the production of our biotech animal feed ingredients at the Rented Premises to Factory B (which will also be GMP-compliant) when the new manufacturing plant is ready. As at LPD, we do not have any plan to purchase any new material machinery and equipment for the production of our biotech animal feed ingredients at the new Factory B. The increase in our monthly production capacity for our biotech animal feed ingredients from the current 287 tonnes to about 1,500 tonnes is solely attributable to the increase in production area (i.e. from a built-up area of approximately 4,738 sq ft (at the Rented Premises) to approximately 37,549 sq ft (at Factory B)) for us to carry out fermentation process on a larger scale. The fermentation process, which is one of the key production processes for our biotech animal feed ingredients, is carried out after our biotech animal feed ingredients have been packed into bags and placed on pallets for fermentation for an average period of four (4) days. The larger factory space will therefore enable our Group to place more pallets and ferment larger volumes of biotech animal feed ingredients at the same time.

3.7.3 Working capital

Our Group's general working capital requirement is expected to increase in tandem with the expansion of our manufacturing capacity as well as our plans to expand our business into new markets and expand our product range. Hence, we have earmarked approximately RM16.71 million or 27.30% of the total gross proceeds to be raised from the Public Issue to finance our Group's future operation as follows:

Details	Amount (RM'000)
Purchase of raw materials and distribution products ⁽¹⁾	15,000
Selling and distribution costs ⁽²⁾	1,709
Total	16,709

Notes:

- (1) We plan to allocate RM15.00 million to finance the purchase of additional raw materials and distribution products required for our manufacturing and distribution segments respectively. Raw material costs are the main component of our cost of sales in our manufacturing segment, representing close to 90% of the total cost of sales for our manufacturing activities and they are expected to increase in line with the expansion of our manufacturing capacity. We anticipate higher level of purchases of raw materials such as vitamins, minerals, enzymes, amino acids, antioxidants, anti-fungus, probiotics, prebiotics, soybean, palm kernel meal and other commodities that are used for the production of our manufactured products. Similarly, we also intend to strengthen our distribution segment by adding new types of products manufactured by reputable international suppliers to our product portfolio which will serve to strengthen our product portfolio as well as to meet the changing demands of the industry.
- (2) We plan to allocate approximately RM1.71 million to fund our selling and distribution costs which are expected to increase in tandem with the expansion of our manufacturing capacity and product range (which includes new types of products manufactured by reputable international suppliers) as well as our plan to expand into new markets. These selling and distribution costs include marketing costs to promote our own in-house brand of manufactured products to the existing and new markets as well as transportation costs such as freight charges, forwarding costs, fumigation costs and haulage charges as well as license/permit fees paid to the relevant authorities for shipment of our goods.

3. DETAILS OF OUR IPO (Cont'd)**3.7.4 Estimated listing expenses**

The expenses of our IPO and Listing to be borne by us are estimated to be about RM3.80 million, the details of which are as follows:

	RM'000
Estimated professional fees	2,115
Fees to authorities	17
Estimated brokerage, underwriting and placement fees	1,203
Estimated printing and advertising expenses	200
Miscellaneous expenses and contingencies	265
Total	3,800

If the actual listing expenses are higher than the estimated amount as set out above, the deficit will be funded out of the IPO proceeds allocated for working capital purposes. However, if the actual listing expenses are lower than the estimated amount, the excess will be used for working capital purposes.

Pending the use of proceeds from the Public Issue, we intend to place the proceeds (including accrued interest, if any) or the balance thereof in interest-bearing accounts with licensed financial institutions in Malaysia and/or money market instruments.

Our Company will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of approximately RM39.67 million which will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear all expenses relating to the Offer for Sale, including the placement fee in respect of the Offer Shares.

3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES**3.8.1 Brokerage fee**

We will pay the brokerage fee in respect of the Issue Shares under the Retail Offering at the rate of 1.00% (exclusive of any applicable tax) of the IPO Price for all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

The Sole Placement Agent is entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission payable under the Institutional Offering will not be borne by us nor the Selling Shareholders.

3.8.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, we will pay the Sole Underwriter an underwriting commission at the rate of 1.50% (exclusive of any applicable tax) of the IPO Price multiplied by the number of Issue Shares underwritten under the Retail Offering.

3. DETAILS OF OUR IPO (Cont'd)

3.8.3 Placement fee

We will pay the Sole Placement Agent a placement fee of up to 1.50% (exclusive of any applicable tax) and may pay a discretionary incentive fee of up to 1.00% (exclusive of any applicable tax) of the IPO Price multiplied by the number of IPO Shares successfully placed out under the Institutional Offering.

The Selling Shareholders will also pay the Sole Placement Agent a placement fee of up to 1.50% (exclusive of any applicable tax) of the IPO Price multiplied by the number of Offer Shares successfully placed out under the Institutional Offering.

3.9 DETAILS OF THE UNDERWRITING ARRANGEMENT

We have entered into the Retail Underwriting Agreement with the Sole Underwriter to underwrite 30,000,000 Issue Shares under the Retail Offering ("**Underwritten Shares**"), subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

Details of the underwriting commission are set out in Section 3.8.2 of this Prospectus while the salient terms of the Retail Underwriting Agreement are as follows:

- (i) the obligation of the Sole Underwriter to underwrite the Underwritten Shares is conditional on, among others, the following:
 - (a) all the necessary approvals required for our IPO and Listing remaining in full force and effect and that all conditions to these approvals (except for those which can only be complied with after our IPO has been completed) have been complied with;
 - (b) the Sole Underwriter being satisfied that our Company has complied with and that our IPO is in compliance with the policies, guidelines and requirements of Bursa Securities, the SC and all other applicable securities laws and regulations, including all revisions, amendments and/or supplements to it;
 - (c) there being no occurrence on or prior to the closing date of our IPO ("**Closing Date**") any breach of and/or failure to perform any of the undertakings by our Company contained in the Retail Underwriting Agreement;
 - (d) there being no any investigation, direction or action by any judicial, governmental or regulatory authority in relation to our Listing or in connection with our Group which is still subsisting or unresolved to the satisfaction of the Sole Underwriter; and
 - (e) as at the Closing Date, there is no registration or lodgement of any supplemental or replacement to the Prospectus with the SC or the Registrar of Companies without the prior written approval of the Sole Underwriter; and
- (ii) notwithstanding anything contained in the Retail Underwriting Agreement, the Sole Underwriter may terminate the Retail Underwriting Agreement and withdraw its underwriting commitment upon the occurrence of any of the following:
 - (a) there is a breach by our Company of any of the representations, warranties or undertakings contained in the Retail Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Retail Underwriting Agreement; or
 - (b) there is failure on the part of our Company to perform any of our obligations contained in the Retail Underwriting Agreement; or

3. DETAILS OF OUR IPO (Cont'd)

- (c) there is withholding of information from the Sole Underwriter which is required to be disclosed pursuant to the Retail Underwriting Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of our Group, the success of our IPO or the distribution or sale of our Shares issued or offered under our IPO; or
- (d) there shall have occurred any material and adverse change in the business or financial condition of our Group; or
- (e) the Closing Date does not occur within three (3) months from the date of the Retail Underwriting Agreement ("**Agreement Date**") or such other extended date/period as may be agreed in writing by the Sole Underwriter; or
- (f) our Listing does not take place by 26 July 2021 or such other extended date as may be agreed in writing by the Sole Underwriter; or
- (g) the occurrence of any *force majeure* event or any event or series of events beyond the reasonable control of the Sole Underwriter including, but not limited to, acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of the Retail Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to our IPO or pursuant to the underwriting of the Underwritten Shares; or
- (h) any material adverse change or any development involving a prospective change in national or international monetary, financial, economic or political conditions (including, but not limited to, conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates in both Malaysia and overseas) or foreign exchange controls or currency exchange rates or the occurrence of any combination of the foregoing which would prejudice our IPO; or
- (i) any material adverse change in the financial conditions as stated in clause (h) above includes stock market conditions and interest rates. For this purpose, a material adverse change in the stock market condition shall mean that the FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI) ("**Index**") has dropped by 15% between the Index level on the Agreement Date and the Closing Date (both dates inclusive) at any point in time during this period; or
- (j) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have material adverse effect on our Group and/or materially prejudice the business or the operations of our Group, the success of our IPO or the listing of our Company's Shares on the Main Market of Bursa Securities or the conditions generally or which has or is likely to have the effect of making the Retail Underwriting Agreement incapable of performance in accordance with its terms; or
- (k) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise; or

3. DETAILS OF OUR IPO (Cont'd)

- (l) any government requisition or occurrence of any other nature which materially and adversely affect or will materially or adversely affect the business, operations and/or financial position or prospects of our Group or the success of our IPO; or
- (m) in the event that our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Sole Underwriter; or
- (n) any of the resolutions or approvals for our IPO and Listing is revoked, suspended or ceased to have any effect whatsoever, or is varied or supplemented upon terms that would have or is reasonably likely to have a material adverse effect; or
- (o) any commencement of legal proceedings or action against any member of our Group or any of our Directors, which in the opinion of the Sole Underwriter, would have or is reasonably likely to have a material adverse effect or making it impracticable to market our IPO Shares or to enforce contracts to allot and/or transfer our IPO Shares; or
- (p) this Prospectus or the Application Forms (i) having terminated or rescinded in accordance with its terms; (ii) ceased to have any effect whatsoever; or (iii) varied or supplemented upon terms and such variation or supplementation would have or likely to have a material adverse effect; or
- (q) any other event which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of our Group, the success of our IPO or the listing of our Company's Shares on the Main Market of Bursa Securities or making any material part of the Retail Underwriting Agreement incapable of performance in accordance with its terms.

3.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS Accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

3. DETAILS OF OUR IPO (Cont'd)

Shares held in CDS Accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the 3rd Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities about 10 Market Days after the close of the IPO. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfer to other CDS Account in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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

4.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The Promoters to our IPO are CGH Holdings, Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye and Theoh Mooi Teng. Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye are brothers and are also substantial shareholders of CGH Holdings and our Company whereas Theoh Mooi Teng is the spouse of Cheng Mooh Tat and the sister-in-law of both Cheng Mooh Kheng and Cheng Mooh Chye.

4.1.1 Shareholdings of our Promoters and substantial shareholders

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

Name	Country of incorporation / Nationality	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
<u>Promoters and substantial shareholders</u>									
CGH Holdings	Malaysia	135,000,000	57.31	-	-	135,000,000	45.00	-	-
Cheng Mooh Tat	Malaysian	43,310,600	18.39	⁽³⁾ 135,000,000	57.31	22,500,000	7.50	⁽³⁾ 135,000,000	45.00
Cheng Mooh Kheng	Malaysian	20,973,200	8.90	⁽³⁾ 135,000,000	57.31	10,500,000	3.50	⁽³⁾ 135,000,000	45.00
Cheng Mooh Chye	Malaysian	20,973,200	8.90	⁽³⁾ 135,000,000	57.31	10,500,000	3.50	⁽³⁾ 135,000,000	45.00
<u>Promoter</u>									
Theoh Mooi Teng	Malaysian	-	-	-	-	⁽⁴⁾ 800,000	0.27	-	-

Notes:

- (1) Based on the total number of 235,569,000 Shares as at the date of this Prospectus.
- (2) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his interest in CGH Holdings pursuant to Section 8 of the Act.
- (4) Assuming she subscribes in full for the 800,000 Issues Shares allocated to her under the allocation to the Eligible Persons.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Company as all our Shares before and after our IPO are of the same class.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Save as disclosed above, there is no other person who, directly or indirectly, jointly or severally, exercises control over our Company as at LPD. There is also no arrangement between our Company and our shareholders with any third party, which may, at a subsequent date, result in a change in control of our Company.

4.1.2 Profiles of our Promoters and substantial shareholders

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

(i) CGH Holdings

CGH Holdings, our Promoter and substantial shareholder, was incorporated in Malaysia under the Act on 9 March 2020 as a private company limited by shares under its present name. CGH Holdings is principally an investment holding company. As at LPD, the issued share capital of CGH Holdings is RM1,350,003 comprising 135,000,003 ordinary shares.

As at LPD, the directors of CGH Holdings are Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye. The shareholders and their respective shareholdings in CGH Holdings as at LPD are as follows:

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Cheng Mooh Tat	68,580,001	50.80	-	-
Cheng Mooh Kheng	33,210,001	24.60	-	-
Cheng Mooh Chye	33,210,001	24.60	-	-

(ii) Cheng Mooh Tat, a Malaysian aged 58, is our Promoter and substantial shareholder. He is also our Non-Independent Group Managing Director and was appointed to our Board on 9 March 2020. He is responsible for overseeing the overall business direction and strategies of our Group.

After completing his secondary school education in 1981 at Sekolah Menengah Kebangsaan Simpang Empat, Pulau Pinang, Mr. Cheng was asked to join the family's business, Guan Hoe Farming & Trader ("GHF&T") which was involved in the trading of animal health and nutrition products focusing on the distribution of veterinary pharmaceuticals, before he could pursue a tertiary programme in India. While assisting in GHF&T, he continued his higher secondary education at Maktab Adabi Bukit Mertajam where he completed his Sijil Tinggi Persekolahan Malaysia in 1984. At GHF&T, he was a Sales Executive where he was involved in the sales and marketing of the company's animal health and nutrition products. He was also involved in overseeing the logistics matters of the company. GHF&T was subsequently dissolved in 1993.

In August 1991, Mr. Cheng co-founded Yenher Agro with Danberg (M) Sdn Bhd, a company which was principally involved in the distribution of animal health and nutrition products and was one of GHF&T's suppliers. Mr. Cheng served as a director in Yenher Agro and was responsible for overseeing the business operations of the company. Following his experience gained from the business, Mr. Cheng began to be involved in the development of various premix formulas for the manufacturing activities of Yenher Agro which began in 1996.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In May 2016, he established Yenher Biotech with his siblings, Cheng Mooh Kheng and Cheng Mooh Chye, to venture into the production of animal feed ingredients via fermentation processes and to undertake its related R&D activities. He also served as a director of Yenher Biotech and was responsible for overseeing the overall business operations and the development of product formulations.

Mr. Cheng has played an instrumental role in the growth and development of our Group throughout the years. His experience in the development of our Group's products which included premixes, complete feed, formulated products and biotech animal feed ingredients, has led to the expansion of the product portfolio of our Group. In addition, he was also responsible for setting up of our laboratory division, which has enabled our Group to conduct R&D activities as well as perform various diagnostic and material analyses in-house.

As at LPD, Cheng Mooh Tat sits on the board of several private limited companies as disclosed in Section 4.2.3 of this Prospectus.

Cheng Mooh Tat is the brother of Cheng Mooh Chye and Cheng Mooh Kheng, and is the spouse of Theoh Mooi Teng.

- (iii) **Cheng Mooh Kheng**, a Malaysian aged 52, is our Promoter and substantial shareholder. He is also our Non-Independent Executive Director and was appointed to our Board on 9 March 2020. He is primarily responsible for overseeing the sales and marketing strategies of our Group.

Mr. Cheng completed his Sijil Rendah Pelajaran ("SRP")/Lower Certificate of Education in 1984 at Sekolah Menengah Kebangsaan Simpang Empat, Pulau Pinang. He then enrolled in a Methodist private school but left the said school in 1985.

Mr. Cheng began his career in 1986 as a casual worker with a furniture manufacturer where he was involved in various tasks in the factory such as material handling and furniture making. He then left in 1987 and joined a construction contractor as a casual worker assisting in its construction activities. He left in 1988 to assist in the operation and management of his family-owned poultry farm.

Mr. Cheng then left the farm in 1990 and subsequently joined GHF&T as a Sales Executive where he was involved in the sales and marketing of the company's animal health and nutrition products with his brother, Cheng Mooh Tat. In 1993, he joined his brother Cheng Mooh Tat in Yenher Agro, where he was appointed as a director and was responsible for overseeing the sales and marketing activities of the company.

In May 2016, he established Yenher Biotech with his siblings, Cheng Mooh Tat and Cheng Mooh Chye, to venture into the production of animal feed ingredients via fermentation processes and to undertake its related R&D activities. He also served as a director of Yenher Biotech and is responsible for the sales activities of the company.

As at LPD, Cheng Mooh Kheng sits on the board of several private limited companies as disclosed in Section 4.2.3 of this Prospectus.

Cheng Mooh Kheng is the brother of Cheng Mooh Chye and Cheng Mooh Tat and is the brother-in-law of Theoh Mooi Teng.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (iv) **Cheng Mooh Chye**, a Malaysian aged 62, is our Promoter and substantial shareholder. He is also a director of Yenher Agro and Yenher Biotech. He completed his SRP/Lower Certificate of Education in 1974 at Sekolah Menengah Kebangsaan Simpang Empat, Pulau Pinang.

Mr. Cheng began working in 1975 with Hock Guan Huat, a noodle factory, where he was involved in the packaging and logistics operations of the company. He left in 1977 and joined Goh Huat Seng Restaurant as a kitchen assistant.

In 1984, Mr. Cheng left Goh Huat Seng Restaurant to join Hai Tiong Poh Seafood Restaurant as a chef for nine (9) years. He then joined his brothers Cheng Mooh Tat and Cheng Mooh Kheng in Yenher Agro in 1993 as a director and was involved in the warehousing operations of the company. In May 2016, he established Yenher Biotech with his siblings, Cheng Mooh Tat and Cheng Mooh Kheng, to venture into the production of animal feed ingredients via fermentation processes and to undertake its related R&D activities. He currently serves as a director of Yenher Biotech and is responsible for overseeing the warehousing operations of the company.

Cheng Mooh Chye is the brother of Cheng Mooh Tat and Cheng Mooh Kheng, and is the brother-in-law of Theoh Mooi Teng.

- (v) **Theoh Mooi Teng**, a Malaysian aged 55, is our Promoter and Non-Independent Executive Director. She was appointed to our Board on 9 March 2020. Madam Theoh is responsible for overseeing our Group's accounting and financial departments. She is also responsible for overseeing our Group's purchasing, shipping, administration and human resource functions. Madam Theoh graduated with a Bachelor of Arts in Economics (Hons) from the University of Sunderland in the United Kingdom in 1990.

Madam Theoh began her career in November 1990 at Sunny Precision (M) Sdn Bhd, a company involved in the manufacturing of electrical and electronic components as well as plastic injection moulding, as a financial officer where she was responsible for the accounts payable and bookkeeping of the company. She then left the company in November 1992 and joined Yenher Agro in the same month as an Accounts Supervisor where she was responsible for overseeing the company's finance and accounting functions.

Madam Theoh was promoted as a Finance Manager in January 2001 and later, to Purchasing Manager in January 2008 where her role was extended to include the company's purchasing, administration and human resource functions. Thereafter, she was redesignated as the Commercial and Finance Manager in January 2013, where her role was also extended to include overseeing the company's shipping activities and stock management. Later in October 2019, Madam Theoh was appointed as a director of Yenher Agro.

Madam Theoh is the spouse of Cheng Mooh Tat and is the sister-in-law of Cheng Mooh Chye and Cheng Mooh Kheng.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**4.1.3 Changes in our Promoters' and substantial shareholders' shareholdings in our Company**

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since the date of our incorporation on 9 March 2020 up to LPD and after our IPO are as follows:

Name	As at 9 March 2020 (date of incorporation)				After the Acquisitions			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %
CGH Holdings	-	-	-	-	-	-	-	-
Cheng Mooh Tat	1	50.00	-	-	111,890,600	47.50	-	-
Cheng Mooh Kheng	1	50.00	-	-	54,183,200	23.00	-	-
Cheng Mooh Chye	-	-	-	-	54,183,200	23.00	-	-
Theoh Mooi Teng	-	-	-	-	-	-	-	-

Name	As at 27 October 2020 ⁽²⁾				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽⁴⁾ %	No. of Shares	⁽⁴⁾ %
CGH Holdings	135,000,000	57.31	-	-	135,000,000	45.00	-	-
Cheng Mooh Tat	43,310,600	18.39	⁽³⁾ 135,000,000	57.31	22,500,000	7.50	⁽³⁾ 135,000,000	45.00
Cheng Mooh Kheng	20,973,200	8.90	⁽³⁾ 135,000,000	57.31	10,500,000	3.50	⁽³⁾ 135,000,000	45.00
Cheng Mooh Chye	20,973,200	8.90	⁽³⁾ 135,000,000	57.31	10,500,000	3.50	⁽³⁾ 135,000,000	45.00
Theoh Mooi Teng	-	-	-	-	⁽⁵⁾ 800,000	0.27	-	-

Notes:

- (1) Based on the total number of 235,569,000 Shares after the Acquisitions and as at the date of this Prospectus. For information purposes, the remaining shareholders of our Company after the Acquisitions and as at the date of this Prospectus are Yeoh Ngong Koke and Boon Jenn Woei who holds 9,422,800 (4.00%) and 5,889,200 (2.50%) of our Shares respectively.
- (2) Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye had on 27 October 2020 collectively transferred a total of 135,000,000 Shares to CGH Holdings, an investment holding company wholly-owned by them, for a total consideration of RM1,350,000.
- (3) Deemed interested by virtue of his interest in CGH Holdings pursuant to Section 8 of the Act.
- (4) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (5) Assuming she subscribes in full for the 800,000 Issues Shares allocated to her under the allocation to the Eligible Persons.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

4.1.4 Benefits paid or intended to be paid or given to our Promoters or substantial shareholders

Save for the remuneration received by our Promoters and substantial shareholders who are our employees in the course of their employment, directors' fees and dividends paid to our shareholders, there is no other amount or benefit that has been paid or intended to be paid or given to our Promoters or substantial shareholders within the two (2) years preceding the date of this Prospectus.

4.2 BOARD OF DIRECTORS

The details of our Directors, all of whom are Malaysians, the expiration of each of their current term of office and the period they have served in office as at LPD are as follows:

Name	Age	Designation	Date of appointment as Director	Date of expiration of the current term of office	Approximate no. of years in office
Dr. Wan Mohd Kamil bin Wan Nik	60	Independent Non-Executive Chairman	10 November 2020	Shall retire at our second annual general meeting ("AGM") to be held in 2022	Less than one (1) year
Cheng Mooh Tat	58	Non-Independent Group Managing Director	9 March 2020	Shall retire at our second AGM to be held in 2022	One (1) year three (3) months
Cheng Mooh Kheng	52	Non-Independent Executive Director	9 March 2020	Shall retire at our third AGM to be held in 2023	One (1) year three (3) months
Theoh Mooi Teng	55	Non-Independent Executive Director	9 March 2020	Shall retire at our third AGM to be held in 2023	One (1) year three (3) months
Tan Peng Lam	62	Independent Non-Executive Director	10 November 2020	Shall retire at our fourth AGM to be held in 2024	Less than one (1) year
Dato' Lim Choon Khim	44	Independent Non-Executive Director	10 November 2020	Shall retire at our fourth AGM to be held in 2024	Less than one (1) year

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance ("MCCG") which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture.

Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Our Board is committed to achieving and sustaining high standards of corporate governance and we have considered the additional best practices and guidance set out in the 2021 update of the MCCG which includes the non-involvement of our Chairman in our Audit and Risk Management Committee, Nomination Committee and/or Remuneration Committee, and for the Company to have at least 30% women directors on our Board. In this regard, we will endeavour to comply with the MCCG (including the aforementioned best practices) within three (3) years from our Listing by appointing new directors to achieve diversity in our boardroom and to comply with these practices. Our Board will also provide an explanation on the extent of compliance with the MCCG in our first annual report as a listed entity for the FYE 31 December 2021.

4.2.1 Shareholdings of our Directors

The shareholdings of our Directors in our Company as at LPD and after our IPO (assuming each of our Directors subscribe in full for their respective entitlements under the allocation to the Eligible Persons as set out in Section 3.3.1(ii)(a) of this Prospectus) are as follows:

Name	As at LPD / Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dr. Wan Mohd Kamil bin Wan Nik	-	-	-	-	50,000	0.02	-	-
Cheng Mooh Tat	43,310,600	18.39	(3)135,000,000	57.31	22,500,000	7.50	(3)135,000,000	45.00
Cheng Mooh Kheng	20,973,200	8.90	(3)135,000,000	57.31	10,500,000	3.50	(3)135,000,000	45.00
Theoh Mooi Teng	-	-	-	-	800,000	0.27	-	-
Tan Peng Lam	-	-	-	-	100,000	0.03	-	-
Dato' Lim Choon Khim	-	-	-	-	100,000	0.03	-	-

Notes:

- (1) Based on the total number of 235,569,000 Shares as at LPD.
- (2) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his interest in CGH Holdings pursuant to Section 8 of the Act.

Save for Cheng Mooh Tat and Cheng Mooh Kheng who are representatives of CGH Holdings, none of our Directors are representatives of any corporate shareholder. For information purposes, Cheng Mooh Tat and Cheng Mooh Kheng are directors and substantial shareholders of CGH Holdings.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

4.2.2 Profiles of our Directors

The profiles of our Directors, save for Cheng Mooh Tat, Cheng Mooh Kheng and Theoh Mooi Teng which are set out in Section 4.1.2(ii), (iii) and (v) of this Prospectus respectively, are as follows:

- (i) **Dr. Wan Mohd Kamil bin Wan Nik**, a Malaysian aged 60, is our Independent Non-Executive Chairman. He was appointed to our Board on 10 November 2020. He is the Chairman of our Nomination Committee and a member of our Audit and Risk Management Committee, as well as Remuneration Committee.

Dr. Wan graduated with a Diploma in Animal Health and Production in January 1981 from Universiti Pertanian Malaysia and subsequently obtained a Doctor of Veterinary Medicine from the same university in June 1986.

Dr. Wan began his career in February 1981 when he joined the Department of Clinical Studies within the Faculty of Veterinary Medicine of Universiti Pertanian Malaysia as an Assistant Veterinary Officer. As an Assistant Veterinary Officer, he was involved in performing surgeries for large animals, clinical work as well as participating in the university's farm programme. In February 1982, Dr. Wan left the faculty to further his undergraduate studies in veterinary field.

Upon completion of his degree in 1986, Dr. Wan returned to the Department of Clinical Studies of Universiti Pertanian Malaysia as an Assistant Veterinary Officer in the Faculty of Veterinary Medicine. He left the university in December 1988 and joined the Department of Veterinary Services of Malaysia as a Veterinary Officer in January 1989, where he served as the veterinarian and virologist of the department's sheep farm in Terengganu. In April 1989, Dr. Wan was transferred to the Veterinary Research Institute in Ipoh, Perak as a Veterinary Officer where he served as a veterinarian, virologist and pathologist in the institute's farm. In January 1998, he was transferred to the Department of Veterinary Services of Perak as a Veterinary Officer, where he headed the animal health division and was responsible for overseeing the veterinary clinics' and farms' operations.

Dr. Wan was promoted as a director in August 2007 and was subsequently transferred to the Department of Veterinary Services of Penang in September 2007, where he was responsible for overseeing the overall operations of the department.

In March 2011, Dr. Wan was promoted as the head of the poultry division and was transferred to the Department of Veterinary in Putrajaya where he was responsible for overseeing the overall development of the poultry industry in Peninsular Malaysia. In April 2016, Dr. Wan was promoted as a director of livestock genetics under the Department of Veterinary Services in Putrajaya, where he was responsible for overseeing matters pertaining to livestock resources department in Peninsular Malaysia. Dr. Wan then retired from public service in September 2020.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (ii) **Tan Peng Lam**, a Malaysian aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 10 November 2020. He is the Chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

Mr. Tan obtained a Diploma in Commerce from Tunku Abdul Rahman College, Kuala Lumpur in July 1982. He subsequently obtained a Master in Business Administration from Massey University in New Zealand in November 1992. Mr. Tan is a member of the Association of Chartered Certified Accountants since 1992 and a registered Chartered Accountant with the Malaysian Institute of Accountants since 2014.

Mr. Tan began his career in December 1983 when he joined Arthur Young & Company in Kuala Lumpur as an Audit Junior where he was involved in the planning and control of the audit of private and public listed companies. He left Arthur Young & Company as an Audit Senior in February 1988 and subsequently joined Fletcher Fishing Limited in Auckland, New Zealand in May 1988 as an Accountant where he was responsible for the management and financial reporting of the company's corporate office.

Mr. Tan then left Fletcher Fishing Limited in July 1989 and joined the Office of Auditor-General in New Zealand as an Audit Supervisor, where he was responsible for the planning and control of the audit of state-owned enterprises. He left the Office of Auditor-General, New Zealand in December 1991 and subsequently joined Pent Marketing (NZ) Limited in January 1992 as an Accountant cum Administrator where he was responsible for overseeing the accounting and administrative functions of the company.

Mr. Tan left Pent Marketing (NZ) Limited in November 1992 and returned to Malaysia due to family matters. In March 1993, he joined Wembley Gypsum Products Sdn Bhd and left in April 1993. In June 1993, he joined Texchem Resources Bhd as its Group Chief Accountant, where he was responsible for the financial planning and control of the group's funding and banking requirements. He left Texchem Resources Bhd in January 1996 and joined L.K Ooi Group of Companies in February 1996, a group of companies involved in construction and property development activities, as its General Manager of Finance and Accounts where he was responsible for the operations of the group's overall financial and accounting functions.

Mr. Tan then left L.K Ooi Group of Companies in December 1996 and joined Century Logistics Berhad in January 1997 as its Financial Controller, where he was responsible for strategising and preparing the company for its initial public offering exercise. The company was subsequently listed on the Second Board of Bursa Securities (*now known as the Main Market of Bursa Securities*) on 7 June 2001. He was also involved in supporting the company's board in business and operational matters. He was then promoted to a Finance Director of the company in January 2000.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Mr. Tan left Century Logistics Berhad in June 2000 and joined eCosway.com Sdn Bhd in the same month as a Finance and Business Process Manager where he was involved in formulating and implementing the company's business processes for its electronic commerce models which covered business-to-consumer and business-to-business segments. He then left the company in December 2001 and returned to Texchem Resources Bhd in January 2002, as its Group Finance Director where he oversaw the group's overall financial and accounting functions. He was also involved in supporting the chairman and management of the company in business and operational issues as well as risk management of the group. He was then promoted as the Chief Financial Officer of Texchem Resources Bhd in April 2011. Mr. Tan retired from Texchem Resources Bhd in January 2019.

Mr. Tan was appointed as an Independent Non-Executive Director of Berjaya Corporation Berhad on 1 June 2021.

- (iii) **Dato' Lim Choon Khim**, a Malaysian aged 44, is our Independent Non-Executive Director. He was appointed to our Board on 10 November 2020. He is the Chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee, as well as Nomination Committee.

Dato' Lim graduated with a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne in June 2001. He was admitted to the Malaysian Bar in 2002.

Dato' Lim began his career in July 2002 when he joined Presgrave & Matthews as a Legal Assistant. He left Presgrave & Matthews in July 2004 and subsequently joined Chooi, Saw & Lim in August 2004 and became a Partner of the firm in 2005, a position he still holds to-date. He has 18 years' of experience handling legal matters involving commercial, company, banking, construction, constitutional and land laws. He also handles labour, employment and industrial disputes.

Dato' Lim also acts in advisory roles for multinational corporations, real estate developers and government-linked companies on matters relating to Malaysian law.

As at LPD, Dato' Lim also sits on the board of a private limited company as disclosed in Section 4.2.3 of this Prospectus.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**4.2.3 Involvement of our Directors in other principal business activities outside our Group**

The principal business activities performed by our Directors outside our Group as at LPD and their present directorships in companies outside our Group and in the past five (5) years preceding LPD are as follows:

Name	Name of company	Principal activities	Date of appointment	Date of resignation	Involvement in business activities
Dr. Wan Mohd Kamil bin Wan Nik	<u>Present directorships:</u> Nil	-	-	-	-
	<u>Past directorships:</u> DWNF Sdn Bhd	Dormant (dissolved on 26 November 2019)	4 April 1988	26 November 2019	Director and shareholder with 6.00% equity interest
Cheng Mooh Tat	<u>Present directorships:</u> Bentara Maju Sdn Bhd	Property developer	N/A	N/A	Shareholder with 10.00% equity interest
	CGH Holdings	Investment holding (shares)	9 March 2020	N/A	Director and shareholder with 50.80% equity interest
	Cheng Guan Hoe Holdings Sdn Bhd	Dormant ⁽¹⁾	14 September 1991	N/A	Director and shareholder with 25.00% equity interest
	CMT Properties Sdn Bhd	Investment holding (properties)	15 December 2015	N/A	Director and shareholder with 50.80% equity interest
	Johan Sejati Sdn Bhd	Cultivation of oil palm estate and related activities	11 February 2011	N/A	Director and shareholder with 50.00% equity interest
	MTC Properties (M) Sdn Bhd	Investment holding (properties and shares)	29 March 2017	N/A	Director and shareholder with 47.00% equity interest
	Pingsa Hotel Sdn Bhd	Hotel operation	27 June 2014	N/A	Director and shareholder with 90.00% equity interest
	Summit-Cosmo Sdn Bhd	Engaged as developer and housing development	18 April 2000	N/A	Director and shareholder with 40.00% equity interest

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Name of company	Principal activities	Date of appointment	Date of resignation	Involvement in business activities
Cheng Mooh Kheng	Victory Potential Sdn Bhd	Cultivation of oil palm plantation and related activities	21 October 2011	N/A	Director and shareholder with 34.00% equity interest
	Welcome Potential Sdn Bhd	Property investment and related activities	17 October 2011	N/A	Director and shareholder with 60.00% equity interest
	<u>Past directorships:</u> G&H Agropducts	Dormant (partnership expired on 24 March 2017 due to cessation of business)	N/A	N/A	Partner with 50.00% equity interest
	Jin Rong Machinery (M) Sdn Bhd	Dormant (dissolved on 18 February 2019)	7 April 1995	18 February 2019	Director and shareholder with 25.00% equity interest
	S.I. Art Holding Sdn Bhd	Dormant	8 August 2016	3 July 2018	Director and shareholder with 30.00% equity interest
	Wawasan Tech Sdn Bhd	Wholesale of ferrous and non-ferrous metal ores and metals	1 March 2014	14 March 2019	Director
	Xun Ta Feed Sdn Bhd	Dealers in all kinds of animal feeding products	6 May 2011	23 April 2019	Director and shareholder with 42.50% equity interest
	Yenher Aquaculture Sdn Bhd	Dormant (dissolved on 11 April 2017)	14 August 2012	11 April 2017	Director and shareholder with 60.00% equity interest
	<u>Present directorships:</u> CGH Holdings	Investment holding (shares)	9 March 2020	N/A	Director and shareholder with 24.60% equity interest
Cheng Mooh Kheng	Cheng Guan Hoe Holdings Sdn Bhd	Dormant ⁽¹⁾	14 September 1991	N/A	Director and shareholder with 25.00% equity interest
	CMT Properties Sdn Bhd	Investment holding (properties)	4 December 2018	N/A	Director and shareholder with 24.60% equity interest

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name</u>	<u>Name of company</u>	<u>Principal activities</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Involvement in business activities</u>
	LY Marine Products Sdn Bhd	Dormant ⁽²⁾	26 March 2015	N/A	Director and shareholder with 21.00% equity interest
	Welcome Potential Sdn Bhd	Property investment and related activities	17 October 2011	N/A	Director and shareholder with 20.00% equity interest
	<u>Past directorships:</u> Golden Fish Farm Sdn Bhd	Dormant (dissolved on 7 February 2020)	29 November 2012	7 February 2020	Director and shareholder with 10.00% equity interest
	Perniagaan Muhibbah Ria Sdn Bhd	Raising, breeding and production of chicken, broiler, wholesale of animal/pet feed, raising and breeding of swiftlet	29 May 2013	20 December 2017	Director and shareholder with 40.00% equity interest
	TH Khoon Meng Enterprise	Dormant (partnership expired on 11 September 2017 due to cessation of business)	N/A	N/A	Partner with 20% equity interest
	TH Khoon Meng Sdn Bhd	Dormant (struck off on 9 October 2020)	4 July 2014	9 October 2020	Director and shareholder with 20.00% equity interest
	Yenher Aquaculture Sdn Bhd	Dormant (dissolved on 11 April 2017)	14 August 2012	11 April 2017	Director and shareholder with 20.00% equity interest
Theoh Mooi Teng	<u>Present directorships:</u> Nil				
	<u>Past directorships:</u> Nil				

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Name of company	Principal activities	Date of appointment	Date of resignation	Involvement in business activities
Tan Peng Lam	<u>Present directorships:</u> Nil ⁽³⁾	-	-	-	-
	<u>Past directorships:</u> Alaya Asia Sdn Bhd	Dormant (dissolved on 24 April 2018)	31 August 2016 (Liquidator)	22 January 2018 (Liquidator)	Liquidator
	Guardman Security Services Sdn Bhd	Dormant (dissolved on 13 June 2019)	21 September 2007 (Director)/ 18 December 2017 (Liquidator)	13 June 2019 (Director and Liquidator)	Director and liquidator
	Texchem Corporation Sdn Bhd	Investment holding and provision of management services for its group of companies and renting of investment properties	1 January 2003	9 January 2019	Director
	Texchem Management Services Sdn Bhd	Dormant (dissolved on 10 October 2018)	21 September 2007 (Director)/ 23 December 2016 (Liquidator)	10 October 2018 (Director)/ 2 July 2018 (Liquidator)	Director and liquidator
	Texchem Resources Bhd	Investment holding and provision of management services for its group of companies which are involved in industrial, polymer engineering, restaurant, food and venture business and renting of investment properties	18 February 2014	9 January 2019	Secretary
	Texchem Risk Management Sdn Bhd	Insurance agents and managers in relation to insurance schemes	15 January 2002	9 January 2019	Director

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Name of company	Principal activities	Date of appointment	Date of resignation	Involvement in business activities
	Texchem-Pack (KL) Sdn Bhd	Dormant (dissolved on 26 October 2016)	13 February 2014 (Liquidator)	26 October 2016 (Liquidator)	Liquidator
	Everbright Tan Marketing	Online marketing supplements (partnership expired on 9 December 2020 due to cessation of business)	N/A	N/A	Partner with 50.00% equity interest
Dato' Lim Choon Khim	<u>Present directorships:</u> Bon Viveur Sdn Bhd	Investment holding in property	5 February 2018	N/A	Director and shareholder with 50.00% equity interest
	Butterworth Lim Construction Sendirian Berhad	Property letting and oil palm estate, housing development	N/A	N/A	Shareholder with 11.67% equity interest
	<u>Past directorships:</u> Nil	-	-	-	-

Notes:

- (1) As at LPD, there is no plan to dissolve or strike off this company.
- (2) As at LPD, Cheng Mooh Kheng intends to dissolve this company.
- (3) For information purposes, Tan Peng Lam was appointed as an Independent Non-Executive Director of Berjaya Corporation Berhad on 1 June 2021.

Tan Peng Lam and Dato' Lim Choon Khim being our Independent Non-Executive Directors, are not involved in the day-to-day operations of our Group. In addition, their involvement in those business activities outside our Group will not affect their contributions to our Group as the principal activities of those companies are not similar to our Group's business.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

The involvement of Cheng Mooh Tat and Cheng Mooh Kheng, being our Non-Independent Group Managing Director and Non-Independent Executive Director respectively, in other business activities outside our Group is not expected to require a significant amount of their time or attention as they are not involved in the management and day-to-day operations of those businesses, other than attending meetings of the board of directors on which they serve. As such, their involvement in those business activities outside our Group will not affect their ability to perform their roles and responsibilities as well as their contributions to our Group.

4.2.4 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered to us in their capacities to our Group for the FYEs 31 December 2020 and 2021 are as follows:

FYE 31 December 2020 (Actual)

Name	Directors' fees	Salaries	Bonuses	Allowances and benefits-in-kind	Other emoluments ⁽¹⁾	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Dr. Wan Mohd Kamil bin Wan Nik	-	-	-	-	-	-
Cheng Mooh Tat	1,000	1,030	890	28	303	3,251
Cheng Mooh Kheng	700	540	464	13	212	1,929
Theoh Mooi Teng	600	540	464	-	212	1,816
Tan Peng Lam	-	-	-	-	-	-
Dato' Lim Choon Khim	-	-	-	-	-	-

FYE 31 December 2021 (Proposed)

Name	Directors' fees	Salaries	Bonuses ⁽²⁾	Allowances and benefits-in-kind	Other emoluments ⁽¹⁾	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Dr. Wan Mohd Kamil bin Wan Nik	45	-	-	10	-	55
Cheng Mooh Tat	1,050	1,085	884	18	374	3,411
Cheng Mooh Kheng	750	598	464	13	203	2,028
Theoh Mooi Teng	650	598	464	-	203	1,915
Tan Peng Lam	29	-	-	10	-	39
Dato' Lim Choon Khim	25	-	-	10	-	35

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:

- (1) These comprise contributions to Employees Provident Fund, Social Security Organisation and Employee Insurance Scheme.
- (2) The final bonus will be determined later based on the individual's performance as well as our Group's business performance and cash flows at the time of assessment.

The remuneration of our Directors must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

4.2.5 Board practices

Our Board is responsible in leading and managing our Company in an effective and responsible manner and all our Directors have an equal responsibility for our operations and corporate accountability.

With the limit set by our Constitution, our Board is responsible for the governance and management of our Company, which include reviewing and adopting a strategic plan and direction for our Group, overseeing the conduct and performance of our Group's businesses to evaluate whether our businesses are being properly managed, identifying our Group's principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, establishing a succession plan for our senior management, as well as reviewing the adequacy and the integrity of the management information and internal controls system of our Group.

(i) Audit and Risk Management Committee

Our Audit and Risk Management Committee was formed by our Board on 10 November 2020. The members of our Audit and Risk Management Committee consists of the following:

Name	Designation	Directorship
Tan Peng Lam	Chairman	Independent Non-Executive Director
Dr. Wan Mohd Kamil bin Wan Nik	Member	Independent Non-Executive Chairman
Dato' Lim Choon Khim	Member	Independent Non-Executive Director

Our Audit and Risk Management Committee undertakes, among others, the following functions:

External audits

- (a) to recommend the appointment or re-appointment of external auditors, the audit fee and consider any question of resignation or dismissal of external auditors;
- (b) to assess and monitor the performance (which includes its audit quality and resource capacity), suitability, objectivity and independence of the external auditors on an annual basis to ensure that it is able to carry out its function effectively;

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

- (c) to discuss with the external auditors on any significant audit finding and the management's response, and issues and reservations arising from the annual audits (in the absence of the management where necessary);
- (d) to review with the external auditors, the audit plan as well as the nature and scope of audit including any change to the scope of the audit plan;
- (e) to review the provision of non-audit services by the external auditors;

Internal audits and risk management

- (f) to review and oversee the effectiveness of our internal control system and risk management framework;
- (g) to review the appointment and removal of internal auditors;
- (h) to ensure that the internal auditors adopt a recognised framework in conducting their work;
- (i) to ensure that sufficient resources are allocated for the internal audit function and that it is given access to the necessary information to enable it to carry out its function effectively;
- (j) to review and approve the internal audit charter which defines the purpose, authority, scope and responsibilities of the internal audit function;
- (k) to review the adequacy of the scope, functions and competency of our internal audit function and ensure that our internal audit function is independent from the external audit function, and that it has the necessary authority to carry out their work;
- (l) to review and approve the internal audit plan;
- (m) to review the internal audit reports, discuss major findings or any area of concern or issue in relation to internal controls and procedures with the internal auditors, as well as management's responses, and ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures are identified;
- (n) to monitor the status of implementation of the action plans arising from the issue reported by the internal auditors to ensure they are satisfactorily completed;
- (o) to review the risk profile of our Group (including risk on corporate liabilities) and the plan or course of action to mitigate such risks and assess the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting us;
- (p) to review the independence of the internal audit personnel to ensure they are free from any conflict of interest with our Group in conducting their work;

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Financial reporting

- (q) to review quarterly financial results and year-end financial statements of our Group and the annual reports of our Company, prior to approval by our Board, focusing particularly on:
- changes in accounting policy and its implementation;
 - significant adjustments arising from the audit;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - going concern assumption; and
 - compliance with accounting standards and other legal requirements;

Others

- (r) to review any related party transaction and conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions on management's integrity; and
- (s) to review procedures for detecting fraud and whistle-blowing policy and ensure other arrangements are in place such that our Group is in compliance with the Act, Listing Requirements and other legislative and reporting requirements.

(ii) Nomination Committee

Our Nomination Committee was formed by our Board on 10 November 2020. The members of our Nomination Committee consists of the following:

Name	Designation	Directorship
Dr. Wan Mohd Kamil bin Wan Nik	Chairman	Independent Non-Executive Chairman
Tan Peng Lam	Member	Independent Non-Executive Director
Dato' Lim Choon Khim	Member	Independent Non-Executive Director

Our Nomination Committee undertakes, among others, the following functions:

- (a) to identify and nominate, for the approval of our Board, candidates to fill the Board vacancies as and when the need arises. In making its recommendations, our Nomination Committee shall assess and consider, among others, the background, character, integrity, competencies, skills, knowledge, experience and professionalism of such candidates, as well as the boardroom diversity;
- (b) to recommend to our Board, Directors to fill the seats on Board committees;
- (c) to review the independence and terms of office of the Independent Directors;

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (d) to assess the effectiveness and performance of our Board and Board committees (including its size and composition) and contributions of each individual Director, including Group Managing Director, Executive Directors and Non-Executive Directors;
- (e) to review and define orientation and induction plans for new Directors;
- (f) to develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors;
- (g) to assess the training needs of each Director and review the fulfilment of such training; and
- (h) to review Board and key senior management's succession plans and make recommendations to our Board on succession planning policy for Board committees and management.

(iii) Remuneration Committee

Our Remuneration Committee was formed by our Board on 10 November 2020. The members of our Remuneration Committee consists of the following:

Name	Designation	Directorship
Dato' Lim Choon Khim	Chairman	Independent Non-Executive Director
Dr. Wan Mohd Kamil bin Wan Nik	Member	Independent Non-Executive Chairman
Tan Peng Lam	Member	Independent Non-Executive Director

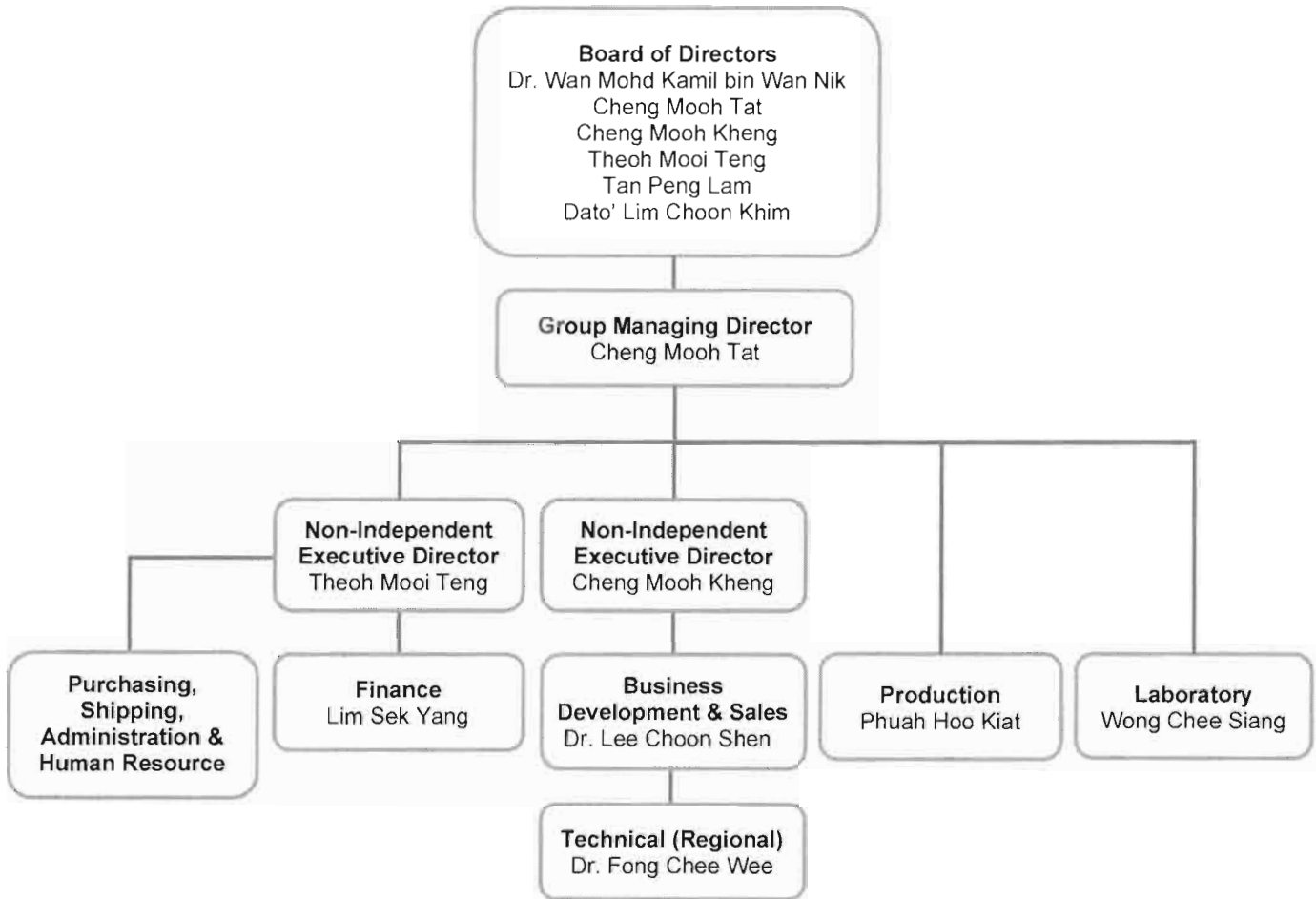
Our Remuneration Committee undertakes, among others, the following functions:

- (a) to recommend to our Board the remuneration policy and package for our Group Managing Director, Executive Directors, Non-Executive Directors and, if applicable, Key Senior Management, to be aligned with their responsibilities and contributions;
- (b) to align remuneration arrangements for our Board that focus on achieving long-term business objectives through formulating incentive arrangements including key performance indicators and performance hurdles;
- (c) to communicate with shareholders on remuneration of our Group Managing Director and Executive Directors, where necessary to promote accountability and transparency; and
- (d) to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any change it considers necessary to our Board for approval.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

4.3 MANAGEMENT REPORTING STRUCTURE

The following chart illustrates the management reporting structure of our Group:



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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**4.4 KEY SENIOR MANAGEMENT****4.4.1 Particulars and shareholdings of our Key Senior Management**

The details of our Key Senior Management, all of whom are Malaysian, and their respective shareholdings in our Company as at LPD and after our IPO (assuming each of our Key Senior Management subscribe in full for their respective entitlements under the allocation to the Eligible Persons as set out in Section 3.3.1(ii)(a) and (b) of this Prospectus) are as follows:

Name	Designation	As at LPD / Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Cheng Mooh Tat	Non-Independent Group Managing Director	43,310,600	18.39	⁽³⁾ 135,000,000	57.31	22,500,000	7.50	⁽³⁾ 135,000,000	45.00
Cheng Mooh Kheng	Non-Independent Executive Director	20,973,200	8.90	⁽³⁾ 135,000,000	57.31	10,500,000	3.50	⁽³⁾ 135,000,000	45.00
Theoh Mooi Teng	Non-Independent Executive Director	-	-	-	-	800,000	0.27	-	-
Dr. Lee Choon Shen	General Manager of Business Development and Sales	-	-	-	-	60,000	0.02	-	-
Dr. Fong Chee Wee	Regional Technical Manager	-	-	-	-	50,000	0.02	-	-
Lim Sek Yang	Deputy General Manager of Finance	-	-	-	-	60,000	0.02	-	-
Phuah Hoo Kiat	Production Manager	-	-	-	-	80,000	0.03	-	-
Wong Chee Siang	Laboratory Manager	-	-	-	-	65,000	0.02	-	-

Notes:

- (1) Based on the total number of 235,569,000 Shares as at LPD.
- (2) Based on the enlarged total number of 300,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his interest in CGH Holdings pursuant to Section 8 of the Act.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Save for Cheng Mooh Tat and Cheng Mooh Kheng who are representatives of CGH Holdings, none of our Key Senior Management are representatives of any corporate shareholder.

4.4.2 Profiles of our Key Senior Management

The profiles of Cheng Mooh Tat, Cheng Mooh Kheng and Theoh Mooi Teng, our Non-Independent Group Managing Director and Non-Independent Executive Directors respectively who are also our Directors are set out in Section 4.1.2(ii), (iii) and (v) of this Prospectus respectively. The profiles of our other Key Senior Management are as follows:

- (i) **Dr. Lee Choon Shen**, a Malaysian aged 39, is our General Manager of Business Development and Sales. He is responsible for overseeing our Group's business development and marketing activities and its related activities.

Dr. Lee graduated with a Doctor of Veterinary Medicine from Universiti Putra Malaysia, Selangor in May 2007. He is a member of the Veterinary of Malaysia since 2007, a member of the World's Poultry Science Association (Malaysia branch) since 2013 and a Life Member of the Veterinary Association of Malaysia since 2015.

Dr. Lee began his career at Sunzen Corporation Sdn Bhd in June 2007 as a Field Service Veterinarian where he was involved in providing technical services and marketing of the company's animal health products. Sunzen Corporation Sdn Bhd is a subsidiary of Sunzen Biotech Berhad, a company listed on the ACE Market of Bursa Securities and is involved in, among others, the manufacturing and marketing of animal health products.

Dr. Lee then left the company in September 2012 and joined HIPRA Malaysia Sdn Bhd in October 2012, a veterinary pharmaceutical company, as a Regional Technical and Marketing Manager where he oversaw the technical support and marketing activities for the company's poultry products in selected South East Asia and Taiwan markets. Thereafter, he was appointed as a director of HIPRA Malaysia Sdn Bhd in December 2012. He was then reassigned as a Business Manager cum Technical and Marketing Manager in January 2015, where his responsibilities included overseeing the sales and marketing activities for products catered for swine and poultry subsectors in Malaysia.

Subsequently, Dr. Lee left the company and joined Yenher Agro in January 2016, as a Regional Manager where his responsibilities included overseeing the company's distribution activities. He was also involved in overseeing new product registrations and expanding the company's products portfolio. He was then promoted to his current position in August 2018.

- (ii) **Dr. Fong Chee Wee**, a Malaysian aged 40, is our Regional Technical Manager. He is responsible for overseeing the provision of technical services and technical and marketing support to our Group's customers in the poultry and swine subsectors.

Dr. Fong graduated with a Doctor of Veterinary Medicine from Universiti Putra Malaysia, Selangor in June 2007. He is a Life Member of the Veterinary Association of Malaysia since 2015.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Dr. Fong began his career in June 2007 as a Field Service Veterinarian with Sunzen Corporation Sdn Bhd. In his role, he was involved in providing technical services and marketing of the company's animal health products. He was later promoted as a Technical Manager in 2012.

Dr. Fong left the company and joined HIPRA Malaysia Sdn Bhd in January 2015 as a Poultry Technical Manager, where he was responsible for overseeing the provision of technical services and marketing of the company's poultry products. He then left in May 2016 and joined Yenher Agro in his current position in June 2016.

- (iii) **Lim Sek Yang**, a Malaysian aged 41, is our Deputy General Manager of Finance. He is responsible for overseeing the finance and accounting functions of our Group.

Mr. Lim graduated with a Bachelor of Accountancy (Hons) from Universiti Utara Malaysia in Kedah in September 2005. He is a member of the Malaysian Institute of Accountants since 2009 and a member of the Chartered Institute of Management Accountants since 2017.

Mr. Lim began his career at Ernst & Young, an accounting firm in July 2005, as an Associate in the assurance and advisory business services division and was subsequently promoted to Senior Associate in 2007. During his stint with Ernst & Young, he was involved in conducting statutory financial audits and special audits (which included consolidation for private and public limited companies in various industries).

Mr. Lim left the firm in November 2007 and joined AWS Sales & Services Sdn Bhd in November 2007 as a Senior Accounts Executive. He then left the company in May 2008 and joined Armstrong Auto Parts Sdn Bhd in June 2008 as an Assistant Manager in the accounts department where he oversaw the company's financial and accounting functions. Armstrong Auto Parts Sdn Bhd is a subsidiary of Oriental Holdings Berhad, a company listed on the Main Market of Bursa Securities and is involved in, among others, the manufacturing and distribution of automotive parts. Thereafter, he was transferred to the company's branch office in Perai in 2011 where he was responsible for overseeing the daily operations of the branch's accounts department, human resources payroll and security function as well as overseeing the finance operations of the company's subsidiary plant located in Vietnam.

Mr. Lim then left the company and joined ZF Chassis Systems Sdn Bhd in November 2012, a manufacturer of automotive parts, as a Finance and Controlling Manager where his responsibilities included setting up and overseeing the daily operations of the company's finance and controlling department. He was subsequently appointed as the Plant Compliance Delegate in 2013 to oversee the company's compliance with the provisions of law and its internal rules.

Subsequently, Mr. Lim left the company and joined Yenher Agro as a Finance Manager in July 2017 and was then promoted to his current position in January 2021.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (iv) **Phuah Hoo Kiat**, a Malaysian aged 62, is our Production Manager. He completed his Malaysian Certificate of Education/Sijil Pelajaran Malaysia (SPM) from Sekolah Menengah Kebangsaan St Mark, Butterworth, Pulau Pinang in 1977. He has also obtained a Certificate in Quality Management from the Federation of Malaysian Manufacturers in 1996 and obtained a Diploma in Quality Management from the University of Portsmouth, London in 1998.

Mr. Phuah began his career as a clerk in Ng Kim Kang Associates, an insurance agency, in 1977 where he was responsible for preparing insurance proposals for clients as well as providing insurance calculations for agents.

Mr. Phuah left the agency and subsequently joined Chocolate Products (Malaysia) Berhad (*currently known as Lion Diversified Holdings Berhad*) in December 1980 as a Process Quality Technician where his responsibilities included implementing quality control measures. Chocolate Products (Malaysia) Berhad was previously involved in, among others, the manufacturing and sales of malted cocoa beverages and was listed on the Main Market of Bursa Securities in 1982. It changed to its current name in 2003. Mr. Phuah was promoted to Production Supervisor in 1989 and subsequently to Production Officer in 1992, where he was responsible for supervising the production activities of the company.

Mr. Phuah then left the company in July 2000 and joined Interfood Processing Industry Ltd (*currently known as Interfood Shareholding Company*) located in Vietnam in December 2000, as a Production Manager where he oversaw the company's production of beverages. Interfood Shareholding Company is listed on the Ho Chi Minh Stock Exchange and is involved in, among others, the processing of carbonated and non-carbonated beverages.

Mr. Phuah left the company and joined Yikon Jewellery Industry Sdn Bhd in August 2002, as a Production Executive. He was subsequently promoted to Assistant Production Manager in 2003 and thereafter promoted to Production Manager in 2004. During his stint in Yikon Jewellery Industry Sdn Bhd, he was responsible for overseeing the company's day-to-day production activities. Yikon Jewellery Industry Sdn Bhd was previously involved in the trading of gold, gold jewellery and ornaments, and was previously a subsidiary of Yikon Corporation Berhad, a company listed on Main Market of Bursa Securities before changing its name to Niche Capital Emas Holdings Berhad in 2011.

Subsequently, Mr. Phuah left the company and joined Yenher Agro in June 2008 as a Production Supervisor where he was responsible for supervising the company's manufacturing activities. Thereafter, he was promoted to his current position in September 2012.

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

- (v) **Wong Chee Siang**, a Malaysian aged 36, is our Laboratory Manager. He is responsible for leading our Group's R&D projects. He is also responsible for the development and validation of test methods (which include microbiological testing, chemical testing and serology testing) and procedures.

Mr. Wong graduated from Zhejiang University in the PRC in 2007 with a Bachelor of Science in Biotechnology. He is a member of the Institut Kimia Malaysia since 2016.

Mr. Wong began his career in November 2007 as a Chemist with Jaya Laboratories Sdn Bhd, a company involved in providing laboratory analyses services for various industries and a supplier of laboratory equipment for analytical uses in industries such as food, safety and health. As a Chemist, he was responsible for conducting laboratory analyses and calibration of laboratory equipment.

Mr. Wong then left the company in January 2009 and joined My CO2 Sdn Bhd in March 2009, a company involved in the provision of laboratory analytical testing services for various applications, ranging from product assessments, safety and health applications and certification purposes. He joined the company as a Senior Chemist where his responsibilities included performing analytical testing and review of quality assurance documentations.

Thereafter, Mr. Wong left the company in March 2013 and joined Yenher Agro as a Senior Chemist in May 2013, where his responsibilities included performing chemical testing and maintenance of laboratory equipment. He was subsequently promoted to his current position in January 2015.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**4.4.3 Involvement of our Key Senior Management in other principal business activities outside our Group**

The principal business activities performed by our Key Senior Management outside our Group as at LPD and their present directorships in companies outside our Group and in the past five (5) years preceding LPD, other than Cheng Mooh Tat, Cheng Mooh Kheng and Theoh Mooi Teng which are set out in Section 4.2.3 of this Prospectus, are as follows:

Name	Name of company	Principal activities	Date of appointment	Date of resignation	Involvement in business activities
Dr. Lee Choon Shen	<u>Present directorships:</u> Converb Talent Sdn Bhd	Provide consultation on neuro-analysis test to different age group	24 May 2019	N/A	Director and shareholder with 50.00% equity interest
	MTC Properties (M) Sdn Bhd	Investment holding (properties and shares)	N/A	N/A	Shareholder with 2.00% equity interest
	Venture 5 Sdn Bhd	Provide natural therapy and homeopathy therapy services	11 June 2018	N/A	Director and shareholder with 33.00% equity interest
	<u>Past directorships:</u> Nil	-	-	-	-
Dr. Fong Chee Wee	<u>Present directorships:</u> Venture 5 Sdn Bhd	Provide natural therapy and homeopathy therapy services	11 June 2018	N/A	Director and shareholder with 13.00% equity interest
	<u>Past directorships:</u> Nil				
Lim Sek Yang	<u>Present directorships:</u> Trigent PLT	Direct sales or door-to-door sales of any kind of product	N/A	N/A	Partner with 33.00% equity interest
	<u>Past directorships:</u> Yves Food Supplies	Sales of animal food products	N/A	N/A	Partner without equity interest (left the partnership on 28 November 2018)

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

<u>Name</u>	<u>Name of company</u>	<u>Principal activities</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Involvement in business activities</u>
Phuah Hoo Kiat	<u>Present directorships:</u> Nil				
	<u>Past directorships:</u> Nil				
Wong Chee Siang	<u>Present directorships:</u> Mee Hiong Yuen Trading Sdn Bhd	Trading in groundnuts and confectionary	N/A	N/A	Shareholder with 20.00% equity interest
	<u>Past directorships:</u> Nil				

The involvement of our Key Senior Management in other business activities outside our Group is not expected to require a significant amount of their time or attention as they are not involved in the management and day-to-day operations of those businesses as those businesses are managed by their respective management teams. As such, their involvement in those business activities outside our Group will not affect their ability to perform their roles and responsibilities as well as their contributions to our Group.

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4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

4.4.4 Remuneration and material benefits-in-kind of our Key Senior Management

The aggregate remuneration and material benefits-in-kind of our Non-Independent Group Managing Director and Non-Independent Executive Directors who are also part of our Key Senior Management are set out in Section 4.2.4 of this Prospectus. The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our other Key Senior Management for services rendered to us in their capacities to our Group for the FYEs 31 December 2020 and 2021 are as follows:

Name	Remuneration band	
	FYE 31 December	
	2020 (Actual)	2021 (Proposed)
	(RM'000)	(RM'000)
Dr. Lee Choon Shen	200 to 250	200 to 250
Dr. Fong Chee Wee	150 to 200	150 to 200
Lim Sek Yang	150 to 200	150 to 200
Phuah Hoo Kiat	100 to 150	100 to 150
Wong Chee Siang	100 to 150	100 to 150

4.5 SERVICE CONTRACTS

As at LPD, we do not have any existing or proposed service contract with our Directors or Key Senior Management, which provides for benefits upon termination of employment.

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

Save as disclosed below, there is no association or family relationship between any of our Promoters, substantial shareholders, Directors and Key Senior Management as at LPD:

Name	Position	Relationship
Cheng Mooh Tat	Promoter, substantial shareholder, Non-Independent Group Managing Director as well as directors of Yenher Agro and Yenher Biotech	- Spouse of Theoh Mooi Teng - Brother of Cheng Mooh Chye and Cheng Mooh Kheng - Director and substantial shareholder of CGH Holdings
Cheng Mooh Kheng	Promoter, substantial shareholder, Non-Independent Executive Director as well as directors of Yenher Agro and Yenher Biotech	- Brother of Cheng Mooh Chye and Cheng Mooh Tat - Brother-in-law of Theoh Mooi Teng - Director and substantial shareholder of CGH Holdings
Cheng Mooh Chye	Promoter, substantial shareholder as well as directors of Yenher Agro and Yenher Biotech	- Brother of Cheng Mooh Tat and Cheng Mooh Kheng - Brother-in-law of Theoh Mooi Teng - Director and substantial shareholder of CGH Holdings

4. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Name	Position	Relationship
Theoh Mooi Teng	Promoter and Non-Independent Executive Director	- Spouse of Cheng Mooh Tat - Sister-in-law of Cheng Mooh Chye and Cheng Mooh Kheng

4.7 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Our Promoters, Directors and Key Senior Management have confirmed that, as at LPD, he or she or it is not or has not been involved in any of the following events (whether in or outside Malaysia):

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

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5. INFORMATION ON OUR GROUP

5.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Act on 9 March 2020 as a private company limited by shares under the name of Yenher Holdings Sdn Bhd. On 3 November 2020, our Company was converted to a public limited company to facilitate our Listing.

We are an investment holding company. Through our subsidiaries, we are principally involved in the manufacturing and distribution of animal health and nutrition products.

5.1.1 Formation of our Group

Our Group was formed through the following acquisition exercises:

(i) Acquisition of Yenher Agro

On 28 August 2020, our Company entered into a conditional share sale agreement with the previous shareholders of Yenher Agro as detailed below ("**Vendors**") to acquire the entire equity interest in Yenher Agro of RM2,000,000 comprising 2,000,000 ordinary shares in Yenher Agro for a purchase consideration of RM117,784,499. The purchase consideration was wholly satisfied via the issuance of 235,568,998 new Shares at an issue price of RM0.50 per Share to the following Vendors:

Name	No. of shares acquired	% acquired	No. of new Shares issued
Cheng Mooh Tat	949,960	47.50	111,890,599
Cheng Mooh Kheng	460,020	23.00	54,183,199
Cheng Mooh Chye	460,020	23.00	54,183,200
Yeoh Ngong Koke	80,000	4.00	9,422,800
Boon Jenn Woei	50,000	2.50	5,889,200
Total	2,000,000	100.00	235,568,998

The purchase consideration of Yenher Agro of RM117,784,499 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Yenher Agro as at 30 June 2020 of RM117,784,698. The acquisition of the entire equity interest in Yenher Agro by our Company was completed on 28 August 2020.

(ii) Acquisition of Yenher Biotech

On 28 August 2020, our Company entered into a conditional share sale agreement with Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, being the previous shareholders of Yenher Biotech, to acquire the entire equity interest in Yenher Biotech of RM250,000 comprising 250,000 ordinary shares in Yenher Biotech for a purchase consideration of RM1.00. The purchase consideration was wholly satisfied in cash.

The purchase consideration of RM1.00 was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited net liabilities of Yenher Biotech as at 30 June 2020 of RM12,569. The acquisition of the entire equity interest in Yenher Biotech by our Company was completed on 28 August 2020.

5. INFORMATION ON OUR GROUP (Cont'd)

5.1.2 Share capital

As at the date of this Prospectus, our issued share capital is RM117,784,501 comprising 235,569,000 Shares. The changes in our issued share capital since the date of our incorporation are as follows:

Date of allotment	No. of Shares allotted	Nature of transaction	Cumulative issued share capital (RM)
9 March 2020	2	Subscribers' shares	2
28 August 2020	235,568,998	Other than cash (pursuant to the Acquisition of Yenher Agro)	117,784,501

None of our Shares were issued at a discount, on special terms or based on instalment payment terms.

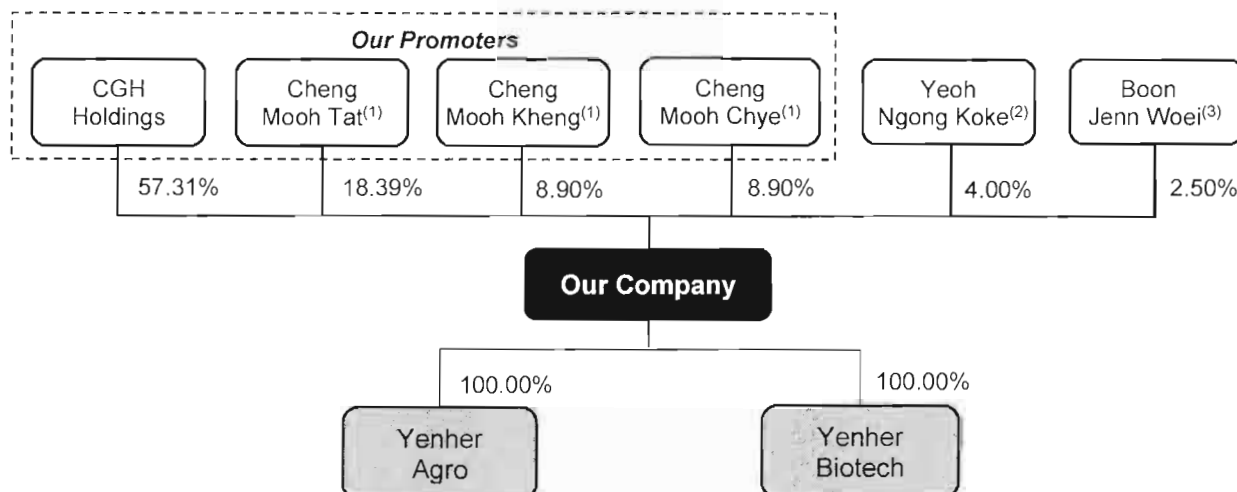
Upon completion of our IPO, our enlarged issued share capital will increase to RM177,384,951 comprising 300,000,000 Shares.

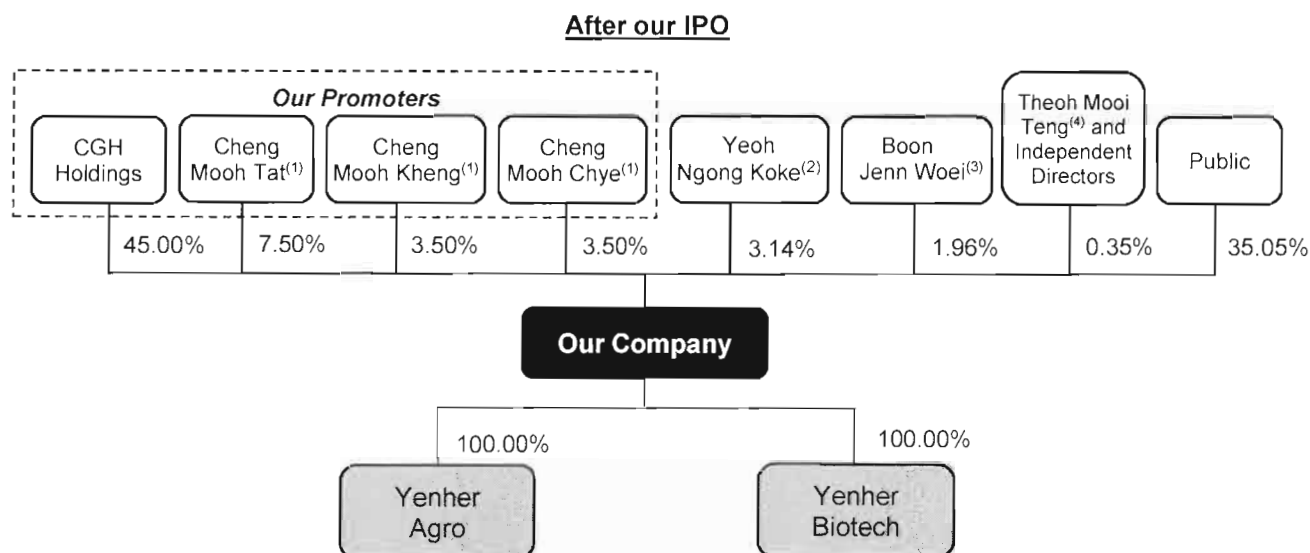
As at the date of this Prospectus, we do not have any outstanding warrant, option, convertible security or uncalled capital in respect of our Shares.

5.2 OUR GROUP STRUCTURE

Our Group structure as at the date of this Prospectus and after our IPO are set out as follows:

As at the date of this Prospectus



5. INFORMATION ON OUR GROUP (Cont'd)**Notes:**

- (1) Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye are brothers. They are also the directors and major shareholders of CGH Holdings.
- (2) Yeoh Ngong Koke is the brother-in-law of Theoh Mooi Teng, who is our Non-Independent Executive Director and also the spouse of Cheng Mooh Tat.
- (3) Boon Jenn Woei is a close acquaintance of Cheng Mooh Tat. He is not related to any of our Promoters, substantial shareholders, Directors and Key Senior Management.
- (4) Theoh Mooi Teng is also our Promoter.

5.3 OUR SUBSIDIARIES

Our subsidiaries as at the date of this Prospectus are as follows:

Name and registration no.	Date and country of incorporation	Issued share capital	Our effective equity interest	Principal activities
Yenher Agro (199101012143 (222455-P))	7 August 1991 Malaysia	RM2,000,000	100.00%	Manufacturing, supplying and marketing of animal health and nutrition products for livestock and companion animals
Yenher Biotech (201601015982 (1186913-T))	10 May 2016 Malaysia	RM250,000	100.00%	Manufacturing of animal feed ingredients and agricultural products using biotechnology and undertaking R&D activities in the related fields

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

The details of our subsidiaries are set out below:

5.3.1 Yenher Agro

(i) History and business

Yenher Agro was incorporated in Malaysia under the Companies Act 1965 on 7 August 1991 as a private company limited by shares under the name of Yenher Agro-Products Sdn Bhd and is deemed registered under the Act. The principal activity of Yenher Agro is manufacturing, supplying and marketing of animal health and nutrition products for livestock and companion animals.

The principal place of business of Yenher Agro is No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.

(ii) Share capital

As at LPD, the issued share capital of Yenher Agro is RM2,000,000 comprising 2,000,000 ordinary shares.

There is no change in the issued share capital of Yenher Agro for the past four (4) FYEs 31 December 2017 to 2020 and up to LPD.

None of the ordinary shares of Yenher Agro were issued at a discount, on special terms or based on instalment payment terms.

As at LPD, Yenher Agro does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

(iii) Shareholder and directors

Yenher Agro is a wholly-owned subsidiary of our Company. The directors of Yenher Agro are Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye and Theoh Mooi Teng.

(iv) Subsidiary and associated company

As at LPD, Yenher Agro does not have any subsidiary or associated company.

5.3.2 Yenher Biotech

(i) History and business

Yenher Biotech was incorporated in Malaysia under the Companies Act 1965 on 10 May 2016 as a private company limited by shares under the name of Yenher Biotech Sdn Bhd and is deemed registered under the Act. The principal activity of Yenher Biotech is manufacturing of animal feed ingredients and agricultural products using biotechnology and undertaking R&D activities in the related fields.

The principal place of business of Yenher Biotech is No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.

5. INFORMATION ON OUR GROUP (Cont'd)**(ii) Share capital**

As at LPD, the issued share capital of Yenher Biotech is RM250,000 comprising 250,000 ordinary shares.

The changes in the issued share capital of Yenher Biotech for the past four (4) FYEs 31 December 2017 to 2020 and up to LPD are as follows:

<u>Date of allotment</u>	<u>No. of shares allotted</u>	<u>Nature of transaction</u>	<u>Cumulative issued share capital (RM)</u>
3 May 2017	249,900	Cash	250,000

None of the ordinary shares of Yenher Biotech were issued at a discount, on special terms or based on instalment payment terms.

As at LPD, Yenher Biotech does not have any outstanding warrant, option, convertible security or uncalled capital in respect of its shares.

(iii) Shareholder and directors

Yenher Biotech is a wholly-owned subsidiary of our Company. The directors of Yenher Biotech are Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye.

(iv) Subsidiary and associated company

As at LPD, Yenher Biotech does not have any subsidiary or associated company.

As at LPD, neither our Company nor our subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

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6. BUSINESS OVERVIEW

6.1 OVERVIEW AND HISTORY

Our Group is principally involved in the manufacturing and distribution of animal health and nutrition products. Under our manufacturing operations, we manufacture premixes, complete feed, formulated products and biotech animal feed ingredients mainly for the poultry and swine subsectors. Our distribution segment, on the other hand, focuses on the distribution of feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products, that cater for the poultry, swine, ruminants, aquaculture and companion animals subsectors. To complement and support the sales of our manufactured and distribution products, we also provide value-added diagnostic and material analyses services ranging from microbiological tests, chemical tests to serology tests for our customers. We also provide complimentary consulting services relating to farm management, disease diagnoses and development of animal health programmes such as farm bio-security measures, vaccination programmes and animal nutrition feeding plans to our customers.

Our Group's history dates back to 1982 with the establishment of Guan Hoe Farming & Trader ("**GHF&T**") in Pulau Pinang by Cheng Guan Hoe, the father of Cheng Mooh Chye, Cheng Mooh Tat and Cheng Mooh Kheng, as a trader of animal health and nutrition products focusing on the distribution of veterinary pharmaceuticals. Cheng Mooh Tat joined the family business later in the 1980's. In 1991, Cheng Mooh Tat established Yenher Agro with Danberg (M) Sdn Bhd ("**Danberg**"), one of GHF&T's suppliers, to expand the trading of animal health and nutrition products to include premixes, feed additives and vitamins. Yenher Agro began its operations in Permatang Tinggi, Seberang Perai Tengah, Pulau Pinang with a focus on the swine subsector, providing premixes to customers located in Pulau Pinang. In 1993, Cheng Guan Hoe Holdings Sdn Bhd, an investment holding vehicle held by Cheng Guan Hoe and his children namely, Cheng Mooh Chye, Cheng Mooh Tat, the late Cheng Mooh Lim and Cheng Mooh Kheng, acquired Danberg's entire 51% stake in Yenher Agro and subsequently in the same year, the entire stake of Cheng Guan Hoe Holdings Sdn Bhd in Yenher Agro was transferred to Cheng Guan Hoe and his children. GHF&T was then dissolved in 1993 as the Cheng family decided to consolidate all of their businesses under Yenher Agro.

In 1993, our Group's customer network expanded to Perak and in 1996, our Group moved into a rented premises located in Taman Cegar, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang ("**Taman Cegar Rented Premises**"). In this rented premises, we set up a small-scale manual mixing facility, a warehouse and an administration office. The move to this premises also marked our entry into the manufacturing segment where we began manufacturing our first premix product that was marketed under the 'Yenmix®' brand.

In 1997, we expanded overseas by appointing PT Nutrimax Prima Perkasa, an Indonesian company based in Medan, as our sub-distributor to distribute a limited range of our in-house animal feed and nutrition products in Medan, Indonesia. Subsequently, in 2007, it was appointed as a full-fledged distributor to distribute the full range of our in-house animal feed and nutrition products. The expansion into the overseas market was aimed at diversifying our business risks as our Group's principal market was then solely in Malaysia.

In 2003, we moved from the Taman Cegar Rented Premises into our current head office located at No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang. In the same year, we also expanded our business to Sarawak and subsequently established a sales office and a warehouse in Kuching, Sarawak in 2006 and 2016 respectively.

In 2008, we completed the construction of a new manufacturing plant at No. 1684, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang to manufacture animal feed premixes. The manufacturing plant is equipped with a single shaft paddle mixer for increased efficiency and its processes were assessed and certified to comply with the GMP by the National Pharmaceutical Regulatory Agency and the Department of Veterinary Services Malaysia in 2010 and 2017 respectively.

6. BUSINESS OVERVIEW (Cont'd)

In 2012, our Group established an in-house laboratory which allows us to perform various value-added diagnostic and material analyses for our customers, which include microbiological tests, chemical tests and serology tests. Our various analyses allow us to assess the performance and stability of our products consumed by our customers' livestock which also form part of our quality control testing. In the same year, we rented a warehouse at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang ("**Rented Premises**") to cater to the increasing demand for our manufactured and distribution products.

In 2013, our quality management system was assessed and accredited with the ISO 9001:2008 certification from the European Quality Assurance under the scope "design, development and producing of animal feed premix". In 2018, our quality management system was reassessed and accredited with the ISO9001:2015 certification from the Joint Accreditation System of Australia and New Zealand under the same scope.

In 2013, we also launched our 'Green iDeal Protein' concept of premix products. The 'Green iDeal Protein' concept is a result of an internal study which analyses the optimum nutrient level in livestock's diet by adjusting the crude protein levels in their feed. It optimises the utilisation of feed resources, leading to reduced wastage and environmental pollution as well as improved animals' nutrient management and digestibility. Further information on our 'Green iDeal Protein' concept is set out in Section 6.3.1.1 of this Prospectus. Following this, in 2015, our Group was awarded "Outstanding Product Innovation – Animal Health Product" at the Livestock Asia Expo and Forum 2015 held in Kuala Lumpur, Malaysia.

In the same year, we also appointed a distributor, Godofgideon Nigeria Ltd, to distribute our full range of in-house animal feed and nutrition products in West Africa which marked our maiden venture into the region.

In 2016, we established Yenher Biotech to venture into the production of animal feed ingredients with the use of biotechnology as well as to conduct R&D activities at the Rented Premises. In 2017, Yenher Biotech obtained BioNexus status from Malaysian Bioeconomy Development Corporation Sdn Bhd which provides, among others, 100% tax exemption for Yenher Biotech's statutory income as well as exemption of import duty and sales tax for imported raw materials and imported machinery and equipment for a period of five (5) years.

In 2018, we successfully launched 'YenSoy®' and 'YenPalm RH®', which are animal feed ingredients produced through the fermentation of soybean meal and palm kernel meal respectively, using our in-house biotechnology process. Both 'YenSoy®' and 'YenPalm RH®' aim at improving the nutritional qualities of feed and nutrient digestibility. In addition, 'YenPalm RH®' is also a source of peptide, probiotic, acidifier, fibre and toxin binder to the livestock.

In 2020, we established a branch in Taichung, Taiwan, the Republic of China, to venture into the distribution of animal health and nutrition products focusing on our in-house premixes, formulated products, biotech animal feed ingredients as well as third party veterinary pharmaceuticals and companion animal products in the country. In the same year, we have also appointed two (2) distributors, namely Shivani Traders and Animed, to distribute our full range of in-house animal feed and nutrition products in Pakistan and South Korea, respectively.

Over the years, our Group has evolved from solely being a distributor to a manufacturer and distributor of animal health and nutrition products. We have also expanded our customer network to international markets by appointing four (4) distributors as at LPD, one (1) each in Indonesia (in 1997), Nigeria (in 2015), Pakistan (in 2020) and South Korea (in 2020) and establishing a branch in Taiwan in 2020. Besides this, we also have direct purchases from customers based in Hong Kong (since 2005), Brunei (since 2011), Vietnam (since 2011), South Korea (since 2016), Belgium (since 2018), Pakistan (since 2019), Thailand (since 2019), Singapore (since 2020) and Taiwan (since 2020).

6. BUSINESS OVERVIEW *(Cont'd)*

6.2 OUR KEY BUSINESS MILESTONES

The following table highlights the key milestones of our business:

Year	Key milestone
1991	Incorporated Yenher Agro to venture into the distribution of animal health and nutrition products
1996	Commenced manufacturing activities and launched our first brand of premixes under the 'Yenmix®' brand
1997	Entered the Indonesian animal health market by appointing PT Nutrimax Prima Perkasa as a sub-distributor to distribute a limited range of our in-house animal feed and nutrition products in Medan, Indonesia. Subsequently, in 2007, it was appointed as a full-fledged distributor to distribute the full range of our in-house animal feed and nutrition products
2003	- Moved from the rented premises at Taman Cegar, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang to our current head office located at No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang - Expanded our business to Sarawak
2006	Established a sales office in Kuching, Sarawak
2008	Completed the construction of our animal feed premix manufacturing plant with a single shaft paddle mixer located in Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang
2010	Our animal feed premix manufacturing plant was certified GMP-compliant by the National Pharmaceutical Regulatory Agency
2012	- Set up an in-house laboratory to provide various value-added diagnostic and material analyses services for our customers which allow us to assess the performance and stability of our products consumed by our customers' livestock which also form part of our quality control testing - Expanded our warehousing facilities to include the rented premises at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang
2013	- Obtained ISO 9001:2008 Quality Management System certification from the European Quality Assurance under the scope "design, development and producing of animal feed premix" - Launched our 'Green iDeal Protein' concept of premix products that is formulated to improve, among others, animals' nutrient management and digestibility
2015	- Awarded "Outstanding Product Innovation – Animal Health Product" at the Livestock Asia Expo and Forum 2015 - Appointed Godofgideon Nigeria Ltd as a distributor to distribute our full range of in-house animal feed and nutrition products in West Africa
2016	- Incorporated Yenher Biotech to venture into the production of animal feed ingredients using biotechnology and to undertake R&D activities - Established a warehouse in Kuching, Sarawak to facilitate our logistics processes in East Malaysia
2017	- Yenher Biotech obtained BioNexus status from Malaysian Bioeconomy Development Corporation Sdn Bhd - Our animal feed premix manufacturing plant was certified GMP-compliant by the Department of Veterinary Services Malaysia

6. BUSINESS OVERVIEW (Cont'd)

Year	Key milestone
2018	▪ Launched our first biotech animal feed ingredients, 'YenSoy®' and 'YenPalm RH®', which are produced through the fermentation of soybean meal and palm kernel meal respectively ▪ Our quality management system was reassessed and accredited with the ISO9001:2015 certification from the Joint Accreditation System of Australia and New Zealand under the same scope i.e. design, development and producing of animal feed premix
2020	▪ Established a branch in Taichung, Taiwan, the Republic of China to venture into the distribution of animal health and nutrition products in the country ▪ Appointed Shivani Traders and Animed as distributors to distribute our full range of in-house animal feed and nutrition products in Pakistan and South Korea, respectively

6.3 OUR PRINCIPAL ACTIVITIES

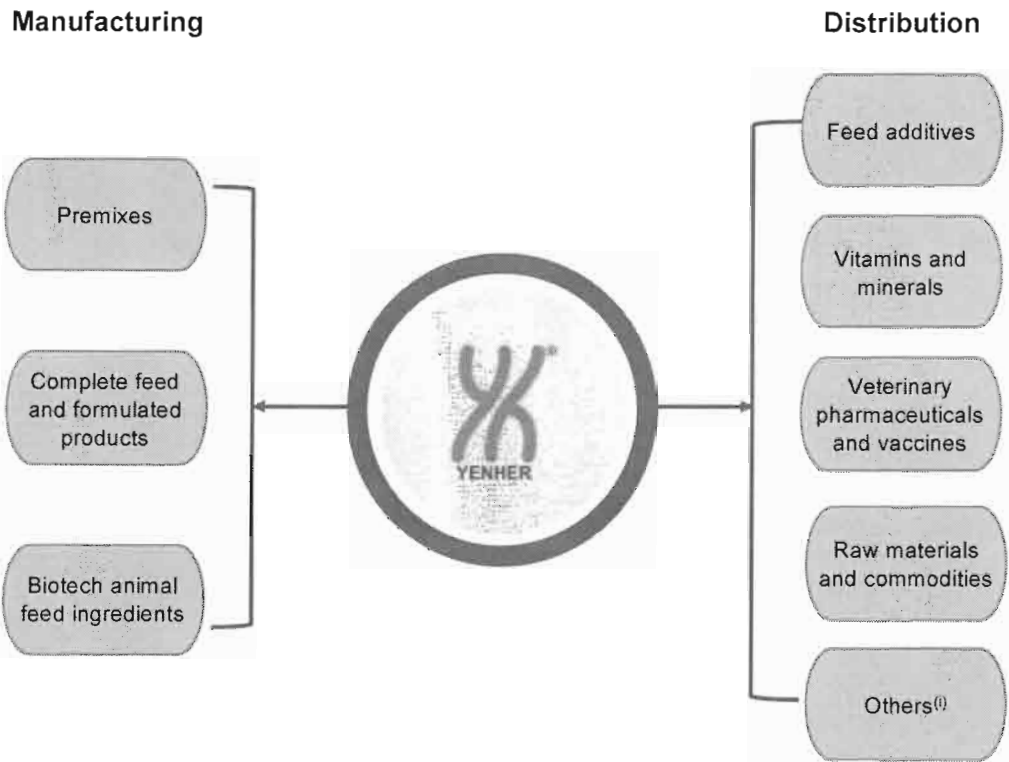
Our Group is principally involved in the manufacturing and distribution of animal health and nutrition products. Under our manufacturing operations, we manufacture premixes, complete feed, formulated products and biotech animal feed ingredients mainly for the poultry and swine subsectors. On the other hand, our distribution segment focuses on the distribution of feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products, that cater for the poultry, swine, ruminants, aquaculture and companion animals subsectors. We also distribute raw materials and commodities such as cereals and grains used in producing animal feed.

To complement and support the sales of our manufactured and distribution products, we also provide value-added diagnostic and material analyses services for our customers. We are capable of performing an array of tests at our in-house laboratory ranging from microbiological testing, mycotoxin detection, serology tests, antibiotic sensitivity tests, polymerase chain reaction tests for disease identification, near-infrared spectroscopy to high performance liquid chromatography tests. These analyses allow us to assess the performance and stability of our products consumed by our customers' livestock which also form part of our quality control testing. We also have a team of veterinarians located throughout Malaysia who provide complimentary consulting services ranging from farm management to disease diagnoses to development of animal health programmes such as farm bio-security measures, vaccination programmes and animal nutrition feeding plans to our customers.

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6. BUSINESS OVERVIEW (Cont'd)

Our principal activities are depicted in the diagram below:

**Note:**

- (i) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

Our principal market is in Malaysia which contributed approximately RM163.51 million or 91.31% of our revenue for the FYE 31 December 2019, while the remaining RM15.56 million or 8.69% was contributed by our export markets which include Indonesia, Brunei, Hong Kong and Pakistan. For the FYE 31 December 2020, Malaysia remains our largest market, contributing approximately RM181.91 million or 89.77% of our revenue for the year, while the export markets contributed approximately RM20.72 million or 10.23%.

Our customers are mainly farmers, feed millers as well as livestock integrators operating in the poultry and swine subsectors. Livestock integrators are commercial farming companies with integrated operations which are involved in both upstream and downstream activities within the relevant livestock subsector. Through our range of products and services, we work with our customers to ensure that the health of their livestock and livestock production are taken care of.

6. BUSINESS OVERVIEW (Cont'd)

6.3.1 Manufacturing of animal feed and nutrition products

The animal feed and nutrition products that we manufacture are as follows:

6.3.1.1 Premixes

Premixes are a combination of ingredients that are added in small quantities to basic feed. As basic feed may not meet the livestock's total dietary needs, premixes are added to basic feed to provide specific health or nutritional effects. This can range from providing balanced nutrition, enhancing digestion, controlling intestinal health to improving end-product quality and yield (such as quality of eggs and meat). It is a value-added product which complements animal feed and generally consist of a mixture of vitamins, minerals, enzymes, amino acids, antioxidants, anti-fungus, probiotics and prebiotics.

Our Group manufactures a range of premixes for poultry and swine of different age-groups under our 'Yenmix®' brand. Our premixes are formulated according to our 'Green iDeal Protein' concept, where we use our own in-house formula to develop optimum levels of nutrients in our premixes with the aim of providing livestock with sufficient levels of protein according to its needs while reducing the faeces being excreted by the livestock, as these excretions contain nitrogen and ammonia which will harm the environment in the long run. As such, our 'Green iDeal Protein' premixes also improve the livestock's feed conversion ratio.

In addition, we also produce customised premixes where dosages of premix ingredients are adjusted according to customers' needs and requirements, which range from improving fertility, strengthening of egg shells to improving feed conversion ratio.

Our main products of premixes are as follows:

Stages of growth	Poultry	Swine
Pre-starter	 Yenmix® Broiler Pre-Starter The 'Yenmix® Broiler Pre-Starter' is used to enhance the growth of broilers aged between one (1) to seven (7) days old.	 Yenmix® Pig Pre-Starter The 'Yenmix® Pig Pre-Starter' is used to enhance the growth of piglets with body weight ranging from 10kg to 25kg.

6. BUSINESS OVERVIEW (Cont'd)

Stages of growth	Poultry	Swine
Starter	 Yenmix® Broiler Starter The 'Yenmix® Broiler Starter' is used to enhance the growth of broilers aged between eight (8) to 15 days old.	 Yenmix® Pig Starter The 'Yenmix® Pig Starter' is used to enhance the growth of piglets with body weight ranging from 26kg to 55kg.
Grower	 Yenmix® Broiler Grower The 'Yenmix® Broiler Grower' is used to enhance the growth of broilers aged between 16 to 25 days old.	 Yenmix® Pig Grower The 'Yenmix® Pig Grower' is used to enhance the growth of swine with body weight ranging from 56kg to 75kg.
Finisher	 Yenmix® Broiler Finisher The 'Yenmix® Broiler Finisher' is used to enhance the growth of broilers aged 26 days old and above.	 Yenmix® Pig Finisher The 'Yenmix® Pig Finisher' is used to enhance the growth of swine with body weight above 75kg before they are marketed.

6. BUSINESS OVERVIEW (Cont'd)

6.3.1.2 Complete feed and formulated products

Complete feed is a feed formulated to provide livestock with the adequate amount of nutritional energy, protein, vitamin and mineral requirements for them to grow. It is formulated by adding, among others, premixes, biotech animal feed ingredients and other feed additives to macronutrients such as corn, soybean and grains.

Our complete feed products include the following:



Creep Feed

'Creep Feed' is recommended for piglets as it facilitates their transition from consuming sow's milk to solid feed. It contains an optimum mixture of easily-digestible ingredients that meet the nutritional needs of piglets. This product improves the piglet's survival rates, growth as well as general health.



Pig Boar Feed

'Pig Boar Feed' is recommended for boars with body weight over 140kg. This product contains a balanced formulation of nutrients that improve the general health of boars. It also enhances the boars' libido and semen quality.

We also work together with some of our customers to customise and/or adjust complete feed formulations according to their needs and requirements.

In addition, we also manufacture formulated products such as nutrition and protein substitutes e.g. under the 'YenProtide' brand name which our customers can use in place of soybean meal or fishmeal in their animal and/or aquaculture feed.

6.3.1.3 Biotech animal feed ingredients

Our biotech animal feed ingredients are developed through a fermentation process. The fermentation process is gaining traction within the livestock industry as industry players look to maximise production, improve animal health and reduce nutrient wastage as they address the rising demand for livestock products while combating increasing prices of raw materials.

Our biotech animal feed ingredients are a result of our internal R&D initiatives, and are produced through the fermentation of soybean meal and palm kernel meal, and marketed under the brands 'YenSoy®' and 'YenPalm RH®' respectively. Both products are added to complete feed where they can help to improve, among others, feed utilisation, protein digestibility, gut health as well as other general health of the animals, such as poultry, swine, ruminants and aquatic animals. In addition, 'YenPalm RH®' is also a source of peptide, probiotic, acidifier, fibre and toxin binder to the livestock. At present, our Group is focusing on the distribution of such products to the poultry and swine subsectors.

6. BUSINESS OVERVIEW (Cont'd)

Our biotech animal feed ingredients are illustrated below:



YenSoy®

Produced through the fermentation of soybean meal, 'YenSoy®' can be added to animal feed to improve feed utilisation, protein digestibility, gut health and the animal's health.



YenPalm RH®

Produced through the fermentation of palm kernel meal, 'YenPalm RH®' can be added to animal feed to improve feed utilisation, protein digestibility, gut health and other general health of the animals. It also provides peptide, probiotic, acidifier, fibre and toxin binder to the animal.

6.3.2 Distribution of animal health and nutrition products and equipment

In addition to our manufacturing activities, our Group also distributes animal health and nutrition products and equipment for the livestock industry which include feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products, which cater for the poultry, swine, ruminants, aquaculture and companion animals subsectors. These products are sourced from third party international suppliers. As at LPD, we hold 10 distributorships from third party international suppliers, of which four (4) are exclusive, to distribute the products of these manufacturers in Malaysia. Examples of these third party international suppliers are Norel Animal Nutrition Asia Pacific Pte. Ltd. (a subsidiary of Norel S.A. from Spain) and HIPRA Malaysia Sdn Bhd (a subsidiary of Laboratorios HIPRA S.A. from Spain). Over the financial years under review, none of our distributorships contributed more than 5.5% of our Group's revenue.

Our distribution segment focuses on distributing products that we are currently unable to manufacture. By doing so, we are able to offer a wider range of products to our customers in the animal health and nutrition industry. We are also able to reach a wider customer base by offering third party products that they may specifically need.

Our Group's distribution products can be classified into the following categories:

6.3.2.1 Feed additives

Feed additives are substances that are added into animal feed as nutritional supplements to, among others, promote growth as well as prevent and treat diseases and infections. Our Group currently distributes various types of feed additives for the poultry, swine and ruminants subsectors which are sourced from third party manufacturers from Spain and Germany.

6. BUSINESS OVERVIEW (Cont'd)

The feed additives which are distributed by our Group include amino acids, probiotics and antioxidants. Depending on the formula of our customers' animal feed and/or the condition of their animals, our customers may choose to add specific amino acids to supplement their animal feed. Several examples of the amino acid products that our Group distribute are listed in the table below:

Name	Description
Methionine	Methionine is a type of essential amino acid required by poultry and swine. It helps to increase muscle mass of the livestock, promote healthy digestive tract and improve poultry egg production.
Isoleucine	Isoleucine is an essential amino acid that promotes growth of livestock animals such as cattle, poultry and swine.
Lysine	Lysine is an essential amino acid required by livestock animals such as cattle, poultry and swine. It promotes milk production in cows and egg production in hens as well as improves overall animal growth.
Threonine	Threonine is an essential amino acid required by livestock animals such as cattle, poultry and swine. It promotes animal growth as well as proper functioning of the digestive system of the animal.

In addition, several examples of the probiotics, antioxidant products and other feed additives that our Group distribute are listed in the table below:

Name	Description
Ecobiol	Ecobiol is used to maintain the balance of bacteria in the poultry's intestinal system.
Anilox	Anilox is an antioxidant that is designed to increase the preservation period of animal feed while maintaining its quality. It can also help to slow down the rancidity of fats in animal feed products.
Superliv	Superliv is a type of liver tonic which provides protection in cases of liver-specific problems.

6.3.2.2 Vitamins and minerals

Vitamins and minerals are essential substances required by animals. Vitamins and minerals have roles to play in various bodily functions such as digestion, growth and reproduction. Some examples of the vitamins and minerals that our Group distribute are listed in the table below:

Name	Description
Vitamin A 1000	Vitamin A 1000 is a type of stabilised source of vitamin A acetate, which is used in premixes and animal feed.
Copper Sulphate	Copper sulphate is added to swine feed to reduce and prevent the occurrence of diarrhoea in piglets. As for poultry, copper sulphate is added for the animal's wellbeing.

6. BUSINESS OVERVIEW (Cont'd)

6.3.2.3 Veterinary pharmaceuticals

Veterinary pharmaceuticals are animal health products that help to prevent and treat diseases, injuries and disorders in animals. These products may come in injectable solutions or in oral dosage form.

Our Group presently distributes various types of veterinary pharmaceuticals for the poultry, swine and ruminant subsectors that are sourced from suppliers from Spain and Germany. Several examples of veterinary pharmaceuticals that our Group distribute are listed in the table below:

Name	Description
Amoxycen 200 L.A.	Amoxycen 200 L.A. is an injectable pharmaceutical product that is used to treat bacterial infections in swine, cattle and goats.
Eficur	Eficur is an injectable pharmaceutical product that treats diseases such as bacterial respiratory disease in swine and foot rot in cattle.
Hipralona Enro-I	Hipralona Enro-I is an injectable pharmaceutical product for swine and cattle that combats bacterial infections such as Colibacillosis and Salmonellosis.
Selectan	Selectan is an injectable pharmaceutical product that treats respiratory tract infections in swine and cattle.

6.3.2.4 Veterinary vaccines

Vaccines for the livestock industry are used for disease prevention and control and are aimed at providing livestock with immunity against one or several diseases. Our Group distributes veterinary vaccines for use in the swine subsector, which are sourced from third party suppliers. Several examples of the veterinary vaccines that our Group distribute are listed in the table below:

Name	Description
Rhiniseng	Rhiniseng is used for the vaccination of swine against 'Atrophic Rhinitis' disease.
Suipravac PRRS	Suipravac PRRS is used for the vaccination of swine against Porcine Reproductive and Respiratory Syndrome (PRRS).
Suiseng	Suiseng is used for the vaccination of swine against neonatal colibacillosis and <i>Clostridium perfringens</i> infections.

6.3.2.5 Raw materials and commodities

Our Group's raw materials and commodities segment consist of agricultural products that are used to produce animal feed. These include a variety of oil meal or oil cakes such as soybean meal or palm kernel meal as well as cereals and grains such as corn or maize. In addition to using such raw materials and commodities in our production of premixes, complete feed, formulated products and biotech animal feed ingredients, our Group also distributes these raw materials and commodities to our customers.

6. BUSINESS OVERVIEW (Cont'd)

6.3.2.6 Others

Our Group is also involved in the distribution of farm equipment, livestock reproduction products and companion animal products as follows:

(i) Farm equipment

Our Group designs, assembles and installs farm equipment for our customers, ranging from livestock housing to feeders to general hygiene management products. Our farm equipment are sourced from a Taiwanese company, the examples of which are set out in the table below:

Name	Description
Automatic feeder	Used to dispense dry feed for livestock based on pre-set parameters. This makes feeding more convenient and reduces wastage.
Dry and wet feeder	Able to dispense both animal feed and water with a single machine based on pre-set parameters. This makes feeding more convenient and reduces feed and water wastage.
Farrowing pen	Used for sows that are farrowing or have recently farrowed piglets. The farrowing pen ensures a good housing environment that is clean and safe for the sows and their piglets.
Weaner floor	Used for weaned piglets. The slatted floor allows for easy waste management.

(ii) Livestock reproduction products

▪ Artificial insemination equipment

Artificial insemination is the process of manually collecting semen from a male animal and manually inserting it into a female animal's reproductive tract. It is widely conducted in the livestock industry due to its benefits such as reducing risks during animal breeding (e.g. injuries and disease transmission), better genetics and increased production efficiency. These products will help our customers to perform artificial insemination in their livestock safely and effectively.

We currently distribute artificial insemination products for the swine subsector. We have been appointed as an exclusive distributor by a German company that is involved in the manufacturing and distribution of products in the animal reproduction segment, to distribute their products in the porcine subsector in Malaysia.

6. BUSINESS OVERVIEW (Cont'd)

Examples of artificial insemination products that our Group distribute are listed in the table below:

Name	Description
Androstar®Plus	Androstar®Plus is a synthetic conservation medium that supports long-term conservation of boar semen and protects against poor transportation and/or storage condition.
Diluent Mixture Merck III For Boar Sperm	Diluent Mixture Merck III is a type of conservation medium for boar semen.

▪ **Breeding stock**

Our Group is also involved in the distribution of poultry and swine breeding stock. Our suppliers which are located in Europe and the United States provide us with live breeding stock as well as frozen semen which can be used in artificial insemination. As at LPD, we have not entered into any formal distributorship arrangement with these suppliers.

Breeding stock refers to the group of animals that have been selected for reproduction. By selecting the breeding stock based on its performance index or appearance, livestock breeders can ensure that the best traits from animals will be passed down to the future generations.

(iii) **Companion animal products**

Our Group also distributes products for companion animals. Companion animals refer to pets such as cats and dogs. We currently distribute various types of companion animal products such as disinfectants, rehydration solutions, supplements as well as waste management products.

Examples of the companion animal products that our Group distribute are listed in the table below:

Name	Description
Virocid RTU	Virocid RTU is a ready-to-use disinfectant spray to disinfect surfaces and materials that come into contact with animals, such as grooming materials and feed buckets.
Oralade	Oralade is an oral rehydration solution for cats and dogs which suffer from gastrointestinal issues, such as vomiting, diarrhoea and gastroenteritis.

6. BUSINESS OVERVIEW (Cont'd)

6.4 OUR BUSINESS SEGMENTS AND PRINCIPAL MARKETS

The table below sets out our revenue by business segments and product categories for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing								
▪ Premixes	61,784	34.83	66,924	36.95	73,413	41.00	75,846	37.43
▪ Complete feed and formulated products	19,178	10.81	18,208	10.05	22,265	12.43	31,663	15.63
▪ Biotech animal feed ingredients	-	-	163	0.09	1,199	0.67	3,593	1.77
▪ Others ⁽¹⁾	2,160	1.22	1,479	0.82	1,414	0.79	1,842	0.91
	83,122	46.86	86,774	47.91	98,291	54.89	112,944	55.74
Distribution								
▪ Feed additives and other animal nutrition products ⁽²⁾	26,583	14.99	33,370	18.43	24,905	13.91	33,028	16.30
▪ Veterinary pharmaceuticals and vaccines	23,921	13.49	22,583	12.47	20,795	11.61	18,256	9.01
▪ Raw materials and commodities	40,434	22.79	33,296	18.38	31,287	17.48	34,388	16.97
▪ Others ⁽³⁾	3,320	1.87	5,086	2.81	3,783	2.11	4,019	1.98
	94,258	53.14	94,335	52.09	80,770	45.11	89,691	44.26
Total	177,380	100.00	181,109	100.00	179,061	100.00	202,635	100.00

Notes:

- (1) This relates to the design, assembly and installation of farm equipment at our customers' farms in accordance with their requirements.
- (2) These include vitamins and minerals.
- (3) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

6. BUSINESS OVERVIEW (Cont'd)

Revenue generated from our manufacturing activities have gradually surpassed those from our distribution activities for the financial years under review, growing from approximately RM83.12 million or 46.86% of our Group's revenue for the FYE 31 December 2017 to approximately RM112.94 million or 55.74% of our Group's revenue for the FYE 31 December 2020. The growth in the manufacturing segment was as a result of our Group's ongoing focus and business strategy to further promote our own in-house manufactured products. In line with this, we have prioritised the use of our feed additives, vitamins, minerals, raw materials and commodities for the production of our own in-house manufactured premixes, complete feed, formulated products and biotech animal feed ingredients instead of for distribution. As a result, the revenue generated from our distribution segment have decreased from approximately RM94.26 million or 53.14% of our Group's revenue for the FYE 31 December 2017 to approximately RM89.69 million or 44.26% of our Group's revenue for the FYE 31 December 2020.

Notwithstanding our Group's focus on promoting our own in-house manufactured products, our distribution segment will continue to play an important role in our business as it allows us to cross-sell products which complement our manufactured products. This is also in line with our objective of becoming a one-stop solution provider to our customers by offering them a wide range of animal health and nutrition products for their livestock.

For the financial years under review, our Group's revenue was primarily generated in Malaysia, which contributed approximately 90.47%, 89.09%, 91.31% and 89.77% to our Group's revenue for the FYEs 31 December 2017, 2018, 2019 and 2020 respectively.

A breakdown of our Group's revenue from our principal markets for the financial years under review is set out in the table below:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Local	160,470	90.47	161,349	89.09	163,505	91.31	181,911	89.77
Overseas								
▪ Indonesia	8,664	4.88	7,699	4.25	7,538	4.21	8,660	4.28
▪ Brunei	6,877	3.88	3,448	1.90	4,263	2.38	6,996	3.45
▪ Hong Kong	995	0.56	7,349	4.06	3,184	1.78	1,708	0.84
▪ Belgium	-	-	362	0.20	-	-	1,226	0.61
▪ Others ⁽¹⁾	374	0.21	902	0.50	571	0.32	2,134	1.05
Total	177,380	100.00	181,109	100.00	179,051	100.00	202,635	100.00

Note:

(1) Others include Pakistan, South Korea, Nigeria, Thailand, Vietnam, Singapore and Taiwan.

6. BUSINESS OVERVIEW *(Cont'd)*

6.5 OUR COMPETITIVE STRENGTHS

6.5.1 Qualified and experienced key management team

Our Group is managed by a management team with vast experience in the animal health and nutrition industry. Our Group Managing Director, Cheng Mooh Tat and our Executive Directors, Cheng Mooh Kheng and Theoh Mooi Teng, have each more than 25 years of experience in the animal health and nutrition industry. Besides co-founding our Group in 1991, Cheng Mooh Tat has played an instrumental role in the development of our Group's strategies including the formulation of our own in-house manufactured products, starting with premixes in 1996. He is supported by Cheng Mooh Kheng, who heads the sales and marketing activities of our Group and Theoh Mooi Teng, who is responsible for overseeing our Group's accounting and financial, purchasing, shipping, administration and human resources functions.

Our Group Managing Director and Executive Directors are supported by a group of key personnel such as Dr. Lee Choon Shen, Dr. Fong Chee Wee, Phuah Hoo Kiat and Wong Chee Siang; who each possesses more than 10 years of experience in the respective fields of animal health and nutrition, veterinary services, manufacturing and laboratory analyses. In addition, we have 11 qualified veterinarians (including Dr. Lee Choon Shen and Dr. Fong Chee Wee) as at LPD who provide on-ground support to our customers as well as conduct seminars and in-house trainings nationwide to our customers. These seminars and in-house trainings are aimed at providing our customers, who consist of farmers and feed millers, with knowledge on common topics or issues that affect livestock farming operations such as prevalent diseases and remedies to overcome them. We believe that the combination of experience and knowledge of our key management team will drive our Group's continued growth in the animal health and nutrition industry.

For further information on our Directors and Key Senior Management, please refer to Sections 4.2 and 4.4 of this Prospectus respectively.

6.5.2 Wide range of products to meet diverse customer needs

Our Group offers a wide selection of animal health and nutrition products that cater for the livestock industry. We manufacture a series of premixes for every age-group of the poultry and swine subsectors as well as complete feed, formulated products and biotech animal feed ingredients for the poultry and swine subsectors. Our product range also includes feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products which are sourced from reputable international suppliers from, among others, Spain, Germany, Taiwan, Belgium, France, Denmark, the Netherlands, India, the PRC and the United States.

In addition to the products we manufacture and distribute, we also offer value-added services to our customers which include veterinary technical services such as rendering advice relating to common issues affecting their livestock which include disease diagnoses, farm management advices, vaccination programmes as well as nutrition feeding plans. We also carry out diagnostic and material analyses for our customers where we are able to conduct a variety of tests such as microbiological tests, chemical tests and serology tests to determine the performance and effectiveness of our products. Our value-added services are made possible through a group of experienced technical personnel stationed nationwide who are able to provide prompt after-sales technical support for our customers and also conduct training sessions and seminars for our customers all year round.

The offering of a wide range of products, coupled with our value-added services, allow us to offer our customers the convenience of a one-stop solution for their livestock that meets their requirements and objectives.

6. BUSINESS OVERVIEW *(Cont'd)*

6.5.3 In-house manufacturing ability with strong focus in product R&D

As a manufacturer of animal health and nutrition products, we place great emphasis on the development and formulation of new products to meet the diverse needs of our customers within the livestock industry. At the same time, we also work to continuously improve the quality and standards of our existing products.

Through our in-house R&D team, we are able to develop and formulate new products which are subsequently manufactured at our Group's GMP-certified manufacturing plant. This enables us to expand the range of products that we offer as well as tailor our product offerings to meet the needs of our customers. As at LPD, our R&D team is headed by Wong Chee Siang, our Laboratory Manager, and he is supported by four (4) R&D personnel, who consist of chemists and nutritionists. To support our R&D initiatives, we have an in-house laboratory that is equipped with the necessary tools and equipment. For further information on the type of laboratory equipment used in our R&D activities, please refer to Section 6.13.1 of this Prospectus.

Since our incorporation in 1991, we have successfully developed our own brand of products which include premixes, complete feed, formulated products and biotech animal feed ingredients for the swine and poultry subsectors. In addition, we have also developed the 'Green iDeal Protein' concept of premix products with the aim of reducing wastage and environmental pollution while improving the utilisation of feed resources by the livestock. As at LPD, we manufacture over 150 products which consist of premixes, complete feed and formulated products that are marketed under the 'Yenmix®' and 'Yenher®' brand names.

Our Group has also adopted the use of biotechnology in animal nutrition as part of our R&D efforts and we have successfully researched the fermentation of soybean meal and palm kernel meal to be used as feed ingredients. After numerous successful trials, we launched our first biotech animal feed ingredients produced through the fermentation of soybean meal and palm kernel meal under the 'YenSoy®' and 'YenPalm RH®' brands respectively, in 2018.

6.5.4 Availability of laboratory equipped with testing equipment

We established an in-house laboratory in 2012 as part of our efforts to conduct diagnostic and material analyses on our products. Our laboratory is equipped with a number of equipment which allow us to perform an array of tests ranging from microbiological testing, mycotoxin detection, serology tests, antibiotic sensitivity tests, polymerase chain reaction tests for disease identification, near-infrared spectroscopy to high performance liquid chromatography tests. The availability of such diagnostic and material analyses services enables us to assess the effectiveness of our Group's products and solutions on our customers' livestock.

In addition, our in-house laboratory also supports our R&D initiatives by providing the platform required to develop new and improved products. Through our in-house laboratory, we have successfully developed our 'Green iDeal Protein' concept of premixes in 2013 as well as our first biotech animal feed ingredients under 'YenSoy®' and 'YenPalm RH®' brand names, both of which were launched in 2018.

6.5.5 Extensive sales support services

We have an extensive sales and technical team comprising veterinarians, sales and marketing personnel, nutritionists and chemists, all of whom serve as frontliners to our customers. These personnel are able to render advice to our customers on proper application and effects of the available feed additives pre and post-sales. Our personnel are also responsible for designing suitable feed programmes and feed formula as part of our services to our customers.

6. BUSINESS OVERVIEW (Cont'd)

Our sales and technical team works closely with our customers as part of pre-sales activities where we would assess our customers' farm performance and their intended objectives, which include improving livestock's digestibility, increasing livestock's production yield as well as improving the general condition in the farming ecosystem. We will assist our customers in identifying issues and areas of improvement in their farming operations, management and practices, and propose available solutions, products and recommendations in accordance with their needs and requirements. Our services also extend to include after-sales services where we follow up with our customers on their livestock performance. By utilising diagnostic and material analyses that are available at our in-house laboratory, we are able to provide solutions to our customers with regards to issues surrounding their livestock, adjust the level of dosage as well as introduce or recommend other products that may be suitable for our customers' needs and requirements.

6.6 OUR FUTURE PLANS AND STRATEGIES

Our Group's future plans and strategies moving forward include the construction of a new GMP-compliant manufacturing plant as well as the expansion of our business into new markets and expansion of our product range. Details of our future plans and strategies are as follows:

6.6.1 Construction of a new GMP-compliant manufacturing plant

Currently, our manufacturing activities are carried out in two (2) locations. We manufacture premixes, complete feed and formulated products at our plant located at No. 1684, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang ("**Unit 1684**") which has a monthly production capacity of 573 tonnes, and biotech animal feed ingredients at a rented premises at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang ("**Rented Premises**") which has a monthly production capacity of 287 tonnes. As at LPD, both of our manufacturing plants are running at full capacity i.e. at a production utilisation rate of 100% based on one (1) production shift of 8.5 hours per day, six (6) days per week. However, in order to keep up with our customers' demand, we have extended our production hours by approximately three (3) hours daily on top of the normal production hours.

As such, we intend to construct a new GMP-compliant manufacturing plant to cater to the increasing demand for our products. The completion of the new GMP-compliant manufacturing plant will also house all of our manufacturing activities under one (1) roof and we intend to terminate our tenancy agreements for the Rented Premises upon completion of the construction of our new manufacturing plant. We will be also be relocating our existing machinery and equipment (including office equipment, laboratory equipment and furniture) from our existing manufacturing plants to the new manufacturing plant.

The proposed manufacturing plant will be built on our existing vacant freehold land with a land area of 464,786 sq ft located in Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and will include the following:

- (i) Factory A: A factory to manufacture premixes, complete feed and formulated products, which will include a warehouse;
- (ii) Factory B: A factory to manufacture biotech animal feed ingredients;
- (iii) Office building: New office space and a R&D center for R&D activities as well as diagnostic and material analyses; and
- (iv) Canteen.

6. BUSINESS OVERVIEW (Cont'd)

Upon completion of the factories, our monthly production capacity of premixes, complete feed and formulated products currently produced at Unit 1684 will increase by approximately 353.75%, from 573 tonnes to about 2,600 tonnes, while our monthly production capacity for our biotech animal feed ingredients currently produced at the Rented Premises will increase by approximately 422.65%, from the 287 tonnes to about 1,500 tonnes.

We obtained the layout plan approval for the construction of the new manufacturing plant from Majlis Bandaraya Seberang Perai on 17 July 2020. We also obtained the permit for land filling and earthworks from Jabatan Kerja Raya Pulau Pinang and Majlis Bandaraya Seberang Perai on 8 December 2020 and 1 March 2021 respectively. After receiving all the necessary permits for land filling and earthworks, we began land clearing and filling works on 8 March 2021 which mark the commencement of the first stage of construction works. The first stage of construction works will also include other civil engineering works and we will be submitting the building plan for the new manufacturing plant to Majlis Bandaraya Seberang Perai in June 2021 for approval. Barring any unforeseen circumstances, we expect to receive the building plan approval by August 2021 and complete the first stage of construction works in the fourth quarter of 2022. The second stage of construction works will, on the other hand, involve mechanical and electrical engineering works, installation of machinery and equipment, as well as testing and commissioning of the same and is expected to commence in the first quarter of 2023. The new manufacturing plant is expected to be fully operational in the fourth quarter of 2023. Thereafter, we will apply for GMP certification for both factories and this process is expected to take approximately six (6) months to complete from the date of application.

As at LPD, we have spent approximately RM0.05 million on professional and authority fees for preliminary works carried out by our Group for the construction of the new manufacturing plant.

In addition, the total construction costs for the new GMP-compliant manufacturing plant is expected to be approximately RM32.00 million while the total estimated costs for the purchase of machinery and equipment which will be assembled at this new plant is expected to be approximately RM11.40 million (equivalent to USD2.76 million). Notwithstanding this, we have paid a cash deposit of USD414,000 to an international plant equipment manufacturer for the design, supply and installation of an animal feed premix manufacturing plant which will be assembled at our new Factory A. For information purposes, the said international manufacturer is a company based in the PRC that is involved in the manufacturing of plant equipment for food processing and advanced materials and is part of a multinational plant equipment manufacturer based in Switzerland. We intend to substantially fund the remaining construction costs and the remaining balance of the contract value for the new animal feed premix manufacturing plant using the proceeds raised from the Public Issue, with the remaining being funded using our internal funds and/or bank borrowings.

While we expect to incur some relocation expenses such as transportation costs and decommissioning and reassembly costs for certain of our machinery, we are unable to quantify such costs at this juncture. In addition, we do not foresee any major production downtime as the transition from our current manufacturing plants at Unit 1684 and the Rented Premises to the new manufacturing plant will be carried out gradually such that it will not materially affect our current production.

For further information on the construction of the new manufacturing plant and the types of machinery and equipment to be purchased, as well as the method of financing these activities, please refer to Sections 3.7.1 and 3.7.2 of this Prospectus.

6. BUSINESS OVERVIEW *(Cont'd)*

6.6.2 Expansion of business into new markets

As part of our Group's future plans, we intend to expand our business into new markets moving forward. The expansion of business into new markets will be done either through the establishment of representative offices or branch offices, or appointment of distributors in the identified markets.

As at LPD, we have identified Myanmar, Bangladesh and the PRC as potential markets to expand our business. These countries were identified due to the large livestock industry in these countries as well as referrals from our business contacts. For information purposes, we have never had any business transaction with customers in the aforementioned countries in the past. However, we have registered for trademark in the PRC in 2015 and we intend to apply for trademarks in Myanmar and Bangladesh in the future.

We expect to expand our business into these countries within 24 months from the date of our Listing as various studies are required to be conducted to determine the feasibility of entering these markets.

6.6.3 Expansion of product range

In order to maintain our competitive edge and in line with our objective to provide a one-stop solution to our customers, our Group will continue to develop and introduce new products under our manufacturing segment, through our in-house R&D capabilities. As at LPD, we are working on a new probiotic additive, which is targeted at the swine and poultry subsectors. We are currently in the process of testing the prototype to determine the efficacy of the additive. We expect the whole process to take two (2) to three (3) years to complete owing to the longer duration required to conduct the farm trials. For further information on the development of the new probiotic additive, please refer to Section 6.13.3 of this Prospectus.

In addition, our Group will continuously improve the formulation of our own in-house manufactured products, such as 'Yenmix®', 'YenPalm RH®' and 'YenSoy®', with the aim of increasing the features and functions of these products to cater to the changing demands of our customers and the livestock industry.

Notwithstanding our Group's focus on promoting our own in-house manufactured products, we will also continue to strengthen our distribution segment by adding new types of products manufactured by reputable international suppliers to our product portfolio. This will serve to strengthen our product portfolio as well as enable us to meet the changing demands of the livestock industry. We will continue to conduct market research and gather feedback from our customers as part of our process to identify new products which our Group can offer to our existing and future customers.

As at LPD, we have not identified any specific acquisition target.

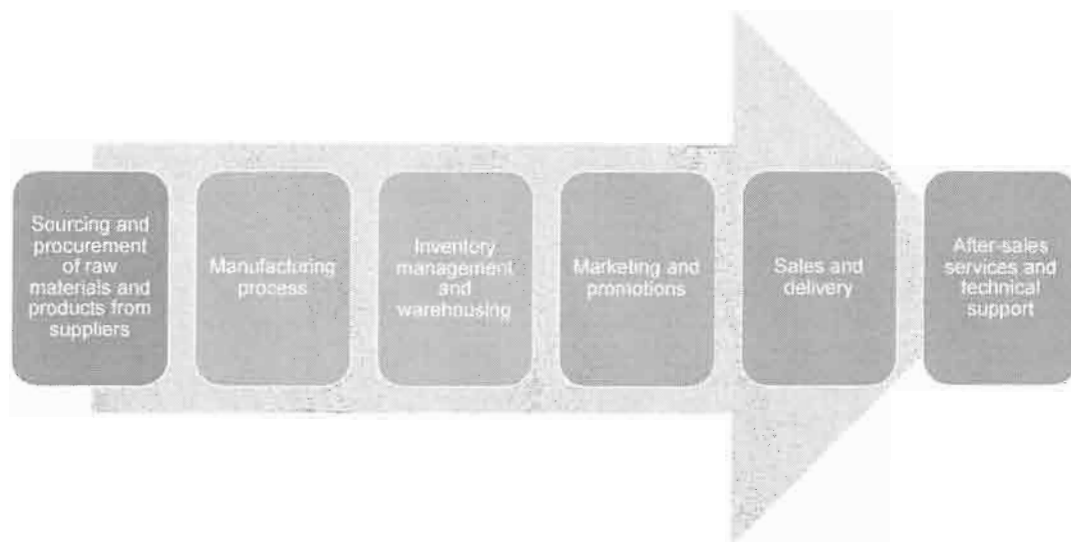
6.7 SEASONALITY

Our Group's business is not subjected to any cyclical or seasonal trend.

6. BUSINESS OVERVIEW (Cont'd)

6.8 OUR BUSINESS AND OPERATIONS PROCESS

The key stages of our business and operations process are as follows:



Sourcing and procurement of raw materials and products from suppliers

Over the last 29 years, we have established a strong procurement network with our suppliers from, among others, Spain, Germany, Taiwan, Belgium, France, Denmark, the Netherlands, India, the PRC and the United States where we source raw materials and other products for our manufacturing and distribution activities. We assess potential suppliers based on a number of factors which include product innovation, technical know-how, after-sales support, pricing as well as reliability of supply. Our procurement activities are generally conducted through purchase orders. For new product orders, we obtain product samples from the identified suppliers to perform laboratory analysis on the product, prior to placing orders.

Prior to placing orders with our suppliers, whether for new or existing product orders, we ensure that they possess the necessary product registrations and license to import and will request for suppliers to provide proof of registration of products and import license with relevant authorities. Upon receipt of the raw materials and distribution products from our suppliers, our quality control team will then check and ensure that these goods are received according to their specifications.

As at LPD, we have also entered into 10 distribution agreements of which four (4) are exclusive distributorship agreements, with suppliers for the distribution of selected animal feed products such as feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment and companion animal products, in the assigned territory.

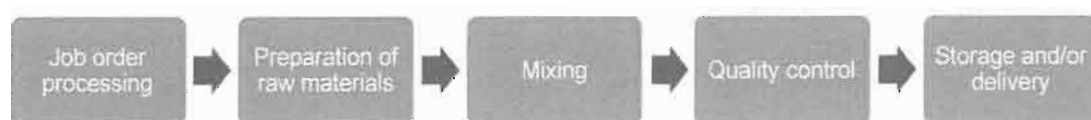
Manufacturing process

Our Group's manufacturing activities are carried out at our GMP-compliant plant located at Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang. Our manufacturing plant has been certified GMP-compliant by the National Pharmaceutical Regulatory Agency and the Department of Veterinary Services Malaysia in 2010 and 2017 respectively. The plant is installed with a single shaft paddle mixer which is used to sieve, weigh and homogenise the combination of raw materials. Our biotech animal feed ingredients, namely 'YenSoy®' and 'YenPalm RH®', on the other hand, are produced at our rented premises at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang using a ribbon mixer.

6. BUSINESS OVERVIEW (Cont'd)

Our manufacturing activities involve the manufacturing of premixes, complete feed, formulated products and biotech animal feed ingredients. We also produce customised premixes and complete feed for certain customers where dosages of feed additives and other materials are adjusted according to customers' needs and requirements, which range from improving fertility, strengthening of egg shells to improving feed conversion ratio. The formulas of our manufactured products are converted into a Bill of Materials ("**BOM**") which lists all the required raw materials and corresponding quantities needed to manufacture a product which is then handled by our production operators.

A typical process flow of our manufacturing activities is depicted below:



(i) Job order processing

Upon receiving orders from customers, we first review the orders to determine the required quantity of the order and its delivery date. We then check the volume of finished goods in our warehouse to determine the additional quantity that is required to be manufactured. Once the quantity is determined, we begin processing the order and commence our production process.

(ii) Preparation of raw materials

Our production process begins with the preparation of direct and indirect raw materials according to the BOM of a product, either for premixes, complete feed or formulated products. Selected raw materials which are used in large quantities, or form the main ingredients used in the manufacturing of a product, are stored in mini silos in our manufacturing plant, which is integrated with our single shaft paddle mixer. Our production personnel will first check the quality and condition of the required direct materials before channelling them into the single shaft paddle mixer to prepare for mixing. These raw materials include amino acids, vitamins and minerals such as calcium, magnesium and zinc.

There are also certain raw materials which are used in smaller quantities, according to the type of products that are being produced. These raw materials are generally stored in our warehouse and are first checked for their quality and condition before being released by our warehouse personnel according to the work order to be sent to the manufacturing plant. These raw materials are weighed according to the formulation using a barcode system, to ensure correct weight and product, before being added to the single shaft paddle mixer by our workers. These raw materials which are used in our production process include vitamins A, D and E as well as minerals such as iron and manganese.

(iii) Mixing

Once the raw materials are prepared, a production operator will input the specified work order into the production system based on the corresponding formula/BOM. The process begins with the mixing of indirect raw materials, followed by adding the direct raw materials which are channelled from the mini silos to the single shaft paddle mixer. Once in the mixer, our single shaft paddle mixer will shear, mix and homogenise the combination of raw materials according to pre-set time.

6. BUSINESS OVERVIEW (Cont'd)

Upon completion of the mixing process, the product is transferred to our packing lines and is packed into bags of different sizes according to the pre-determined specification. Each pack is assigned a unique code for anti-counterfeit purpose and will be labelled with the necessary information such as product name, weight, dosage, batch code and expiry date.

(iv) Quality control

Samples are then taken from the finished goods and tested in the laboratory to ensure that they conform to our Group's quality control standards. Once they have been determined to meet the quality control standards, we will send the finished goods to our warehouse.

(v) Storage and/or delivery

The finished goods are stored in our warehouse according to the "first in, first out" method based on the date of manufacturing and/or subsequently delivered to our customers.

Inventory management and warehousing

Upon receipt of raw materials as well as other distribution products from our suppliers or finished goods from our manufacturing facility, these products will be taken to our warehouse where our warehouse personnel will conduct visual inspection and inventory count. We ensure that the said products are stored at optimum conditions and we will take into account the shelf life of these products by practicing the "first in, first out" method. This is done to safeguard the quality of the raw materials and products that we will use to produce our end products and/or to distribute to our customers.

Marketing and promotions

Our sales and marketing team is headed by Dr. Lee Choon Shen, our General Manager of Business Development and Sales, who oversees our business development and sales activities. As at LPD, Dr. Lee is supported by 30 personnel, which consists of veterinarians, sales and marketing personnel, nutritionists and chemists. Our sales and marketing activities involve conducting regular visits to our customers to evaluate the effectiveness of our products and promote any new product manufactured or distributed by our Group. These visits allow us to gather information on the effectiveness of our products, issues faced by our customers as well as allowing us to exchange market information pertaining to any development in the livestock industry.

With the support from our technical team, our sales and marketing team is also able to identify areas of improvement in our customers' farming practices and advise them on the application of different types of products.

Sales and delivery

Generally, our sales are conducted through sales orders on a transaction basis. Our sales coordinators will prepare sales quotations to our customers and upon the terms of the sale being agreed, our customers would place purchase orders with us. The orders are reviewed and approved by our management, following which our sales coordinators will arrange for the delivery of goods accordingly.

6. BUSINESS OVERVIEW (Cont'd)**After-sales service and technical support**

We continue to engage with our customers as part of our after-sales service and provide technical support as means of monitoring the effectiveness of our products on their livestock. Our sales and technical team will conduct regular visits to our customers' farms to check on the performance of our products on their livestock and to provide advice to our customers in terms of, among others, the application and dosage adjustment of the products, to achieve the desired outcome.

6.9 MARKETING AND DISTRIBUTION NETWORK**6.9.1 Marketing strategies**

Our sales and marketing efforts are led by Dr. Lee Choon Shen, our General Manager of Business Development and Sales. He is supported by our sales and marketing team as well as our technical team, which consists of 30 personnel (excluding himself) as at LPD. Our Group's sales and marketing efforts are carried out through the following channels:

- **Seminars and forums**

We actively organise and attend both local and international seminars and forums to educate our customers with knowledge on common topics or issues that affect livestock farming operations. These seminars and forums enable us to receive feedback from our customers regarding issues they face which would enable us to improve our products and services as well as to promote our products.

The list below sets out the seminars that we have organised during the last four (4) financial years up to LPD:

Year	Description
Organised by our Group	
2017	▪ "Salmonella Day (the role of vaccination in Salmonella control programmes)" held in Pulau Pinang ▪ "Broiler Feeding Management & Farm Biosecurity and Sanitation" held in Thailand
2018	"Importance of Porcine Reproductive and Respiratory Syndrome, and Mycoplasma hyopneumoniae Control in Swine Farms" held in Selangor
2019	▪ "African Swine Fever Disease Update and Farm Biosecurity" held in Pulau Pinang, Perak and Johor ▪ "Current Porcine Reproductive and Respiratory Syndrome Situation and Control Measures" held in Selangor ▪ "Globigen: Egg Immunoglobulin as a Plasma Replacer" held in Pulau Pinang
2020	"Poison License B: Introduction and Application" held in Pulau Pinang and Perak
Jointly organised by our Group and our suppliers	
2019	▪ "Salmonella in Poultry" held in Selangor, a seminar that was jointly organised with our supplier, HIPRA Malaysia Sdn Bhd ▪ "How To Control Neonatal Diarrhoea In Your Farm" held in Selangor, a seminar that was jointly organised with our supplier, HIPRA Malaysia Sdn Bhd
2020	▪ "Tonisity Px – the Basics", an online seminar that was jointly organised with our supplier, Tonisity International Limited ("Tonisity") ▪ "Tonisity Px – the Latest Updates in Research and Development", an online seminar that was jointly organised with Tonisity

6. BUSINESS OVERVIEW (Cont'd)

Year	Description
	▪ "Tonisity Px, the Return-on-Investment Calculator", an online seminar that was jointly organised with Tonisity ▪ "First Weeks of Life, a Challenging Time for the Piglet", an online seminar that was jointly organised with Tonisity ▪ "Effect of Heat Stress on Lactating Sows", an online seminar that was jointly organised with Tonisity ▪ "Changing the Microbiome for Real Production Benefits", an online seminar that was jointly organised with Tonisity ▪ "The Formulation of Complete Feed – Principles and Applications to Swine Diet", an online seminar that was jointly organised with Tonisity ▪ "Smart Farming: The Importance of Data for Sustainable Pig Production", an online seminar that was jointly organised with Tonisity ▪ "To the Pig, Water is Much More than Merely Something to Drink", an online seminar that was jointly organised with Tonisity
2021	▪ "The Cleaning and Disinfection in the Farm by Yenher Agro Sdn Bhd", an online seminar that was jointly organised with our laboratory equipment suppliers, GeneReach Biotechnology Corp. and Sedingin Embun Sdn Bhd

▪ **Exhibitions and trade shows**

Our Group attends and participates in both local and overseas exhibitions and trade shows as part of our efforts to create awareness and promote our products and services. In 2019, we participated in the 21st World Veterinary Poultry Association Congress as a co-sponsor with our supplier, HIPRA Malaysia Sdn Bhd, held in Bangkok, Thailand.

By participating in these exhibitions and trade shows, we are able to interact with industry stakeholders such as farmers, feed millers and other industry players and obtain the latest information and trends on animal health and nutrition products. Furthermore, through these exhibitions and trade shows, we are able to reach out to potential customers and introduce our products and services. We are also able to observe current trends in the animal health and nutrition industry as well as identify new products that our Group can offer in the future.

▪ **Referrals**

Our Group has a long history of over 25 years in the animal health and nutrition industry. Over the years, new customers have been introduced to us via referrals from our existing customers and suppliers.

▪ **Corporate website**

We also maintain a corporate website at <https://www.yenheragro.com/>, which provides information on our Group as well as the wide range of products and services that we offer to customers.

6. BUSINESS OVERVIEW (Cont'd)

6.9.2 Distribution network

Our distribution network strategy can be categorised as follows:

- **Direct distribution network**

The direct distribution network approach is implemented through our own sales and marketing team which focuses on selling our products and services directly to end-customers such as farmers, feed millers and livestock integrators. This strategy enables our Group to work closely with our customers to evaluate and attain better understanding of their objectives and requirements.

- **Indirect distribution network**

Under this approach, we sell our products through distributors appointed by our Group. As at LPD, we have appointed PT Nutrimax Prima Perkasa, Godofgideon Nigeria Ltd, Shivani Traders and Animed to distribute our products in Medan (Indonesia), West Africa, Pakistan and South Korea respectively.

6.10 MATERIAL MACHINERY AND EQUIPMENT

As at LPD, details of the material machinery and equipment used in our business operations are as follows:

Name	Description of use	No. of units	Average life span (years)	Average age (years)	Average remaining useful life (years)	Audited NBV as at 31 December 2020 (RM)
Single shaft paddle mixer	A type of machinery used for blending and mixing of raw materials. It consist of a single metal shaft with paddles attached to the shaft to mix and homogenise the materials. It is integrated with mini silos, which channel the required raw materials to the mixer, and thereafter to the output bins where it holds mixed materials prior to packaging.	1	15	13	2	1
Ribbon mixer	A type of machinery used for blending and mixing of raw materials where materials are blended using ribbon-shaped mixing shaft. It is integrated with input and output bins, where the former holds the required raw materials while the latter holds the mixed materials prior to packaging.	1	10	2	8	620,922
Goods hoist	A device used to transport raw materials in manufacturing plant.	2	5	3	2	68,230
Total audited NBV:						<u>689,153</u>

6. BUSINESS OVERVIEW (Cont'd)**6.11 TYPES, SOURCES AND AVAILABILITY OF MAJOR RAW MATERIALS OR INPUT**

The following table sets out the major types of raw materials and distribution products that were purchased by our Group for our business operations for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	Value of total purchases	% of total purchases	Value of total purchases	% of total purchases	Value of total purchases	% of total purchases	Value of total purchases	% of total purchases
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Vitamins and minerals	45,607	33.41	40,753	31.85	48,139	37.64	56,109	39.38
Feed additives	35,168	25.77	42,768	33.43	33,388	26.11	38,336	26.91
Veterinary pharmaceuticals and vaccines	26,171	19.17	23,510	18.38	23,038	18.01	19,432	13.64
Commodities	23,019	16.86	14,681	11.47	17,796	13.91	24,267	17.03
Others ⁽¹⁾	6,527	4.79	6,230	4.87	5,536	4.33	4,337	3.04
Total	136,492	100.00	127,942	100.00	127,897	100.00	142,481	100.00

Note:

(1) Others include complete feed, farm equipment, livestock reproduction products and companion animal products.

For the financial years under review, our total purchases were primarily sourced from overseas and are subjected to fluctuations in the foreign currency exchange rates. The prices of these purchases such as commodities (which consist of, among others, soybean, grains and corn) and complete feed (which also contains commodities), are also subjected to price fluctuations as a result of the change in global demand and supply conditions of these commodities. Notwithstanding this, the prices for these materials have been relatively stable over the financial years under review.

6. BUSINESS OVERVIEW (Cont'd)

However, other raw materials such as vitamins and feed additives, have experienced price fluctuations over the financial years under review as a result of the change in global demand and supply conditions. While the prices of feed additives decreased in 2019 as a result of oversupply conditions globally, prices of vitamins A and E witnessed a surge in prices during the fourth quarter of 2017 and first quarter of 2018 due to a fire accident that occurred at the manufacturing plant of an international major supplier which caused global shortage in supply before normalising later in that year. Prices for vitamin A which ranged between approximately USD50.00 per kg to USD55.00 per kg in September 2017 increased to approximately USD450.00 to USD500.00 per kg in January 2018, representing an increase of approximately 800.00% to 809.09%. Prices for vitamin E, on the other hand, which ranged between approximately USD6.00 per kg to USD6.50 per kg in September 2017 increased to approximately USD20.00 to USD25.00 per kg in January 2018, representing an increase of approximately 233.33% to 284.62%.

While the supply and prices of some of the raw materials that we use fluctuated during the financial years under review, we have not faced any material increase in the prices of and/or supply disruption in the raw materials which have caused major impact to our financial performance and operations. In addition, other purchases or inputs such as complete feed, veterinary pharmaceuticals and vaccines, farm equipment, livestock reproduction products and companion animal products are readily available and can be sourced from various suppliers.

6.12 OPERATING CAPACITIES AND OUTPUT

Our premixes, complete feed and formulated products are generally mixed, blended and homogenised using our single shaft paddle mixer, while our biotech animal feed ingredients are blended, mixed and homogenised using our ribbon mixer. The following table sets out our Group's operating production capacity and capacity utilisation rate over the last two (2) financial years under review:

Types of machine	Operating days per year ⁽¹⁾	Maximum annual production capacity ⁽²⁾ (tonnes)	FYE 31 December			
			2019		2020	
			Actual production output (tonnes)	Production utilisation rate (%)	Actual production output (tonnes)	Production utilisation rate (%)
Single shaft paddle mixer	287	6,880	9,430 ⁽³⁾	100.00	10,003 ⁽³⁾	100.00
Ribbon mixer 1 ⁽⁴⁾	287	1,800	1,505	83.61	-	-
Ribbon mixer 2 ⁽⁵⁾	287	3,444 ⁽⁶⁾	-	-	3,388 ⁽⁷⁾	98.37

Notes:

- (1) Based on six (6) days per week and after excluding federal and state holidays and maintenance schedules.
- (2) Based on one (1) production shift of 8.5 hours per day and 287 operating days per year.
- (3) In 2019, we extended our production hours by one (1) to two (2) hours per day, on top of the normal production hours in order to meet customers' demands. In 2020, we further extended our production hours by approximately three (3) hours per day.
- (4) Began production in June 2018 and the machinery was later retired in December 2019 due to its limited capacity.
- (5) Began production in January 2020.

6. BUSINESS OVERVIEW (Cont'd)

- (6) For information purposes, this ribbon mixer 2 has a maximum annual production capacity of 18,000 tonnes (or 1,500 tonnes per month). However, we can only produce about 3,444 tonnes of biotech animal feed ingredients annually (or 287 tonnes per month) due to the limited space available for us to carry out the fermentation process, which is one of the key production processes for our biotech animal feed ingredients.
- (7) In the second half of 2020, we extended our production hours by one (1) to two (2) hours per day and recently, by approximately three (3) hours per day, on top of the normal production hours in order to meet customers' demands.

6.13 R&D

Our Group carries out our own R&D activities at our in-house laboratory. Our R&D activities are primarily aimed at developing new products as well as improving our existing products. As at LPD, our R&D team consists of five (5) members and is led by Wong Chee Siang, our Group's Laboratory Manager who oversees our Group's research efforts.

6.13.1 R&D facilities

Our in-house laboratory is equipped with the relevant laboratory equipment used to carry out our research activities. The laboratory equipment used in our laboratory includes the following:

Key equipment	Description
Biotek ELx800 microplate reader	A machine used to carry out serology tests for diseases such as Porcine Reproductive and Respiratory Syndrome and swine fever virus.
Bruker Tango near-infrared spectrophotometer	A machine that is used to identify the composition of samples. Different substances have chemical bonds that will vibrate with energy levels on different wavelengths and will absorb radiation emitted by the machine at the same wavelength. We can then estimate the composition of samples by looking at the wavelengths absorbed.
Capromax Maximus M200 humidity chamber	An instrument used to test the shelf life of our products and raw materials used such as premixes, vitamins and minerals.
Esco LHG4AGF8 laminar flow cabinet	Laminar flow cabinet is a type of ventilation device, which is used in laboratories to provide an aseptic work area that helps create a particulate-free environment.
GeneReach POCKIT™ micro plus series nucleic acid analyser	A portable handheld machine that uses insulated isothermal polymerase chain reaction technology to detect deoxyribonucleic acid (DNA) and ribonucleic acid (RNA). This enables us to test for viruses such as influenza A, infectious bronchitis virus and Newcastle disease.
Hirayama HVE-50 autoclave machine	A machine that operates at high temperatures and high pressure to kill microorganisms and spores.
Major Science MV-10 DSYS Sodium Dodecyl Sulfate-Polyacrylamide Gel Electrophoresis protein electrophoresis apparatus	A device that uses electrophoresis, a technique that uses electricity passed through a gel, to separate mixtures of protein. This enables us to distinguish different proteins in samples as proteins range in different sizes will travel through the gel at different speeds.

6. BUSINESS OVERVIEW (Cont'd)

Key equipment	Description
Memmert IN75 incubator	A laboratory machine that provides a controlled, contaminant-free environment for growth and storage of bacterial cultures.
Mettler Toledo T50 automatic titrator	Titration is the process of using a solution with a known concentration of substance to determine the unknown concentration of another substance. This automatic titrator does not only make the process of titration easier but also increases accuracy in a shorter amount of time.
Mettler Toledo UV5 UV vis spectrophotometer	A machine that is used to identify the composition of organic samples such as phosphorus and urea. The machine emits ultraviolet ("UV") light that will be absorbed by samples. As different elements absorb UV light at different wavelengths, the machine is able to determine the type of elements that are present in samples.
PerkinElmer Analyst 400AA atomic absorption spectrophotometer	A machine that is able to detect metal and heavy metal elements such as calcium, potassium, sodium and iron in samples. The machine uses cathode lamp to emit light which will be absorbed by samples at specific wavelengths to determine what elements are present in samples.
PerkinElmer Flexar LC high performance liquid chromatography system	Liquid chromatography is a technique used to separate the individual compounds in samples by dissolving them into liquid and passing it through a column of chromatography packing material. It is possible to separate the different compounds as they travel through the packing material at different speeds. This enables the identification of the individual compounds such as vitamin A or sulfadimidine in samples.
R-Biopharm RIDA® ABSORBANCE 96 microtiter plate reader	A machine used to test for mycotoxins in samples such as aflatoxin, fumonisin and ochratoxin A.
Shanghai Xian Jian Instrument Limited KDN-103F nitrogen distillation unit	This nitrogen distillation unit is used to determine the amount of nitrogen that is contained in organic substances such as proteins and in inorganic substances such as ammonia and ammonium. This enables us to estimate the content of proteins in the animal feeds.
Thermo Scientific Inductively Coupled Plasma – Optical Emission Spectrometry	A device used to detect elements such as trace elements or heavy metals in animal premises.

6.13.2 R&D achievements

Over the years, we have conducted numerous studies as part of our continuous efforts to improve our products to meet customers' demands. One such study involved researching the optimum nutrient level in livestock's diet by adjusting the crude protein levels in their feed. This study aimed to provide livestock with sufficient levels of protein according to its needs, as means of reducing wastage and environmental pollution. Animal feed generally contains protein to provide livestock with the required nutrients to grow. However, as livestock is not able to absorb fully all nutrients contained in the animal feed, those that are not ingested are excreted as faeces, which results in wastage. In addition, these excretions also contain nitrogen and ammonia which harm the environment in the long run.

6. BUSINESS OVERVIEW (Cont'd)

As part of the study, we developed a number of prototype formulations which were later used for farm trials. This led to the successful development of formulations that achieved lower levels of nitrogen and ammonia emissions from faeces and at the same time provide livestock with balanced nutrients. As such, the formulations improved feed conversion ratio and resulted in lesser wastage. This was later named as the 'Green iDeal Protein' concept and was adopted for our own in-house premixes formulation in 2013. Following this, in 2015, our Group was awarded "Outstanding Product Innovation – Animal Health Product" at the Livestock Asia Expo and Forum 2015 held in Kuala Lumpur, Malaysia.

In 2018, our Group had also successfully developed two (2) fermented feed ingredients, namely 'YenSoy®' and 'YenPalm RH®'. The following table sets out our Group's R&D achievements over the last four (4) financial years up to LPD:

Year	Research conducted
2017	Our Group studied the feasibility of using fermented soybean meal as an animal feed material. We tested multiple strains of bacteria including <i>Bacillus amyloliquefaciens</i> and lactic acid producing bacteria in the fermentation process. We successfully developed a formulation of fermented soybean meal for use as an animal feed ingredient called 'YenSoy®' that helps to improve feed utilisation, protein digestibility and the overall general health of the animals. 'YenSoy®' was subsequently commercialised in 2018.
2018	Our Group continued to research the use of fermentation process in animal feed products and researched on the use of fermented palm kernel meal as animal feed material. Although the use of fermented palm kernel meal as animal feed material has been studied before, our Group conducted further research in determining which strains of bacteria would be effective in decreasing the content of anti-nutritional factors such as non-starch polysaccharides and phytic acid in the fermented palm kernel meal. We successfully developed a fermented palm kernel meal feed ingredient called 'YenPalm RH®' that improves feed utilisation, protein digestibility, gut health and other general health of the animals. It is also a source of peptide, probiotic, acidifier, fibre and toxin binder to the livestock. 'YenPalm RH®' was commercialised later in the same year.
2019	Our Group continued to focus on improving our biotech animal feed ingredients. The studies carried out include: ▪ determining the effects of enzymes on reducing sugar levels in palm kernel meal; ▪ increasing the amount of phosphorus, an essential nutrient for livestock which aims to, among others, increase reproductive performance and egg production, used in 'YenPalm RH®'; and ▪ developing a mycotoxin binder in 'YenPalm RH®' to reduce the chance of mycotoxin production in the feed.
2020	Our Group continued researching to improve our biotech animal feed ingredients. The studies carried out include: ▪ studying and comparing the performance of different strains of palm kernel meal; and ▪ studying and comparing the performance of 'YenSoy®' and 'YenPalm RH®' in inhibiting microbial growth.

6. BUSINESS OVERVIEW (Cont'd)

6.13.3 Future R&D plans

Our Group's future R&D plans will include the improvement of our existing in-house developed and manufactured products such as 'Yenmix®', 'YenSoy®' and 'YenPalm RH®', as part of our efforts to provide users with new features and functions that cater to the changing demands of the livestock industry.

Our R&D plans will also involve the development of new products to strengthen our product portfolio. For example, we are currently in the midst of developing a probiotic additive targeted at the poultry and swine subsectors which is currently in its prototype testing stage. The entire process is expected to take two (2) to three (3) years to complete owing to the longer duration required to conduct the farm trials.

The development stages for the probiotic additive are as follows:

Development stage	Description																
Prototype development	The development of the prototype probiotic additive was conducted in-house and took approximately nine (9) months to complete. The prototype was completed in September 2020.																
Farm trials	We are in the midst of testing the prototype probiotic additive in poultry and swine farms. We expect the farm trials to take six (6) to 18 months. During the trial period, data will be collected periodically to determine the efficacy of the prototype. If the results from the trials are not satisfactory, the R&D team will modify the prototype formulation before conducting further farm trials. The expected key milestones for our farm trials until commercialisation are as follows: <table> <tr> <th>Timeline/ Expected timeline</th><th>Events</th></tr> <tr> <td>October to November 2020</td><td>Introduction to poultry farms for evaluation</td></tr> <tr> <td>December 2020</td><td>Data collection from poultry farms</td></tr> <tr> <td>January 2021 to February 2021</td><td> - Evaluation of data from poultry farms - Review of prototype formulation - Introduction to swine farms for evaluation </td></tr> <tr> <td>April 2021</td><td>Data collection from swine farms</td></tr> <tr> <td>May 2021</td><td>Product stability study and large scale incubation</td></tr> <tr> <td>June 2021 to August 2021</td><td>Poultry and swine farm trials with revised prototype</td></tr> <tr> <td>September 2021</td><td>Commercial launch, depending on the outcome from the farm trials</td></tr> </table>	Timeline/ Expected timeline	Events	October to November 2020	Introduction to poultry farms for evaluation	December 2020	Data collection from poultry farms	January 2021 to February 2021	- Evaluation of data from poultry farms - Review of prototype formulation - Introduction to swine farms for evaluation	April 2021	Data collection from swine farms	May 2021	Product stability study and large scale incubation	June 2021 to August 2021	Poultry and swine farm trials with revised prototype	September 2021	Commercial launch, depending on the outcome from the farm trials
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September 2021	Commercial launch, depending on the outcome from the farm trials																

6. BUSINESS OVERVIEW (Cont'd)

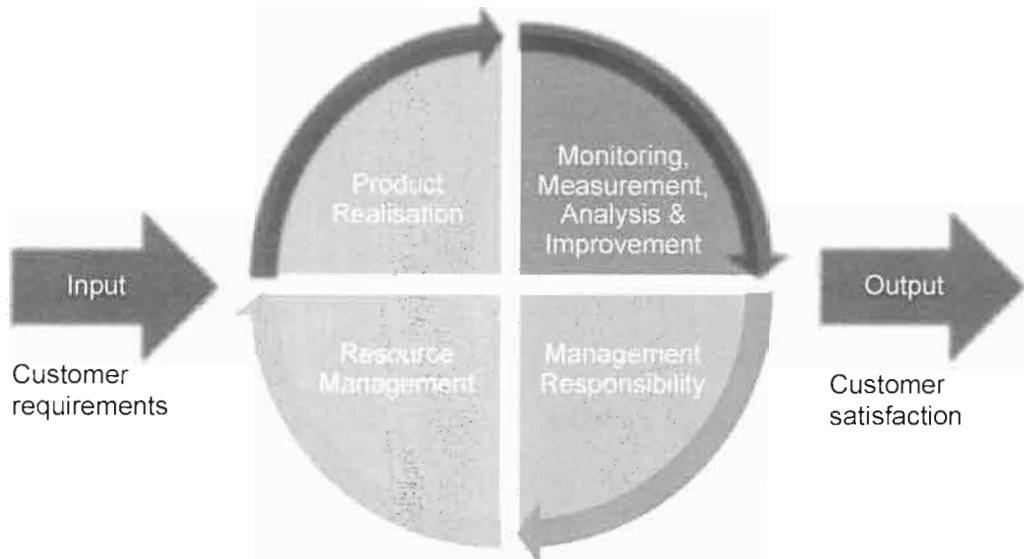
6.14 TECHNOLOGY USED OR TO BE USED

For our manufacturing activities, we use an industrial control application that is customised to our Group's manufacturing processes and requirements. An industrial control application is a set of applications that are programmed to control connected production equipment such as airflow system, mini silos and mixers that are used in our manufacturing activities.

As for our diagnostic and material analyses services, we use a number of laboratory equipment, as detailed in Section 6.13.1 of this Prospectus, to perform various types of analyses and tests as well as for our R&D activities.

6.15 QUALITY CONTROL PROCEDURES

We place significant emphasis on quality over the course of our Group's operations, which include our manufacturing activities and associated quality control procedures. We have established a quality control system to ensure that high quality products and services as well as timely deliveries of our products are provided to our customers. Our quality control procedures are depicted below:



Product realisation

Product realisation is a series of processes and sub-processes required to achieve the required results, i.e. the design, development and production of animal health and nutrition products that adhere to international quality standards. Under this stage, the quality objectives of the processes are established and documented.

6. BUSINESS OVERVIEW (Cont'd)

When planning the processes for realisation of products, the following is taken into account:

- (i) quality objectives and product quality requirements;
- (ii) the need to establish processes and documentations, and provide resources and facilities specific to the product quality;
- (iii) verification, validation, monitoring and inspection activities, and the criteria for acceptability and compliance with documented procedures and quality plan; and
- (iv) the records that are necessary to provide confidence of conformity of the processes and products with the requirements.

Monitoring, measurement, analysis and improvement

As part of our quality measurement system ("QMS"), we monitor, measure, analyse and continuously improve our processes needed to:

- (i) demonstrate compliance with our product requirements;
- (ii) assure the soundness of our QMS; and
- (iii) achieve continuous improvement in the effectiveness of our QMS.

Our quality assurance department measures and monitors our product quality to ensure that the product quality requirements are met. Our quality assurance department also ensures that products which do not conform to the product quality requirements are identified and rectified to prevent unintended production. Corrective actions will be taken to rectify the cause of non-conformities of the products.

Management responsibility

Our management demonstrates their commitment to the development and improvement of our QMS by:

- (i) communicating to our employees the importance of meeting customers' needs as well as regulatory and legal requirements;
- (ii) establishing a quality policy and disseminating the policy to our employees;
- (iii) ensuring quality objectives are established and displayed openly as a sign of commitment as well as presenting our quality policy and objectives to new staff during orientation;
- (iv) conducting regular management reviews; and
- (v) ensuring the availability of necessary resources.

Resource management

Our quality assurance department will determine and provide, in a timely manner, the resources needed to:

- (i) implement, maintain and improve our QMS; and
- (ii) ensure customer satisfaction.

6. BUSINESS OVERVIEW (Cont'd)

Our management is committed to the execution of the procedures set out in our quality assurance manual, whilst our quality assurance personnel has full authority to carry out a quality assurance system to identify quality control problems, and to initiate, recommend and rectify the problems identified.

Our Group's QMS adheres to international quality standards. Our QMS was accredited with the ISO9001:2008 certification from the European Quality Assurance in 2013 under the scope "design, development and producing of animal feed premix". In 2018, our QMS was reassessed and accredited with the ISO9001:2015 certification from the Joint Accreditation System of Australia and New Zealand under the same scope.

6.16 MAJOR CUSTOMERS

Our top five (5) major customers for the FYEs 31 December 2017, 2018, 2019 and 2020 are all based in Malaysia save for Customer C which is based outside of Malaysia. The table below sets out our top five (5) major customers for each of the financial years under review as follows:

No.	Name	Length of relationship (Years)	Types of products supplied	Revenue contribution (RM'000)	% of total revenue (%)
FYE 31 December 2020					
1.	Customer A	5	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, raw materials and commodities	14,309	7.06
2.	Ni-On Marketing System Sdn Bhd	25	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials, commodities and farm equipment	10,672	5.27
3.	Perniagaan Muhibbah Ria Sdn Bhd	7	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials and commodities	9,184	4.53
4.	Customer B	5	Premixes, formulated products, biotech animal feed ingredients, feed additives, vitamins, minerals, raw materials and commodities	7,024	3.47
5.	Customer C	5	Premixes, formulated products, veterinary pharmaceuticals, raw materials and commodities	6,996	3.45
Total:				48,185	23.78

6. BUSINESS OVERVIEW (Cont'd)

No.	Name	Length of relationship (Years)	Types of products supplied	Revenue contribution (RM'000)	% of total revenue (%)
FYE 31 December 2019					
1.	Ni-On Marketing System Sdn Bhd	24	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials, commodities and farm equipment	13,678	7.64
2.	Customer A	4	Premixes, formulated products, feed additives, raw materials and commodities	10,046	5.61
3.	Customer D	4	Premixes, feed additives, raw materials and commodities	8,837	4.94
4.	Perniagaan Muhibbah Ria Sdn Bhd	6	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials and commodities	8,811	4.92
5.	Customer B	4	Premixes, formulated products, biotech animal feed ingredients, feed additives, vitamins, minerals, raw materials and commodities	8,488	4.74
Total:				49,860	27.85
FYE 31 December 2018					
1.	Ni-On Marketing System Sdn Bhd	23	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials, commodities and farm equipment	21,144	11.67
2.	Customer B	3	Premixes, formulated products, biotech animal feed ingredients, feed additives, vitamins, minerals, raw materials and commodities	8,778	4.85
3.	Perniagaan Muhibbah Ria Sdn Bhd	5	Premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials and commodities	8,758	4.84
4.	Customer D	3	Premixes, formulated products, feed additives, raw materials and commodities	8,140	4.49
5.	Customer A	3	Premixes, formulated products, feed additives, raw materials and commodities	6,818	3.76
Total:				53,638	29.61

6. BUSINESS OVERVIEW (Cont'd)

No.	Name	Length of relationship (Years)	Types of products supplied	Revenue contribution (RM'000)	% of total revenue (%)
FYE 31 December 2017					
1.	Ni-On Marketing System Sdn Bhd	22	Premixes, formulated products, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials, commodities and farm equipment	23,265	13.12
2.	Perniagaan Muhibbah Ria Sdn Bhd	4	Premixes, formulated products, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials and commodities	11,384	6.42
3.	Customer A	2	Premixes, formulated products, feed additives, raw materials and commodities	9,440	5.32
4.	Customer B	2	Premixes, formulated products, feed additives, vitamins, minerals, raw materials and commodities	7,636	4.30
5.	Customer D	2	Premixes, formulated products, feed additives, raw materials and commodities	7,119	4.01
Total:				58,844	33.17

Our top five (5) major customers collectively contributed approximately 33.17%, 29.61%, 27.85% and 23.78% to our Group's revenue for the FYEs 31 December 2017, 2018, 2019 and 2020 respectively.

Two (2) of our customers, namely Ni-On Marketing System Sdn Bhd and Perniagaan Muhibbah Ria Sdn Bhd, are related parties of our Group. Further information on the relationship of our Group with Ni-On Marketing System Sdn Bhd and Perniagaan Muhibbah Ria Sdn Bhd is set out in Section 9.1.1 of this Prospectus.

Ni-On Marketing System Sdn Bhd has been a customer of our Group for 25 years while Perniagaan Muhibbah Ria Sdn Bhd has been a customer of our Group for seven (7) years. Both companies collectively contributed approximately 19.54%, 16.51%, 12.56% and 9.80% to our Group's revenue for the FYEs 31 December 2017, 2018, 2019 and 2020 respectively. We supply both our in-house manufactured products such as premixes, formulated products and biotech animal feed ingredients as well as our distribution products i.e. feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials, commodities and farm equipment to them. Although these two (2) companies are related parties of our Group, sales to these companies have been decreasing throughout the financial years under review. This was due to a combination of lower demand of distribution products from them and lower sales of distribution products i.e. raw materials and commodities to them over the years as more of these raw materials and commodities were instead channelled to the production of our Group's in-house manufactured products. This is also in line with our Group's ongoing focus and business strategy to further promote our own in-house manufactured products which has over the years enabled our Group to expand our customer base and register an improvement in the total revenue of our Group throughout the financial years under review save for the slight decline in our Group's total revenue by approximately RM2.05 million or 1.13% for the FYE 31 December 2019.

6. BUSINESS OVERVIEW (Cont'd)

The table below summarises the information of our remaining top five (5) major customers:

Name	Description
Customer A	A private limited company incorporated in Malaysia. It is principally involved in the operation of animal feed milling and sales of related products in Malaysia. It is part of a larger integrated poultry and swine player which is not listed on any stock exchange.
Customer B	A private limited company incorporated in Malaysia. It is principally involved in the distribution of animal feeds, fertilisers, agricultural chemicals and other related farm supplies in Malaysia.
Customer C	A private limited company incorporated outside of Malaysia but within South East Asia. It is principally involved in the production of poultry feed within South East Asia. It is part of a larger integrated poultry player which is not listed on any stock exchange.
Customer D	A private limited company incorporated in Malaysia. It is principally involved in the distribution of animal feeds and oil palm products in Malaysia.

Despite the contributions from our top five (5) customers, we are not materially dependent on any single customer, due to the large customer base that we have acquired throughout the years. As at LPD, we have more than 600 customers with an average length of relationship of approximately seven (7) years with our Group. Since 2017, 373 of our customers are repeat customers.

For information purposes, our Company had sought the consents of Customers A, B, C and D for the disclosure of their names in this Prospectus but our requests were declined. Notwithstanding this, the disclosure of the names of Customers A, B, C and D will also place our Group in a competitive disadvantageous position which could potentially impose additional financial burden on our Group such as potential loss of customers and revenue as well as reduced profit margins which would in turn adversely affect the future financial performance of our Group. As such, we have sought a relief from the SC and the SC had approved our relief from having to disclose the names of these customers for each of the financial years under review.

6.17 MAJOR SUPPLIERS

Our top five (5) major suppliers for the FYEs 31 December 2017, 2018, 2019 and 2020, are as follows:

No.	Name	Country	Length of relationship (Years)	Types of products purchased	Purchase value (RM'000)	% of total purchase (%)
FYE 31 December 2020						
1.	CJ Bio Malaysia Sdn Bhd	Malaysia	5	Feed additives	11,315	7.94
2.	Norel Animal Nutrition Asia Pacific Pte. Ltd.	Singapore	13	Feed additives	6,048	4.24
3.	DSM Nutritional Products Asia Pacific Pte. Ltd.	Singapore	14	Feed additives and vitamins	5,583	3.92
4.	Baolikang Biological Feed Co., Ltd.	The PRC	3	Commodities	4,770	3.35

6. BUSINESS OVERVIEW (Cont'd)

No.	Name	Country	Length of relationship (Years)	Types of products purchased	Purchase value (RM'000)	% of total purchase (%)
5.	HIPRA Malaysia Sdn Bhd	Malaysia	7	Veterinary vaccines	4,624	3.25
Total:					32,340	22.70

FYE 31 December 2019

1.	CJ Bio Malaysia Sdn Bhd	Malaysia	4	Feed additives	9,750	7.62
2.	Norel Animal Nutrition Asia Pacific Pte. Ltd.	Singapore	12	Feed additives	6,345	4.96
3.	DSM Nutritional Products Asia Pacific Pte. Ltd.	Singapore	13	Feed additives and vitamins	6,060	4.74
4.	HIPRA Malaysia Sdn Bhd	Malaysia	6	Veterinary vaccines	5,457	4.27
5.	Provimi Singapore Pte. Ltd.	Singapore	13	Feed additives and vitamins	4,523	3.54
Total:					32,135	25.13

FYE 31 December 2018

1.	CJ Bio Malaysia Sdn Bhd	Malaysia	3	Feed additives	9,200	7.19
2.	Provimi Singapore Pte. Ltd.	Singapore	12	Feed additives and vitamins	6,978	5.45
3.	CJ Cheiljedang Corporation	South Korea	1	Feed additives	5,787	4.52
4.	HIPRA Malaysia Sdn Bhd	Malaysia	5	Veterinary vaccines	4,751	3.71
5.	Ajinomoto Animal Nutrition (S) Pte. Ltd.	Singapore	12	Feed additives	4,477	3.50
Total:					31,193	24.37

6. BUSINESS OVERVIEW (Cont'd)

No.	Name	Country	Length of relationship (Years)	Types of products purchased	Purchase value (RM'000)	% of total purchase (%)
FYE 31 December 2017						
1.	CJ Bio Malaysia Sdn Bhd	Malaysia	2	Feed additives	8,425	6.17
2.	Evervictory Pharm Co., Ltd	The PRC	6	Veterinary pharmaceuticals	7,307	5.35
3.	Norel Animal Nutrition Asia Pacific Pte. Ltd.	Singapore	10	Feed additives	5,518	4.04
4.	HIPRA Malaysia Sdn Bhd	Malaysia	4	Veterinary vaccines	5,227	3.83
5.	Ajinomoto Animal Nutrition (S) Pte. Ltd.	Singapore	11	Feed additives	4,349	3.19
Total:					30,826	22.58

Contributions from our top five (5) major suppliers have remained relatively stable and collectively contributed approximately 22.58%, 24.37%, 25.13% and 22.70% to our Group's purchases for the FYEs 31 December 2017, 2018, 2019 and 2020 respectively. They comprise animal feed additive manufacturers, vitamin manufacturers, veterinary vaccine manufacturers, veterinary pharmaceutical manufacturers and commodities suppliers that supply raw materials and products for our manufacturing and distribution activities.

Over the financial years under review, we have not experienced any difficulty in obtaining supplies from our suppliers. We are not dependent on any single supplier as these supplies are widely available and we are able to procure our supplies from a diversified list of supplier base.

6.18 IMPACT OF COVID-19 ON OUR GROUP

The COVID-19 was declared a pandemic by the Director General of the World Health Organisation ("WHO") on 11 March 2020. Following the said declaration, we monitored the development of the pandemic closely and proactively communicated with our customers to increase their inventory levels in order to minimise possible disruption in terms of delivery and materials supplied. At the same time, we also worked closely with our overseas suppliers' with regards to their supplies and potential freight disruptions, and increased our stock inventory in order to minimise the possible disruption in our production and sales.

On 16 March 2020, the Malaysian Government announced a nationwide MCO which took effect on 18 March 2020. During the MCO, certain measures including travel restrictions and closure of government and private premises had been imposed by the Malaysian Government as an effort to contain the COVID-19 outbreak. However, exemptions were given to selected industries and operations that are deemed as essential services. As our Group operates within the food supply chain and is deemed as an essential service, we were able to continue our operations during this MCO period with a 50% workforce capacity in our manufacturing plants and in our office. We were then given the permission to operate at full capacity from 29 April 2020 onwards after the MITI announced on 28 April 2020 that selected business sectors were allowed to resume full operations.

6. BUSINESS OVERVIEW (Cont'd)

Since then, the Malaysian Government has reintroduced various forms of MCOs with the most recent being a nationwide full lockdown effective 1 June 2021 for a period of two (2) weeks following a steep climb of COVID-19 cases that breached the 8,000 daily mark in May 2021. During this full lockdown period, exemptions were given to selected industries and business sectors to operate, including those in the food and beverage manufacturing and manufacturing-related services sector. As such, we were able to continue our operations during this full lockdown period with a 60% workforce capacity in our manufacturing plants and in our office.

During the MCO period, our sales and technical personnel as well as office personnel worked remotely from home. In addition, we had also obtained approvals and confirmation from the following authorities in order for our workforce to return to work during the MCO period:

- the MITI;
- the Department of Veterinary Services of Penang; and
- the Malaysian Animal Health and Nutrition Industries Association.

(i) Measures to commence and continue our business operations

As part of the conditions set forth by the MITI which permits companies in essential services to operate during the MCO period, we implemented the Standard Operating Procedures ("SOPs") imposed by the Malaysian Government which include the following:

- (a) submit a list of employees who will be involved in the company's critical operations during the MCO period, while ensuring employees' movement are limited to travels between their home and work premises only;
- (b) prepare and provide employees with personal protective equipment which include face masks and gloves. To ensure all employees and visitors wear face masks at all times in our premises, sanitise their hands regularly and practice social distancing. To make available hand sanitisers or disinfecting kits at entrances and common areas in factory, warehouse and office area;
- (c) measure and record the body temperature readings of all employees and visitors at the entrances of our premises. If the body temperature reading is above 37.5 degree celcius, the employee or the visitor will be denied entry and we will notify the nearest government hospital or the Ministry of Health, Malaysia ("MoH") office;
- (d) sanitise and disinfect common areas in our office, manufacturing plants and employees' hostels daily;
- (e) ensure that vehicles used to transport employees are sanitised and disinfected each time before use. Delivery vehicles have to be disinfected when they enter our premises; and
- (f) lay distancing markers to guide general movement directions and seating arrangement to enforce physical distancing among those present in the common areas of our premises.

6. BUSINESS OVERVIEW (Cont'd)

In the event an outbreak of COVID-19 occurs at our premises, the SOPs will also include the following measures:

- (aa) suspension of operations for at least 14 days and immediately notifying the MoH of the outbreak;
- (bb) compulsory COVID-19 screening for all employees and practice self-quarantine;
- (cc) any infected employee will be quarantined based on instructions from the MoH;
- (dd) sanitising and disinfecting our office, manufacturing plants, including equipment and machinery, and employees' hostels according to the MoH's guidelines; and
- (ee) transfer of main production activities to the rented premises where Yenher Biotech's facility is located, which is also equipped to carry out production of premixes, complete feed and formulated products, where necessary.

In addition to the above, on 28 November 2020, the Ministry of Human Resources, Malaysia announced that it will carry out a COVID-19 screening programme from 1 December 2020 for foreign workers based on red zone localities, which include Selangor, Federal Territory of Kuala Lumpur, Federal Territory of Labuan, Negeri Sembilan, Pulau Pinang and Sabah. The COVID-19 screening programme in Pulau Pinang began on 9 December 2020 and all of our foreign workers have been screened on 9 and 12 January 2021. The total cost involved for such screening was RM2,400.00.

For information purposes, since the MCO was first introduced in March 2020, we have incurred additional expenditure to implement the abovementioned SOPs to curb the spread of COVID-19. We have also arranged for an additional accommodation for our workers as an added measure to further space out our foreign workers in the event any of them contract the virus. The total cost for the implementation of these SOPs is expected to be between RM150,000 to RM250,000 per annum. However, such cost is not expected to have any material impact to our Group's financial performance.

(ii) Impact of COVID-19 on our supply chain

Our suppliers, both for the manufacturing and distribution segments, are made up of players in the food supply industry, which fall under the defined essential service segment, and thus were able to continue operating, although at reduced levels in March and April 2020 as well as during the nationwide lockdown period in June 2021. In addition, we have also increased our inventory levels which serves as a mitigating factor, should there be any disruption in our supply chain. As such, we have not experienced material disruptions to our supply chain up to the date of this Prospectus.

However, the continued COVID-19 outbreak and the uncertainties surrounding it may result in higher shipping and freight rates in the future. Lower economic activities during the first half of 2020 have reduced the demand for shipping and freight activities, with carriers reducing supply capacity in line with lower demands. Nevertheless, as economies begin to recover in the second half of 2020, sudden increase in demand for shipping and freight had led to the increase in shipping and freight rates.

While our Group has yet to experience any major shipping and freight disruption or any major increase in shipping and freight rates, there can be no assurance that the COVID-19 pandemic may be prolonged or may worsen in the future which may consequently lead to higher shipping and freight rates, the occurrence of which could in turn, adversely impact our business, financial condition and results of operations.

6. BUSINESS OVERVIEW (Cont'd)**(iii) Impact of COVID-19 on our sales**

Our customers also comprise companies that operate within the food supply industry and thus, were able to continue operating throughout the MCO period, although at reduced levels in March and April 2020 as well as during the nationwide lockdown period in June 2021. Since COVID-19 was declared a pandemic by WHO on 11 March 2020, we began to communicate and work with our customers closely to encourage them to increase their inventory levels so to minimise the risk of possible supply disruptions as a result of the outbreak and the resulting MCO.

While we are categorised as a company operating within the essential services and we were allowed to operate during the various phases of the MCOs, the outbreak of COVID-19 and the implementation of the MCOs had to a certain degree affected our operations. For instance, our Group recorded lower production output due to restrictions on the number of employees who were allowed at our premises during the first of the three (3) phases of the MCO from 18 March 2020 to 28 April 2020. However, we do not expect the nationwide full lockdown commencing 1 June 2021 to have any material impact on our Group's production output as we are allowed to have 60% workforce in our manufacturing plants and our office (as compared to only 50% workforce capacity in March to April 2020) and given that this is the second full nationwide lockdown, we are able to better manage our production and business operations as compared to the first lockdown. Notwithstanding this, since the MCO in March 2020, we have not experienced any material disruption to our supply chain (including any major delay in shipment of our supplies and delivery of our products to customers) and thus, we have not experienced any major adverse impact to our business operations and financial performance as a result of the COVID-19 outbreak and the various phases of the MCOs up to the date of this Prospectus.

6.19 BUSINESS INTERRUPTIONS

We have not experienced any interruption in business which had a significant effect on our operations during the past 12 months preceding the date of this Prospectus.

6.20 MAJOR LICENCES, PERMITS AND APPROVALS

We have obtained all licences, permits and regulatory approvals required to conduct our business activities.

Please refer to Annexure B of this Prospectus for further details on our major licences, permits and approvals together with the material conditions attached therein and the status of compliance as at LPD.

6. BUSINESS OVERVIEW (Cont'd)

6.21 INTELLECTUAL PROPERTIES

As at LPD, save for the trademark registrations and patent application below, we do not have any other intellectual property right registered and/or in the process of registration:

(i) Trademark

Registered owner / Applicant	Authority	Trademark	Application / Registration No.	Effective Date / (Expiry Date) ⁽¹⁾	Class of trademark	Status
Malaysia						
Yenher Agro	MyIPO		2010012514	12 July 2010 / (12 July 2030)	Animal feed; non-medicated additives to animal feed, etc; all included in Class 31.	Registered
			2010012515	12 July 2010 / (12 July 2030)	Wholesale, retail and distribution in respect of animal feed, etc; all included in Class 35.	Registered
Yenher Agro	MyIPO		2010016085	26 August 2010 / (26 August 2030)	Animal feed, non-medicated additives to animal feed, etc; all included in Class 31.	Registered
Yenher Agro	MyIPO		TM2020027964	N/A	Animal feed, animal feed preparations; in Class 31.	Submitted an application on 24 November 2020 and approval for registration is still pending as at LPD.

6. BUSINESS OVERVIEW (Cont'd)

Registered owner / Applicant	Authority	Trademark	Application / Registration No.	Effective Date / (Expiry Date) ⁽¹⁾	Class of trademark	Status
Yenher Biotech	MyIPO	YENMAX	TM2019037507	11 October 2019 / (11 October 2029)	Animal premix, animal/livestock fattening preparation, animal feeds, animal meals, non-medicated additives to animal feeds; all included in Class 31.	Registered
Yenher Biotech	MyIPO	YENSOY	TM2019046639	18 December 2019 / (18 December 2029)	Animal premix, animal/livestock fattening preparation, animal feeds, animal meals non-medicated additives to animal feeds; all included in Class 31.	Registered
Yenher Biotech	MyIPO	YENPALM RH	TM2019046638	18 December 2019 / (18 December 2029)	Animal premix, animal/livestock fattening preparation, animal feeds, animal meals, non-medicated additives to animal feeds; all included in Class 31.	Registered
The PRC						
Yenher Agro ⁽²⁾	China Trademark Office	源佳乐	15407487	14 November 2015 / (13 November 2025)	Animal foodstuff; animal fattening preparations, beverages for pets, strengthening animal forage; dog biscuits, grains for animal consumption; all included in Class 31.	Registered

Notes:

- (1) Validity of a registered trademark is 10 years and may be renewed each time for a period of 10 years.
- (2) Registered as an anti-counterfeit measure to protect our brand name.

6. BUSINESS OVERVIEW *(Cont'd)***(ii) Patent**

<u>Applicant</u>	<u>Authority</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Validity period</u>	<u>Title of invention</u>	<u>Status</u>
Yenher Biotech	MyIPO	PI2020000704	7 February 2020	N/A	YenPalm (fermentation technology)	Submitted an application on 7 February 2020 and approval for registration is still pending as at LPD.

As at LPD, we do not have any plan to patent our fermentation technology for 'YenSoy' as the fermentation technology used for 'YenSoy' is currently being used in numerous countries including Malaysia.

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6. BUSINESS OVERVIEW (Cont'd)**6.22 MATERIAL DEPENDENCY CONTRACTS**

As at LPD, we do not have any contract, including commercial or financial contracts, which are materially dependent for our business or profitability.

6.23 EMPLOYEES

As at LPD, we employ a total of 138 employees, of which 91 are local employees while 47 are foreign workers employed on a contractual basis. Out of the 91 local employees, five (5) are employed on a contractual basis while the rest are permanent employees of our Group. Our foreign workers are employed for our production, warehousing and delivery activities and are from Bangladesh, Nepal and Myanmar.

The following sets out the number of employees in our Group according to the different business functions as at 31 December 2020 and as at LPD:

Business function	As at 31 December 2020	As at LPD
Executive	6	6
Sales and marketing	26	26
Commercial and finance ⁽¹⁾	26	26
R&D	5	5
Production (including quality assurance)	50	49
Delivery and warehousing	26	26
Total	139	138

The following sets out the number of employees in our Group according to their nationalities as at 31 December 2020 and as at LPD:

Nationality	As at 31 December 2020	As at LPD
Local	91	91
Foreign ⁽²⁾	48	47
Total	139	138

Notes:

(1) This includes purchasing, shipping, accounting and finance, as well as administration and human resource departments.

(2) These are foreign workers from Bangladesh, Nepal and Myanmar.

As at LPD, none of our employees is a member of any union and there has not been any major industrial dispute.

6. BUSINESS OVERVIEW *(Cont'd)*

6.24 GOVERNING LAWS, REGULATIONS, RULES OR REQUIREMENTS

The relevant laws, regulations, rules or requirements governing the conduct of our Group's business and environmental issues which may materially affect our Group's business or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

(i) **Feed Act 2009**

The Feed Act 2009 ("**FA 2009**") provides that no person shall import any feed or feed additive unless he possesses a valid licence under the FA 2009. Any person who imports any feed or feed additive without a licence shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two (2) years or to both and for a second or subsequent offence, to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding four (4) years or to both.

The FA 2009 also provides that no person shall incorporate any antibiotic, hormone or other chemicals into feed; or introduce any antibiotic, hormone or other chemicals directly or through a medium into animals, unless in accordance with the prescribed manner and at the prescribed level. In addition, no person shall possess any feed or feed additive which contains antibiotics, hormones or other chemicals the addition of which are not permitted under the FA 2009 or any regulation thereunder. Any person who contravenes this commits an offence and shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two (2) years or to both, and for a second or subsequent offence, to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding four (4) years or to both.

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

The Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012 provides that no person shall manufacture or sell feed or feed additive unless registered with the feed board as defined in the FA 2009 ("**Feed Board**"). Any person who contravenes any of the provision of these regulations commits an offence and shall on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding two (2) years or to both.

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

The Feed (Licence to Import Feed or Feed Additive) Regulations 2012 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 person who contravenes any of the provision of these regulations shall on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding two (2) years or to both.

(iv) **Feed (Prohibited Antibiotics, Hormones and Other Chemicals) Regulations 2012**

The Feed (Prohibited Antibiotics, Hormones and Other Chemicals) Regulations 2012 prohibits the use of antibiotics, hormones and other chemicals in feed and feed additive for animal categories as prescribed therein. Any person who contravenes these regulations commits an offence and shall on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding two (2) years or to both.

6. BUSINESS OVERVIEW (Cont'd)**(v) Feed (Labelling of Feed or Feed Additive) Regulations 2012**

The Feed (Labelling of Feed or Feed Additive) Regulations 2012 requires that the animal feed and feed additive shall be labelled in accordance to the details as provided in the said regulations. Any person who contravenes any of the provision of these regulations shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM15,000 or to imprisonment for a term not exceeding one (1) year or to both, and for a second or subsequent offence, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two (2) years or to both.

(vi) Lembaga Kemajuan Ikan Malaysia Act 1971 and Fish Marketing Regulations 2010

The Lembaga Kemajuan Ikan Malaysia Act 1971 ("**KLIM**") is an act to incorporate the Lembaga Kemajuan Ikan Malaysia ("**Lembaga**") and to provide for matters connected therewith. Lembaga has the power to, among others, regulate the marketing of fish particularly through licensing of wholesalers, retailers, fish processors, importers and exporters.

The Fish Marketing Regulations 2010 ("**Fish Marketing Regulations**") provides that no person shall have any fish dealing 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 imported or exported shall pass through a legal entry or exit. In addition, no person shall process any fish without licence and any fish processing shall be carried out at a place or premises prescribed.

Any person, other than a body corporate but including a director or officer of a body corporate, who commits an offence under, or who fails to comply with, any of the provision of KLIM or any rule made thereunder in respect of which no penalty is expressly provided for, shall on conviction, be liable to a fine not exceeding RM15,000 or to imprisonment for a term not exceeding two (2) years or to both, and for a second or subsequent offence, to a fine not exceeding RM25,000 or to imprisonment for a term not exceeding five (5) years or to both. On the other hand, any body corporate which commits an offence under, or fails to comply with, any of the provision of KLIM or of any rule made thereunder shall on conviction, be liable to a fine not exceeding RM25,000 and, for a second or subsequent offence, to a fine not exceeding RM50,000.

(vii) Poisons Act 1952

The Poisons Act 1952 ("**PA 1952**") allows the Director-General of Health Malaysia to, among others, 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 the 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 Malaysia shall be personal to the licensee and shall not in any event, be transferable to another person. Such licence shall not authorise the sale of any poison by any other person than the licensee or otherwise than under his personal supervision.

Any person who contravenes the above provisions shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM3,000 or to imprisonment for a term not exceeding one (1) year or to both.

6. BUSINESS OVERVIEW (Cont'd)**(viii) Sale of Drugs Act 1952 and Control of Drugs and Cosmetics Regulations 1984**

The Sale of Drugs Act 1952 ("**SODA 1952**") is an act relating to the sale of drugs and "drug" defined in the SODA 1952 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, among others, for general maintenance or promotion of health or wellbeing.

The Control of Drugs and Cosmetics Regulations 1984 ("**CDCR**") provides that save as otherwise provided therein, no person shall manufacture, sell, supply, import or possess or administer any product unless the product is a registered product and the person holds the appropriate licence required and such license is issued under the CDCR, such as manufacturer's licence, wholesaler's licence, a clinical trial import licence or import licence.

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

(ix) Registration of Pharmacists Act 1951

The Registration of Pharmacists Act 1951 ("**RPA 1951**") governs the registration of pharmacists. If any person applying for such registration has been convicted of any offence which in the opinion of the Pharmacy Board renders him unfit to be on the register or, after due inquiry by the Pharmacy Board, is deemed by it to have been guilty of infamous conduct in any professional respect, the Pharmacy Board may refuse to admit such person to the register. The Pharmacy Board may impose punishments such as removal or suspension of registration of pharmacists or reprimand the registered pharmacist.

A registered pharmacist carrying on a business shall, so far as such business relates to the keeping, retailing, dispensing and compounding of poisons, dangerous drugs or therapeutic substances comply with the conditions stated in the RPA 1951. Any person who fails to comply with any such condition shall be guilty of an offence and shall on conviction, be liable before a Sessions Court to a penalty not exceeding RM500 and to a further penalty of RM50 for every day during which the offence continues.

(x) Control of Padi and Rice Act 1994, Control of Padi and Rice (Licencing of Wholesalers and Retailers) Regulations 1996 and Control of Padi and Rice (Licencing of Importers and Exporters) Regulations 1994

The Control of Padi and Rice Act 1994 ("**CPR 1994**") governs the law relating to padi and rice and for other matters connected therewith.

The Control of Padi and Rice (Licensing of Wholesalers and Retailers) Regulations 1996 ("**CPRLWR**") provides that no person shall sell rice by wholesale and retail except under a licence issued under CPRLWR while the Control of Padi and Rice (Licensing of Importers and Exporters) Regulations 1994 ("**CPRLIE**") provides that no person shall import or export rice except under a licence issued under CPRLIE.

6. BUSINESS OVERVIEW (Cont'd)

Any person who contravenes CPRLWR or CPRLIE or any of the conditions specified in the licence shall be guilty of an offence under Section 22 of the CPR 1994. A person, other than a body corporate but including a director or officer of a body corporate, who commits an offence under, or who fails to comply with, any of the provision of the CPR 1994 or any regulation made thereunder in respect of which no penalty is expressly provided for, shall on conviction, be liable to a fine not exceeding RM15,000, to imprisonment for a term not exceeding two (2) years or to both, and for second or subsequent offence, to a fine not exceeding RM25,000, to imprisonment for a term not exceeding five (5) years or to both. On the other hand, a body corporate which commits an offence under, or fails to comply with, any of the provision of the CPR 1994 or any regulation made thereunder shall on conviction, be liable to a fine not exceeding RM25,000, and for a second or subsequent offence, to a fine not exceeding RM50,000.

(xi) Local Government Act 1976 and Businesses, Professions and Trades Licensing Ordinance

The Local Government Act 1976 ("LGA") is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. Every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Pursuant to the LGA, a person fails to exhibit or produce his licence on the licensed premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding six (6) months or to both.

It is provided under the Businesses, Professions and Trade Licensing Ordinance that any person who carries out business in Sarawak in respect of which a trading licence is not for the time being in force, or who carries out such business in any premises or place, or by means of any vessel or vehicle or other means or things whatsoever, to which such licence does not extend, shall be guilty of an offence. The penalty of non-compliance is a fine of RM1,000.

(xii) Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 ("ICA 1975") requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence from the MITI. Failure to observe and adhere to the licensing requirements under the ICA 1975 will constitute an offence which is punishable on conviction by a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six (6) months and to a further fine not exceeding RM1,000 per day during which the non-compliance continues.

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:

- (a) has not complied with any condition imposed in the licence;
- (b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (c) has made a false statement in his application for the licence.

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

6. BUSINESS OVERVIEW (Cont'd)

(xiii) National Land Code and Sarawak Land Code (Chapter 81)

The National Land Code ("NLC") governs land matters within Peninsular Malaysia and the Sarawak Land Code (Chapter 81) ("**Sarawak LC**") governs land matters in Sarawak, where our material properties are situated.

Pursuant to the NLC, the state authority may alienate land subject to such express conditions and restriction in interest which shall be determined by the state authority at the time when the said land is approved for alienation and every condition or restriction of interest imposed under this section shall be endorsed on or referred to in the document of title to the land. Non-compliance of the conditions may result in the landowner being fined and/or the land being forfeited if the landowner fails to remedy the breach.

Pursuant to the Sarawak LC, subject to the direction of the minister for the time being in charged with the responsibility for resource planning, the director of lands and survey in Sarawak may alienate the state land other than native customary land. Any person who contravenes or neglects or fails to comply with, among others, the requirements on unimproved suburban land shall be guilty of an offence and the penalty is a fine of RM2,000 and, in the case of a continuing offence, to a further fine of RM100 for each day on which the offence continues.

(xiv) Street, Drainage and Building Act 1974, Uniform Building By-Laws 1984, Street, Drainage and Building (Amendment) Act 2007 and Sarawak Building Ordinance 1994

The Street, Drainage and Building Act 1974 ("**SDBA 1974**") is an act to amend and consolidate the laws relating to a 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 provision of the SDBA 1974.

The Uniform Building By-Laws 1984 regulates, among others, the construction of buildings and the time, manner and procedure for the issuance of a certificate of completion and compliance ("**CCC**") which had replaced the then certificate of fitness for an occupation that was previously issued by the local authority.

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

The Sarawak Building Ordinance 1994 provides that no person shall occupy or permit to be occupied any building or any part thereof unless an occupation permit, a partial occupation permit or a temporary occupation permit has been issued under the building by-laws for such building and any failure to comply with such provision shall be guilty of an offence and shall on conviction, be liable to a fine of not exceeding RM10,000, and in the case of a continuing offence to a further fine of not exceeding RM300 per day during which the offence is continued after notice to cease occupying the building has been issued on such person.

6. BUSINESS OVERVIEW (Cont'd)

(xv) The Environmental Quality Act 1974

The Environmental Quality Act 1974 ("**EQA 1974**") governs the enforcement of waste disposal in Malaysia in order to control pollution.

The EQA 1974 regulates, among others, the deposit or disposal of any scheduled wastes on land or into Malaysian waters; receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or transiting or causing or permitting the transit of scheduled wastes. Any person who fails to comply with the relevant requirement shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a period not exceeding five (5) years or to both.

The EQA 1974 further provides that where an offence against the EQA 1974 or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of committing the offence is a director, chief executive officer, manager, or other similar officer or a partner of the company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he provides that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent committing the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

On 12 November 2019, Yenher Agro committed two (2) offences under Regulation 7(1)(a) of CDCR for (i) selling two (2) bottles of drugs that were not registered products under CDCR ("**Products**"); and (ii) possessing 10 unregistered Products. As such, Yenher Agro is liable on conviction to a fine not exceeding RM100,000 for the two (2) abovementioned offences i.e. RM50,000 for each offence. On 4 February 2021, Yenher Agro pled guilty to the said offences during the court hearing at Jawi Magistrate Court, Pulau Pinang and was fined with a penalty of RM10,000 which Yenher Agro had fully settled on the same day.

Following the incident, Yenher Agro had reviewed and enhanced its internal control system to prevent similar incidents from occurring. This includes having our purchasing department to request for proof of registration of products with the relevant authorities from suppliers before purchasing any product.

For information purposes, the abovementioned offences do not lead to the revocation of our Group's operating licences or any jail term for any individual. Furthermore, the unregistered Products mentioned above are mostly slow-moving products and are not the core products of our Group.

Save as disclosed above, there is no other non-compliance with the aforesaid laws, regulations, rules and requirements as at LPD.

7. INDUSTRY OVERVIEW

The information in this Section 7 is based on the market research conducted by Protégé Associates commissioned by Yenher for the purpose of the IPO.

Date: 8 June 2021

The Board of Directors
Yenher Holdings Berhad
No. 35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Pulau Pinang

Dear Sir/Madam,

Strategic Analysis of the Animal Health and Nutrition Industry in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Animal Health and Nutrition Industry in Malaysia' for inclusion in the prospectus of Yenher Holdings Berhad ("Yenher") in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 21 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering automotive, electronics, healthcare, energy, information technology, oil and gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG
Managing Director

7. INDUSTRY OVERVIEW (Cont'd)



1.0 Malaysia Economic Overview

The Malaysian economy contracted by 5.6% in its real gross domestic product in 2020, due to the Coronavirus Disease 2019 ("COVID-19") pandemic which began in December 2019 which has caused a significant economic slowdown in many countries including Malaysia. On a closer look, all major economic sectors in Malaysia experienced pandemic-driven declines as a result of the different phases of domestic containment measures implemented by the Malaysia Government to curb the spread of COVID-19.

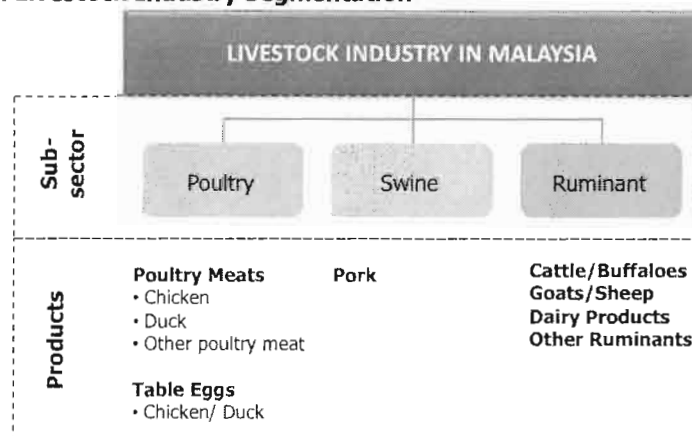
To mitigate the economic impact of the COVID-19 pandemic, the Malaysian Government has introduced counter-cyclical policy measures such as the PRIHATIN Rakyat Economic Stimulus Package, the PENJANA short-term economic recovery plan (PENJANA ERP), the Malaysian Economic and Rakyat Protection Assistance Package (PERMAI) and the Rakyat and Economic Strategic Empowerment Programme (PEMERKASA) to help relieve economic pressures from COVID-19 and to reinvigorate spending and economic activities. Among the measures undertaken include flexibility for monthly cash withdrawal from the Employees' Provident Fund for a year and the deferment in repayment of education loans were introduced to increase household disposable income, moratorium on loan payments and loan guarantees as well as measures to facilitate the restructuring of loan and credit facilities, particularly for individuals and small and medium enterprises ("SMEs") as well as tax reliefs, incentives and cash aid. In addition to the stimulus packages and programmes, the overnight policy rate was reduced by a total of 125 basis points from 3.00% in January 2020 to its current level of 1.75% in order to cushion the economic impact of COVID-19 to businesses and households. In addition, the Budget 2021 also provided for various financial incentives to, among others, the agriculture sector, to help increase production capacity of agricultural products.

As a result of renewed waves of COVID-19 cases at the start of 2021, the Malaysian Government again imposed different phases of domestic containment measures in the various states and districts. Nevertheless, the local economy is anticipated to improve in the second half of 2021 and is projected to register a positive growth of between 6.5% to 7.5% in 2021, supported by policy measures to cushion the impact of COVID-19, rollout of vaccines, improvements in external conditions, as well as gradual recovery in economic activities. Nonetheless, the downside risks to the growth outlook stem from challenges that may affect the rollout of vaccination programmes (i.e. public confidence and acceptance of vaccine and supply of vaccine) as well as the uncertainties surrounding the spread of COVID-19 pandemic around the world.

2.0 Livestock Industry in Malaysia

The animal health and nutrition industry is part of the larger livestock industry in Malaysia. Animal health and nutrition products are critical components of a livestock farm's operations in ensuring proper nutrition, health and hygiene of the livestock. Therefore, demand for animal health and nutrition products are mainly attributed to the growth of the livestock industry. The Malaysian livestock industry is an important component of the country's agriculture sector as it contributes directly towards the production of food commodities and is critical in ensuring national food security and self-sufficiency. The livestock industry can be categorised according to the types of livestock as follows:

Figure 1: Malaysian Livestock Industry Segmentation



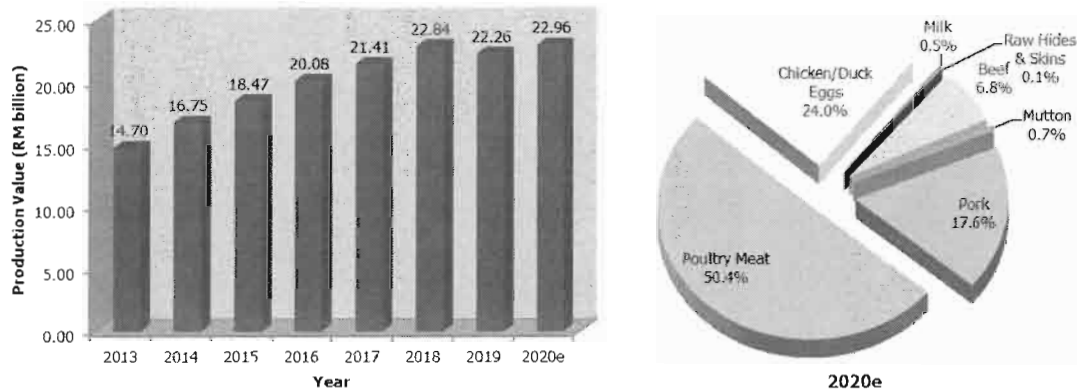
Source: Protégé Associates

7. INDUSTRY OVERVIEW (Cont'd)



The main factors supporting the steady growth of the livestock industry in Malaysia are the suitable climate and availability of land that promote production efficiency; the growing population and affluence and a greater desire for variety in food which has contributed to the growth in local consumption; as well as the Malaysian Government's continuous support of the livestock industry and the agriculture sector as a whole. As illustrated in Figure 2 below, the production value of livestock in Malaysia has been rising from 2013 to 2020.

Figure 2: Production Value of Livestock in Malaysia, 2013-2020



Note: e denotes estimate

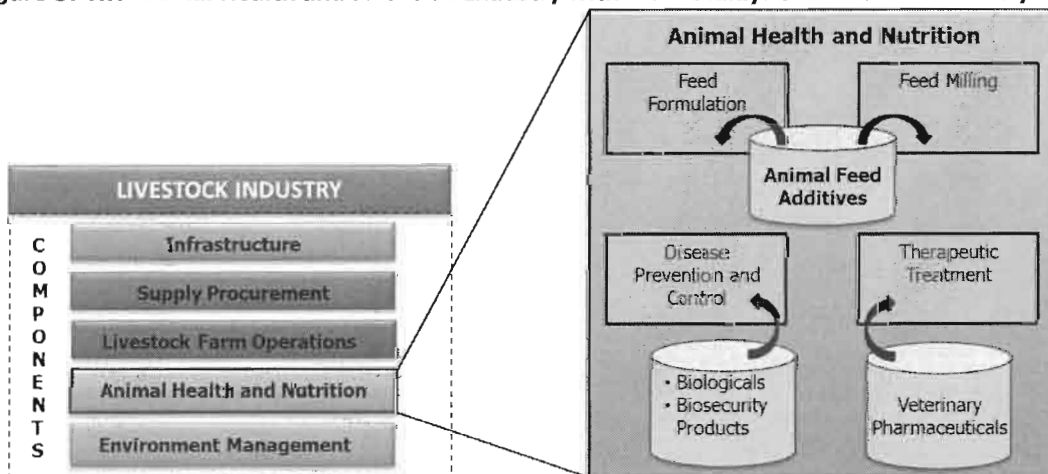
Source: Department of Veterinary Services, Malaysia and Protégé Associates

From the above chart, the historical performance of the livestock industry has been growing on upward trajectory at a compound annual growth rate ("CAGR") of 6.6% from 2013 to 2020. Within Malaysia, the poultry sub-sector (which includes poultry meat and chicken/duck eggs) is the largest sub-sector at 74.4% of total production value, followed by the swine sub-sector and the ruminant sub-sector (which includes milk, beef and mutton), with 17.6% and 8.0% of total production value respectively.

2.1 Animal Health and Nutrition Industry in Malaysia

Animal health and nutrition is a vital function of livestock farming operations in ensuring that animals achieve optimal growth, are free of disease and safe for human consumption, and are of a desired level of quality and taste. It also helps to increase a farm's yield by reducing mortality rates and ensuring that animals grow to marketable size. The following depicts the position of the animal health and nutrition industry together with the other components which contribute towards the growth of the Malaysian livestock industry.

Figure 3: The Animal Health and Nutrition Industry within the Malaysian Livestock Industry



Note: denotes product that correlates to the respective processes.

Source: Protégé Associates

- 1) Infrastructure – Land, utilities, logistics and production facilities (i.e. coops, pens, harvesting and feeding facilities) are required for setting up livestock farms.

7. INDUSTRY OVERVIEW (Cont'd)



- 2) Supply procurement – Purchase of parent stocks, young broilers and layer stocks from breeder farms as well as feed that includes feed ingredients and additives.
- 3) Livestock farm operations – Day-to-day operations of rearing livestock including feeding, cleaning, harvesting and distribution. Marketable livestock products are harvested and packaged before they are distributed to end-user markets.
- 4) Animal health and nutrition – The four (4) main processes within the animal health and nutrition component are:
 - Disease prevention and control – Uses **biologicals and biosecurity products**, such as disinfectants and vaccines to prevent the onset of diseases.
 - Therapeutic treatment – Uses **veterinary pharmaceuticals** which include antibiotics to mitigate the effects of disease outbreaks.
 - Feed formulation – The process of determining the animal feed formula which includes the necessary amount of premixes and **animal feed additives**.
 - Feed milling – Produces animal feed in bulk through mixing of macro-nutrients and micro-ingredients including **animal feed additives**.
- 5) Environment management – Environment management at livestock farms is important for environmental and commercial sustainability as well as ensuring the quality and quantity of its harvest. The processes of environment management include land preparation, production facility management and waste management.

2.2 Segmentation of the Animal Health and Nutrition Industry

The following table provides further insight into the animal health and nutrition products and their functions.

Figure 4: Animal Health and Nutrition Products and Functions

Process	Products	Functions
Disease Prevention and Control	Biologicals - Defined as substances administered as a single dose early in the animal's life, or as fixed periodic doses throughout the animal's life (not added to feed) - Include anti-toxins and vaccines	To prevent disease outbreaks among livestock animals by stimulating the animal's immune system to develop more antibodies to counter various pathogens.
	Biosecurity Include cleaning agents and disinfectants	To ensure the cleanliness and health of livestock animals through maintaining hygiene level at livestock farms.
Therapeutic Treatment	Veterinary Pharmaceuticals - Defined as therapeutic medicines and dietary supplements, administered in fixed doses using injectables, oral medication or water soluble liquids through animal watering systems - Include anti-parasiticides, anti-microbial, anti-inflammatory and antibiotics	To cure diseases in animals upon infection and to supplement the nutritional needs in the livestock's daily diet.
Feed Formulation and Feed Milling	Animal Feed Additives - Defined as substances added in small or micro quantities to animal feed - Include antibiotics and non-antibiotic additives, prebiotics, probiotics, vitamins, minerals, amino acid, proteins and anti-mould additives	To provide specific health or nutrition effects. Examples include: - Promoting growth - Ensuring balanced nutrition - Increasing livestock appetite - Enhancing digestion and absorption of nutrients - Controlling intestinal health - Keeping feed safe from harmful parasites, pollutants and mould

Source: Protégé Associates

7. INDUSTRY OVERVIEW (Cont'd)



3.0 Historical Market Performance and Growth Forecast

The historical performance and growth forecast of the animal health and nutrition industry in Malaysia below are based on information and reports available in the public domain such as the Ministry of Finance, Department of Statistics, Economic Planning Unit, Department of Veterinary Services, National Pharmaceutical Regulatory Agency, Federation of Livestock Farmers' Associations of Malaysia and annual reports of public listed animal health and nutrition companies. Data is also gathered from further secondary and primary research works conducted. Secondary research that we conducted include searches on private animal health and nutrition companies with the Companies Commission of Malaysia to gather more disclosures on their business performance. On the other hand, primary research works were conducted with stakeholders in the local animal health and nutrition industry such as manufacturers, distributors and customers to gather their insights on the industry. All the findings were collated, analysed and/or computed to ascertain the outlook of the animal health and nutrition industry in Malaysia.

Figure 5: Market Revenue and Growth Forecast for the Animal Health and Nutrition Industry in Malaysia, 2019-2025

Year	Market Revenue (RM billion)	Growth Rate (%)
2019	2.14	-
2020	2.18	1.9
2021	2.26	3.7
2022	2.35	4.0
2023	2.45	4.3
2024	2.56	4.5
2025	2.69	5.1

CAGR (2021-2025) (base year of 2020): 4.3%

Note: All figures are rounded.

Source: Protégé Associates

In 2019, the animal health and nutrition industry in Malaysia grew by 2.4%, in tandem with the growth of the livestock industry in terms of at gross domestic product ("GDP") output of 6.3% (2018: 5.5%) due to the increase in livestock consumption and demand from export market. The size of the animal health and nutrition industry in Malaysia in 2019 was valued at RM2.14 billion, of which the animal feed additives segment contributed approximately RM823.9 million.

In 2020, the COVID-19 pandemic and the subsequent movement control orders ("MCO") had caused the animal health and nutrition manufacturers to operate with partial capacity at the beginning of the MCO. However, as livestock industry was deemed as an essential service and is critical in ensuring national food security and self-sufficiency, the animal health and nutrition industry which provides supporting services to livestock industry was able to resume its operations at full capacity on 29 April 2020. The livestock industry has continued to show resilient growth albeit a much lower growth of 3.5% (in terms of GDP output) in 2020 (2019: 6.3%). In line with the growth of the livestock industry, the local animal health and nutrition industry is estimated to grow by 1.9% to RM2.18 billion in 2020.

Going forward, the animal health and nutrition industry in Malaysia is anticipated to remain resilient due to its continued dependency on the livestock industry. The animal health and nutrition industry in Malaysia is projected grow from RM2.18 billion in 2020 to RM2.69 billion in 2025, registering a CAGR of 4.3%.

7. INDUSTRY OVERVIEW (Cont'd)



4.0 Competitive Analysis

The Malaysian animal health and nutrition industry is competitive with around 79 market players based on the participating members in the Malaysian Animal Health and Nutrition Industries Association as at 31 May 2021. These market players include domestic product manufacturers, distributors and subsidiaries of international product manufacturers.

- **Domestic product manufacturers** consist of local market players who manufacture and distribute proprietary products and brands of animal feed additives. Larger manufacturers are involved in the entire animal health and nutrition value chain from the development and manufacturing of health and nutrition products to the marketing and distribution of the said products to end-users. Many of the larger manufacturers also distribute other brands including those of global manufacturers, to livestock farmers and feed millers.
- **Distributors** consist of market players involved in the distribution of animal health and nutrition products to local livestock producers. This category of market players may distribute the products of both local and foreign producers. Larger and more established distributors are able to procure distributorship of renowned global animal health and nutrition products, and act as the sole agency of these brands in the country. Distributors typically distribute more than one (1) brand and type of product. Larger distributors are distinguishable from smaller players by the size of their product portfolio.
- **Subsidiaries of international product manufacturers** consist of local subsidiaries of multinational companies manufacturing animal health and nutrition products. These market players usually have sole distributorship of their parent brands in the local market. Typically, they only distribute parent brands of animal health and nutrition products.

With price competition on the rise, some market players are adding value to their products by providing technical and advisory services including feed formulation consultancy and feed management services.

4.1 Industry Players Analysis

Yenher was incorporated as an investment holding company and as part of an internal restructuring exercise which later saw the acquisition of Yenher Agro-Products Sdn Bhd and Yenher Biotech Sdn Bhd (collectively referred to as "**Yenher Group**"). Yenher Group is principally involved in the manufacturing and distribution of animal health and nutrition products. For the financial year ended ("**FYE**") 31 December 2020, Yenher Group recorded revenue of approximately RM202.6 million.

For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players for comparison with Yenher:

- Primarily involved in the biological products, veterinary pharmaceutical products, as well as animal feed additives segments in Malaysia; and
- Registered an annual revenue of over RM80 million based on the latest publicly available financial results of the respective players.

After taking into consideration the above criteria, Protégé Associates has selected 5 industry players namely Asia Veterinary Sdn Bhd ("**AsiaVet**"), Danberg (M) Sdn Bhd ("**Danberg**"), Peterlabs Holdings Berhad ("**Peterlabs**"), Rhone Ma Holdings Berhad ("**RhoneMa**") and Ritamix Global Limited ("**Ritamix**") for comparison purpose. It is to be highlighted that the list of industry players used for comparison purpose is not exhaustive and only serves as a reference for readers.

Asia Veterinary Sdn Bhd

AsiaVet was established on 7 April 1981 as a private limited company. The core business of the company is importation of animal raw materials, nutritionals and medicaments for distribution to local and overseas livestock industry. For the FYE 31 December 2019, AsiaVet recorded revenue of RM146.7 million.

Danberg (M) Sdn Bhd

Danberg was established on 21 May 1980 as a private limited company. The company is principally engaged in wholesale trading of veterinary products. For the FYE 31 December 2019, Danberg registered revenue of RM146.6 million.

7. INDUSTRY OVERVIEW (Cont'd)

**Peterlabs Holdings Berhad**

Peterlabs is currently listed on the ACE Market of Bursa Securities. It is an investment holding company, and through its subsidiaries, is involved in the manufacturing, distribution and trading of animal health and nutrition products. For the FYE 31 December 2020, Peterlabs recorded revenue of RM80.0 million.

Rhone Ma Holdings Berhad

Rhone Ma is currently listed on the Main Market of Bursa Securities. It is an investment holding company, and through its subsidiaries, is involved in the marketing, trading, distribution and manufacturing of animal health products and the provision of veterinary advisory services. For the FYE 31 December 2020, the animal health products segment of Rhone Ma registered revenue of RM113.8 million or 77.6% of its total revenue of RM146.7 million.

Ritamix Global Limited

Ritamix is currently listed on the Main Board of Stock Exchange of Hong Kong Limited. It is an investment holding company, and through its subsidiaries, is involved in the manufacturing and distribution of animal feed additives products as well as distribution of human food ingredients. For the FYE 31 December 2020, the animal feed additives products segment of Ritamix recorded revenue of RM99.8 million or 86.1% of its total revenue of RM115.9 million.

Figure 6: Financial Comparison between Yenher and Selected Market Players in the Animal Health and Nutrition Industry in Malaysia

Indicator	Yenher Group	AsiaVet	Danberg	Peterlabs	RhoneMa	Ritamix
Information for FYE	31-12-2020	31-12-2019	31-12-2019	31-12-2020	31-12-2020	31-12-2020
Revenue (RM'000)	202,635	146,680	146,579	80,026	146,683*	115,882**
Gross Profit (RM'000)	52,422	10,553	26,065	15,209	41,027	26,123
Profit/ (Loss) before Tax (RM'000)	29,659	(472)	17,587	5,437	11,537	12,580
Profit/ (Loss) after Tax (RM'000)	22,397	(986)	14,299	3,888	8,365	8,451
Non-current Assets (RM'000)	36,645	72,630	18,094	15,345	97,531	14,725
Current Assets (RM'000)	117,566	76,096	115,011	58,083	88,463	134,294
Non-current Liabilities (RM'000)	2,121	16,052	132	1,630	31,355	636
Current Liabilities (RM'000)	23,332	78,458	61,859	13,440	23,987	7,670
Working Capital ¹ (RM'000)	94,234	(2,362)	53,152	44,643	64,476	126,624
Gross Profit Margin ² (%)	25.9	7.2	17.8	19.0	28.0	22.5
Profit/ (Loss) before Tax Margin ³ (%)	14.6	(0.3)	12.0	6.8	7.9	10.9
Current Ratio ³ (times)	5.0	1.0	1.9	4.3	3.7	17.5
Asset Turnover ⁴ (times)	1.3	1.0	1.1	1.1	0.8	0.8

The above figures only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area.

Notes:

*Consists of sales revenue from animal health products segment of RM113.8 million, food ingredients segments of RM30.1 million, animal health services of RM1.9 million, human healthcare services of RM0.5 million and dairy farming of RM0.4 million.

**Consists of sales revenue from animal feed additives products segment of RM99.8 million and human food ingredient products segment of RM16.1 million.

¹ Working Capital = Current Assets – Current Liabilities

7. INDUSTRY OVERVIEW (Cont'd)



² Gross Profit Margin = Gross Profit / Revenue

³ Profit before Tax Margin = Profit before Tax / Revenue

⁴ Current Ratio = Current Assets / Current Liabilities

⁵ Asset Turnover = Revenue / (Non-Current Assets + Current Assets)

Sources: Yenher, Bursa Securities, Companies Commission of Malaysia and Protégé Associates

4.2 Yenher's Market Share Analysis

For its FYE 31 December 2020, Yenher recorded revenue of RM202.6 million, which is equivalent to 9.3% of the animal health and nutrition industry revenue in Malaysia. In 2020, the size of animal health and nutrition industry in Malaysia is estimated at RM2.18 billion.

5.0 Demand Conditions

Figure 7: Demand Conditions Affecting the Animal Health and Nutrition Industry in Malaysia, 2021-2025

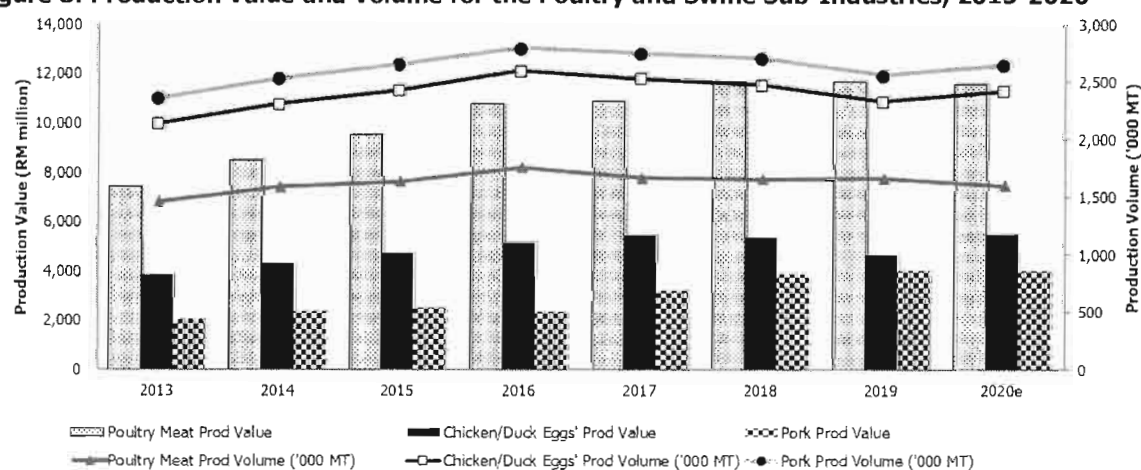
Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	Derived Demand from the Livestock Industry	High	High	High
+	Changing Preference towards Non-Antibiotic Feed Additives	Medium	Medium	High
-	Disease Outbreaks Affecting Livestock Industry	Medium	Medium	Medium

Source: Protégé Associates

Derived Demand from the Livestock Industry

The animal health and nutrition industry is highly dependent on the development and growth of the livestock industry as animal health and nutrition products are critical to the operations of a livestock farm in ensuring proper nutrition, health and hygiene of livestock. The Malaysian livestock industry is expected to continue growing throughout the period of 2021 to 2025, in line with its past performance from 2013 to 2020. The following figure shows the historical growth in value and volume for the poultry (meat and eggs) and swine sub-sectors – which are the two (2) main sub-sectors for the Malaysian livestock industry.

Figure 8: Production Value and Volume for the Poultry and Swine Sub-Industries, 2013-2020



Notes:

1. Prod Value – denotes production value in RM million
Prod Volume ('000 MT) – denotes production volume in thousand metric tonnes
2. e denotes estimates

Sources: Department of Veterinary Services and Protégé Associates

In 2020, the agriculture sector registered a negative growth of 2.0%, largely due to decline in the oil palm production from COVID-19. However, the livestock industry continues to show resilient growth of 3.5% in terms of GDP output, supported by sustained domestic demand. The upcoming 12th Malaysia Plan for the period to 2021 to 2025 is expected to address the adoption of technology to ensure national food security and boosting revenue in the agriculture sector which includes the livestock industry. However, with the declaration of the nationwide state of emergency on 12 January 2021, the tabling of the 12th Malaysian Plan is postponed.

7. INDUSTRY OVERVIEW (Cont'd)



The livestock industry is also expected to grow due to:

- Increase in consumption of livestock products – Increase in the consumption of livestock products leads to growth in the livestock industry, which in turn increases the demand for animal health and nutrition products. Consumption of livestock products has increased over the years due to the overall increase in population size and greater affluence of society in general which results in more people consuming meat. Malaysians' consumption per capita of livestock products consisting of poultry meat, pork, beef and mutton, has increased by 8.9% from 60.8kg in 2013 to 66.2kg in 2019.
- Demand from the export market – The Malaysian livestock market presently has minimal but sustained demand from the export market. This is especially for the poultry sub-sector where the export of live birds has been growing at a CAGR of 1.0% from 57.2 million live birds in 2013 to 60.6 million in 2019, the export of chicken/duck egg has been growing at a CAGR of 2.0% from 91,143 metric tonnes in 2013 to 102,409 metric tonnes in 2019, while the export of poultry meat has been growing at a CAGR of 8.8% from 25,218 metric tonnes of poultry meat in 2013 to 41,793 metric tonnes in 2019. Growth in export demand for livestock products will spur local production, and this will contribute to an increase in the demand for animal health and nutrition products.

Changing Preference towards Non-Antibiotic Feed Additives

The growing use of non-antibiotic feed additives is a positive development that arises from health concern on the use of antibiotic animal feed additives. The global livestock industry has accepted the need for using organic, non-chemical and environmentally-friendly compounds. The Malaysian livestock industry is expected to increase the use of non-antibiotic feed additives in the long term. The main factors leading to the change towards greater use of non-antibiotic animal feed additives include increasing consumer awareness on health and environmental impact, global regulatory trends and proactive change by the local stakeholders.

There is an increase in awareness regarding the possibilities of antibiotic-resistance and health concerns over tainted animal products due to prolonged or excessive use of additives that may cause detrimental side effects on consumers' health. This is likely to pressure local livestock producers to switch from antibiotic feed additives to non-antibiotic alternatives. Effective January 2006, the European Union ("EU") region banned the use of antibiotic growth promoter citing the health risks of continued usage. Although many other countries and regions have yet to implement measures against the use of antibiotic growth promoter, many countries had imposed controls on antibiotic usage to mitigate its negative effects on food safety and human health. It is likely that regulators outside the EU region will trend towards the exclusion of antibiotic growth promoter for livestock production.

In addition, local livestock farmers such as large and integrated poultry and swine farm operators are proactively switching to non-antibiotic feed additives on the basis of greater environmental sustainability and animal welfare as well as to improve profitability. As more Malaysian farmers see the value of non-antibiotic feed additives, the rate of substitution will likely to be more prevalent in the medium to long run. The increasing use of non-antibiotic animal feed additives is also made possible with the support from local animal feed additives manufacturers who have the necessary research and development capabilities to develop new products.

Disease Outbreaks Affecting Livestock Industry

High infectivity disease or zoonotic disease outbreaks are usually controlled and contained through culling of infected livestock to minimise the spread of diseases which reduces the livestock population and in turn lower the demand for animal health and nutrition products. While the disease outbreak only occurs within a short time period and has a moderate effect, it nonetheless affects the demand of the affected livestock. For example, during the Nipah virus outbreak in 1998, there was large-scale culling of swine stocks, leading to greatly decreased livestock populations. The avian flu outbreak and the H1N1 swine flu pandemic in 2009 have negatively altered consumer perception of chicken and pork consumption. The food and mouth disease outbreak in 2016 has put thousands of cattle at risk of being infected. More recently in February 2021, the African Swine Flu caused cluster outbreaks in Sabah. In these cases, livestock production was hampered, leading to decreasing demand for animal health and nutrition products. Similar disease outbreaks in the future could have similar effects on livestock demand and supply, which in turn will affect the demand for animal health and nutrition products.

7. INDUSTRY OVERVIEW (Cont'd)



6.0 Supply Conditions

Figure 9: Supply Conditions Affecting the Animal Health and Nutrition Industry in Malaysia, 2021-2025

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	Established Market Players with Proven Track Record	High	High	High
+	Malaysian Government's Focus on Biotechnology Providing Financial Incentives	Medium	Medium	Medium
-	High Capital and Technological Expertise Required for Manufacturing	Low	Low	Low
-	Fluctuations in Crude Oil Prices	Low	Low	Low

Source: Protégé Associates

Established Market Players with Proven Track Record

The animal health and nutrition industry in Malaysia is matured with established market players which supports a continuous supply of animal health and nutrition products that meets the needs of the local livestock industry. The animal health and nutrition products presently sold in Malaysia are either brands from internationally recognised manufacturers or locally developed products. In addition, key market players have had many years of experience. For instance, some of the key players began their operations at least 20 to 30 years ago, among which include SCC Holdings Berhad (established in 1974), AsiaVet (established in 1981), Danberg (established in 1980), Ritamix's subsidiary, Gladron Chemicals Sdn Bhd (established in 1982), Peterlabs (established in 1980s), Yenher's subsidiary, Yenher Agro-Products Sdn Bhd (established in 1991), Sunzen Biotech Berhad's subsidiary, Sunzen Corporation Sdn Bhd (established in 1998) and RhoneMa's subsidiary, Rhone Ma Malaysia Sdn Bhd (established in 2000).

Malaysian Government's Financial Incentives for the Biotechnology Sector

The Malaysian Government provides tax incentives for companies in the biotechnology sector which are likely to benefit domestic product manufacturers, such as financial incentives to companies which carry out research and development for animal health and nutrition products. Companies undertaking biotechnology activities and have been approved with BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn Bhd are eligible for financial incentives including tax exemption on up to 100% statutory income for a period of up to 10 years, a concessionary tax rate of 20% on statutory income for 10 years upon the expiry of the tax exemption period, exemption of import duty and sales tax on raw materials, components, machinery and equipment as well as double deduction on expenditure incurred for research and development. In addition, Bioeconomy Corporation provides funding to BioNexus Status companies under its Biotechnology Commercialisation Fund ("BCF") 2.0 Programme. There are two (2) financing schemes under the BCF 2.0 Programme, namely the Bioeconomy Development Scheme, a term financing facility of up to RM2.7 million for purchases such as land and building, machinery and equipment and laboratory equipment; and the Business Sustenance Scheme which serves to address the working capital financing requirements of the companies.

High Capital and Technological Expertise Required for Manufacturing

Manufacturing of animal health and nutrition products is a capital-intensive activity that requires significant investment in technological research and development, machinery and equipment, manufacturing and logistics facilities. The need for technological research and development coupled with the suitable technical expertise are especially pertinent for a manufacturing company in order to keep up with the changing market trends. These factors may act as a deterrent and prohibit any new entrance of companies into the market. Among the 79 players in the market, majority of them are distributors and there are less than 20 local manufacturers, which indicate the high barriers of entry particularly for the manufacturing of animal health and nutrition products. This negative supply condition affects mainly new entrants into the market, thus has only minimal impact to the market.

Fluctuation in Crude Oil Prices

The animal health and nutrition industry is subject to fluctuations in crude oil prices because petrochemicals such as benzene, cellulose acetate, propylene glycols, ethanoic anhydride, etc, are raw materials of veterinary pharmaceutical and biological products. Any increase in crude oil prices could adversely affect the market players' operations and profit margins as a result of increased cost of raw materials. While market players typically pass along the increased cost to its customers in the form of price increases, there may be a time delay between the increased cost of raw materials and the market players' ability to increase the prices of their products.

7. INDUSTRY OVERVIEW (Cont'd)



The prices of crude oil have been cyclical. Protégé Associates has used the historical price movements of the Europe Brent Spot Price free on board as a proxy for the overall price trend of crude oil in the world. Crude oil price failed to register above United States dollar ("USD") 100 per barrel since USD108.56 per barrel was recorded in 2013. During the period from 2014 to 2019, the price of crude oil hovered between USD43.64 per barrel to USD98.97 per barrel. This was attributable to the increasing shale oil output from the United States which contributed to the increased global output along with weakening demand globally. In 2020, the prices of crude oil have been under heavy downward pressures due to the price war sparked by Saudi Arabia and the fuel demand destruction caused by the COVID-19 pandemic. The crude oil prices had declined sharply from USD63.65 per barrel in January 2020 to USD18.38 per barrel in April 2020, caused by contraction in worldwide oil demand and massive sell-offs amid a significant global oversupply. However, oil demand has slowly picked up and the global oversupply of oil has gradually alleviated as lockdowns and travel restrictions eased in many countries. As of May 2021, the crude oil price rose to USD68.53 per barrel. Nevertheless, the environment surrounding crude oil prices remains volatile due to unstable demand and supply conditions. Among the external factors that will impact the demand and supply conditions of crude oil include geopolitical and economic instability, production capacities and weather risk.

7.0 Prospects and Outlook of the Malaysian Animal Health and Nutrition Industry

In 2019, the market size of the animal health and nutrition industry in Malaysia was valued at RM2.14 billion, of which the animal feed additives segment contributed RM823.9 million. Going forward, the animal health and nutrition industry in Malaysia is projected to undergo resilient growth in tandem with the growth of the livestock industry in Malaysia.

In 2020, the COVID-19 pandemic and the subsequent MCO had caused the animal health and nutrition manufacturers to operate with partial capacity at the beginning of the MCO. However, as livestock industry was deemed as essential service and is critical in ensuring national food security and self-sufficiency, the animal health and nutrition industry which provides supporting services to livestock industry was able to resume its operations at full capacity on 29 April 2020. In line with the growth of the livestock industry at 3.5% (in terms of GDP output) in 2020, the local animal health and nutrition industry is estimated to grow by 1.9% to RM2.18 billion in 2020.

The growth within the animal health and nutrition industry comes from derived demand from the livestock industry that is supported by increase in consumption of livestock products as a result of overall increase in the Malaysian population and greater affluence of society in general as well as increase in demand from export markets. The market is also expected to expand as local livestock farmers such as large and integrated poultry and swine farm operators are proactively switching to non-antibiotic feed additives on the basis of greater environmental sustainability and animal welfare as well as to improve profitability. However, the risk of high infectivity disease or zoonotic disease outbreaks could dampen livestock animal productions and subsequently the demand for animal health and nutrition products.

From the supply side, the existence of established market players with proven track record ensures the continued supply of proven brand and high quality products within the market. The Malaysian Government's focus on biotechnology as a growth sector for the Malaysian economy has accorded financial incentives which benefit domestic animal health and nutrition product manufacturers as they carry out research and development into animal health and nutrition products. The animal health and nutrition industry is subject to fluctuations in crude oil prices because petrochemicals are raw materials of veterinary pharmaceutical and biological products. Any increase in crude oil price could adversely affect the market players' operations and profit margins as a result of the increase in the cost of raw materials. Protégé Associates projects the animal health and nutrition industry in Malaysia to expand by a CAGR of 4.3% from RM2.18 billion in 2020 to RM2.69 billion in 2025.

8. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMPANY.

8.1 RISKS RELATING TO OUR INDUSTRY

8.1.1 Our business is dependent on the livestock industry

Animal health and nutrition products form a critical part of the operations of a livestock farm as they provide the required nutrition while maintaining the health of the livestock and hygiene of farms. As our Group is principally involved in the manufacturing and distribution of animal health and nutrition products, our business operations are highly dependent on the performance of the livestock industry, which in turn is affected by, among others, change in world population, change in consumers' dietary preferences and habits as well as disease outbreaks.

The growth in worldwide population has increased the demand for food, including those that are rich in protein, vitamins and other nutritional contents found in livestock products. Coupled with the greater affluence of society, consumption of livestock products has increased which led to increased demands for animal health and nutrition products. According to the IMR, the consumption per capita of livestock products (consisting of poultry meat, pork, beef and mutton) in Malaysia has increased by 8.9% from 60.8kg in 2013 to 66.2kg in 2019.

However, change in consumers' dietary preferences and habits, such as the preference for meat substitutes or non-meat alternatives with similar nutritional contents in particular plant-based food products, may also affect the livestock industry. Furthermore, the increase in awareness of environmental sustainability including calls for reduction of greenhouse emission from livestock farms, may continue to drive the demand for meat substitutes and plant-based food products as opposed to meat from the livestock industry.

As such, any significant drop in the demand for livestock, especially for poultry and swine, would adversely affect the demand for our products and services, which in turn, would have an adverse impact on our business, financial condition and results of operations.

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

The threat of animal disease outbreaks has always been one of the major problems faced by the livestock industry. As demand for animal health and nutrition products is highly dependent on the performance of the livestock industry, any widespread outbreak of such animal diseases would severely impact the demand for animal health and nutrition products.

The local livestock industry has witnessed the severe effects of such outbreaks such as the Nipah virus outbreak in 1998 as well as the avian flu and H1N1 swine flu pandemic in 2009, all of which have led to decreased consumption of livestock products. While Sabah has recently experienced the African Swine Fever outbreak in February 2021 which has affected the wild boars (but not swines in commercial farms), such outbreak and the recurrence of any similar outbreak or new epidemic could have similar effects on the demand and supply for livestock.

As a result, this may impact the demand for our animal health and nutrition products which in turn, would have a material adverse impact on our business, financial condition and results of operations.

8. RISK FACTORS (Cont'd)**8.1.3 We operate in a competitive environment**

The animal health and nutrition market in Malaysia is competitive and fragmented. It comprises numerous domestic product manufacturers, distributors and subsidiaries of international product manufacturers who collectively offer a wide variety of animal health and nutrition products. According to the IMR, there are 79 market players in the local animal health and nutrition market based on the members of the Malaysian Animal Health and Nutrition Industries Association as at LPD.

According to the IMR Report, selected players comparable to our Group in the animal health and nutrition industry include Asia Veterinary Sdn Bhd, Danberg (M) Sdn Bhd, Peterlabs Holdings Berhad, Rhone Ma Holdings Berhad and Ritamix Global Limited. These companies also possess long track records in the animal health and nutrition industry, and are able to compete based on product quality, branding and competitive prices. As such, we face stiff competition among local and international animal health and nutrition providers, and our continuing success would depend on our ability to continue competing effectively against our competitors. If we were to experience any deterioration in the performance or quality of our products, or if our products were to be perceived by customers to be inferior as compared to our competitors', or if we are unable to compete in terms of pricing, we may lose our customers to our competitors, which in turn, would have a negative impact on our business, financial condition and results of operations.

8.1.4 We are exposed to political, economic and regulatory risks in Malaysia and other countries in which we are currently or may in the future operate in/transact with, as well as the occurrence of force majeure events

Our Group's operations are based in Malaysia and we derive a substantial portion of our revenue from sales in Malaysia. As such, any adverse development or uncertainty in the political, economic and regulatory conditions in Malaysia which include unfavourable changes in inflation rates, interest rates and foreign exchange rates, expropriations, adverse changes in political leadership and unfavourable changes in government policies and regulations could have an adverse impact on our business, financial condition and results of operations.

Similarly, any adverse development in the political, economic and regulatory conditions in other countries in which we currently or may in the future operate in/transact with, may also have an impact on our business, financial condition and results of operations. The occurrence of force majeure events, such as terrorism acts, war, riots, epidemics (such as the COVID-19 pandemic) and natural disasters whether globally or in Malaysia could also unfavourably affect our financial condition and business prospects.

8.2 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**8.2.1 Our success depends on our Group Managing Director, Executive Directors and other Key Senior Management personnel**

The success of our Group is heavily attributed to our Group Managing Director, Cheng Mooh Tat as well as our Executive Directors, Cheng Mooh Kheng and Theoh Mooi Teng, who individually have more than 25 years of experience in the animal health and nutrition industry. They are supported by a team of qualified Key Senior Management, who have over the years gained a vast amount of experience and knowledge in the field of animal health and nutrition products. Further details on the experience of our Group Managing Director, our Executive Directors and our other Key Senior Management are set out in Sections 4.1.2 and 4.4.2 of this Prospectus.

8. RISK FACTORS (Cont'd)

Our success and future growth also depend on our ability to identify, hire, train and retain employees who are capable, skilled and qualified in performing their roles and responsibilities. As such, we recognise that the loss of any of our Key Senior Management and other key employees in the future, and our inability to find suitable replacement in a timely manner, may have a material adverse effect on our business, financial condition, results of operations and prospects.

8.2.2 Our manufacturing operations is dependent on the supply of workers

Our manufacturing operations is dependent on the supply of workers. Although we have automated machinery and equipment in our manufacturing plant, we are still dependent on manual labour, especially when transferring raw materials for production and finished goods to our warehouse.

To cater to the needs of our manufacturing operations, we hire 47 foreign workers from Bangladesh, Nepal and Myanmar representing approximately 34.06% of our total workforce as at LPD who are involved in the production, warehousing and delivery duties. For information purposes, our total workforce as at LPD stood at 138 employees. However, pursuant to the requirements imposed by the Malaysian Investment Development Authority on our manufacturing license, we are required to employ at least 80% Malaysians in our total workforce by 31 December 2022, failing which, our license may be revoked.

While we strive to meet such hiring requirement within the stipulated timeline, there is no assurance that we will be able to replace our foreign workers with local hires due to the nature of our work. As a result, our business operations and financial performance may be materially affected if we are not able to replace our foreign workers with local hires or increase the number of local hires in tandem with the growth in our business, in order for our Group to meet the conditions of our manufacturing license which is critical for our operations.

8.2.3 Our business, financial condition and results of operations may be adversely affected by the volatility of prices and interruption in the supply of raw materials which we distribute and use for our production as well as products which we distribute

During the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020, the costs of raw materials and distribution products including feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products represented 94.80%, 94.54%, 93.92% and 93.85% of our total cost of sales respectively. The prices of raw materials which we distribute and use for the production of our own in-house manufactured products, as well as products which we distribute may be affected by, among others, market demand and supply, change in government policies such as changes in tax and tariff policies or other external circumstances.

8. RISK FACTORS (Cont'd)

For example, in October 2017, the global supply of vitamins A and E, which are two (2) essential nutrients for animals and the main ingredients used in the production of our premixes, was severely interrupted as a result of a fire accident which occurred at the production facilities of BASF SE from Germany, an international major supplier of vitamins. This resulted in a global shortage of vitamins which saw a temporary surge in global prices of vitamins. Prices for vitamin A which ranged between approximately USD50.00 per kg to USD55.00 per kg in September 2017 increased to approximately USD450.00 to USD500.00 per kg in January 2018, representing an increase of approximately 800.00% to 809.09%. Prices for vitamin E, on the other hand, which ranged between approximately USD6.00 per kg to USD6.50 per kg in September 2017 increased to approximately USD20.00 to USD25.00 per kg in January 2018, representing an increase of approximately 233.33% to 284.62%. The temporary surge in global prices of vitamins had affected our GP for the FYE 31 December 2018 as explained in Section 11.3.3(iii) of this Prospectus.

In addition, the animal health and nutrition industry is also exposed to fluctuations in crude oil prices as selected petrochemicals such as benzene, cellulose acetate and propylene glycols are raw materials used in the production of veterinary pharmaceutical and biological products. As such, any increase in crude oil prices could adversely impact the operations and profit margins of manufacturers and suppliers of these veterinary pharmaceutical and biological products, and may cause an upward pressure to their selling prices.

We may not be able to anticipate any future abrupt price hikes or any future disruption to our supply chain, and therefore we may not be able to effectively pass on the increased procurement costs to our customers or meet our customers' demand. As such, this could potentially have an adverse impact on our business, financial condition and results of operations.

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

Notwithstanding that our manufacturing activities have gradually overtaken those from our distribution activities during the financial years under review, our distribution segment has contributed approximately 53.14%, 52.09%, 45.11% and 44.26% of our Group's revenue for the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020 respectively.

We source our distribution products from various international animal health product suppliers. As such, our distribution business relies heavily on sufficient and stable supply of products from our suppliers and any increase in the costs of such products, prolonged shortage of the required products, operational issues or financial constraints of our suppliers to fulfil their obligations towards us or cessation of any of our distribution agreement entered into with our suppliers, could impede our ability to meet our customers' needs for such products. This in turn could lead to loss of sales and could adversely affect our business, financial condition and results of operations.

8.2.5 Our business is subjected to shipping disruption and fluctuation in shipping and freight rates

A significant portion of our purchases, both for our manufacturing and distribution activities, are sourced from suppliers located overseas and thus we rely heavily on marine and air transportation to deliver these supplies to us. Hence, we are exposed to shipping and freight disruptions that may arise as a result of adverse weather conditions, political turmoil, pirate attacks, social unrest, port strikes, oil spills, delayed or lost shipments, which in turn may have an adverse impact on our business operations.

8. RISK FACTORS (Cont'd)

In addition, any major fluctuation in shipping and freight rates may have a substantial impact on our cost and our GP margins if we are unable to pass on such increase in costs to our customers by raising selling prices. In the first half of 2020, the COVID-19 pandemic disrupted both production and consumption activities globally. As part of efforts to contain the spread of COVID-19, lockdowns and tighter border control were enforced which led to suspension of economic activities in various countries. The lower economic activities has resulted in reduced demand for shipping and freight activities, with carriers reducing their freight capacities.

In the second half of 2020, as economic activities slowly resumed to normal, shipping and freight rates began to rise due to a temporary mismatch between supply capacity and increasing demand for shipping and freight services. While our Group has yet to experience any major shipping and freight disruption or any major increase in shipping and freight rates, there can be no assurance that the COVID-19 pandemic can be contained in the near term and not worsen in the future and consequently lead to higher shipping and freight rates, the occurrence of which could in turn, adversely impact our business, financial condition and results of operations.

8.2.6 Any prolonged or significant disruption to our manufacturing plant may affect our operations and financial results

Our manufacturing segment contributed approximately 46.86%, 47.91%, 54.89% and 55.74% to our Group's revenue for the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020 respectively. As such, our business is susceptible to interruptions caused by defects or breakdowns of our machinery and equipment due to, among others, power/utility outages, accident, fire or other incident that is beyond our control. In addition, in the event of machinery or equipment breakdown, there is no assurance that there are readily available replacement parts for us to continue with production. In 2019, a machinery in our manufacturing plant broke down and we had to switch our production activities to manual mode for two (2) weeks while waiting for replacement parts to arrive. Although this did not materially affect our production in that year, there is no assurance that any future disruption to our manufacturing operations will not affect our ability to produce and deliver our in-house products to our customers in a timely manner, which in turn, may adversely affect our business and results of operations.

8.2.7 We are exposed to product liability claims

While we do not provide any warranty for the products manufactured or distributed by our Group, we could be subjected to product liability claims by our customers if the products that we sell are found to be unsafe, defective or contaminated. Any defect or contamination of the products manufactured or distributed by our Group, whether actual or alleged, deliberate or accidental, could adversely affect our business operations, damage our reputation and/or suspend our operating/manufacturing licences. In terms of defective or contaminated products supplied to us by our suppliers, there is no assurance that we will be able to claim against these suppliers, or that the amount recovered from these suppliers will be able to cover the resultant impact on our Group. While we have never experienced any product liability claims in the past, there is no assurance that we will not be subject to any product liability claim in the future, which could adversely impact our financial results, branding and reputation in the market.

8. RISK FACTORS (Cont'd)**8.2.8 Products that we distribute are subject to registration**

Some of the animal health and nutrition products that we distribute, such as veterinary pharmaceuticals and vaccines, are required to be registered with the relevant authorities which includes the National Pharmaceutical Regulatory Agency and the Department of Veterinary Services Malaysia. The registrations of these products are subject to periodic renewals and conditions imposed by the relevant authorities which may vary from time to time.

On 12 November 2019, Yenher Agro committed two (2) offences under Regulation 7(1)(a) of the Control of Drugs and Cosmetics Regulations 1984 ("CDCR") for (i) selling two (2) bottles of drugs that were not registered products under CDCR ("Products"); and (ii) possessing 10 unregistered Products. As such, Yenher Agro is liable on conviction to a fine not exceeding RM100,000 for the two (2) abovementioned offences i.e. RM50,000 for each offence. On 4 February 2021, Yenher Agro pled guilty to the said offences during the court hearing at Jawi Magistrate Court, Pulau Pinang and was fined with a penalty of RM10,000 which Yenher Agro had fully settled on the same day.

Following the incident, Yenher Agro had reviewed and enhanced its internal control system to prevent similar incidents from occurring. This includes having our purchasing department to request for proof of registration of products with the relevant authorities from suppliers before purchasing any product.

Notwithstanding that our Group has put in place measures to mitigate the aforementioned risk and will review the same from time to time, there can be no assurance that such situations of non-compliance will not reoccur due to, among others, human error. Non-compliance could lead to adverse publicity, fines and/or revocation or non-renewal of certain of our operating licences, which in turn would have an adverse impact on our business, financial condition and results of operations.

8.2.9 There is no assurance that our insurance coverage would be adequate

We are subject to risks such as fire, flood, accidents as well as public liability. As such, we have purchased insurance which include fire and burglary insurance, equipment insurance, public liability insurance, marine cargo insurance, trade credit insurance and all risk insurance, to provide coverage against any unforeseen event. For the last four (4) FYEs 31 December 2017, 2018, 2019 and 2020 and up to LPD, we did not make any insurance claim under our insurance policies. Whilst we have taken the necessary steps to ensure that our insurance coverage is adequate for our operations and assets, it may not be adequate to fully compensate for the loss that we may suffer in the future. If we suffer losses that exceed the coverage provided by the insurance policies, it could have an adverse impact on our business, financial condition and results of operations.

8.2.10 Our performance is affected by adverse movements in foreign currency exchange

Our functional reporting currency is in RM. However, a majority of our purchases and some of our sales are transacted in foreign currencies, primarily in USD and Euro. As such, we are exposed to adverse movements in foreign currency exchange which are influenced by various factors that are beyond our control, including but not limited to the political and economical climate in Malaysia and other countries.

8. RISK FACTORS (Cont'd)

Certain foreign currency transactions that our Group enter into provide a natural hedge against foreign currency fluctuations, for example, when our sales and purchases are both denominated in USD. In addition, we also enter into forward foreign exchange contracts to manage our exposure to foreign currency fluctuations. Notwithstanding the above, there can be no assurance that the use of such financial instruments will completely eliminate our exposure to adverse foreign currency exchange movements.

Further information on our Group's revenue and purchases transacted in RM and other foreign currencies for the FYEs 31 December 2019 and 2020 is set out in Section 11.3.4(i) of this Prospectus.

8.2.11 Our business may be affected by the spread or outbreak of COVID-19 or any other contagious or virulent diseases

The occurrence of a prolonged outbreak of an epidemic or other adverse public health developments in Malaysia could materially disrupt our business operations. The recent COVID-19 outbreak which was declared a global pandemic by the World Health Organisation on 11 March 2020 following its rapid spread across the globe has resulted in the imposition of a nationwide MCO by the Malaysian Government on 18 March 2020. During the MCO period, all government and private premises were required to close and to suspend operations, except for those involved in essential services where they were/are allowed to operate albeit at reduced operating capacity in March and April 2020 as well as during the nationwide lockdown period in June 2021.

While our Group's operations are categorised as an essential service and we were allowed to operate during the various phases of the MCOs, the outbreak of COVID-19 and the implementation of the MCO had to a certain degree affected our operations. For instance, our Group recorded lower production output due to restrictions on the number of employees who were allowed at our premises during the first of the three (3) phases of the MCO from 18 March 2020 to 28 April 2020. However, we do not expect the nationwide full lockdown commencing 1 June 2021 to have any material impact on our Group's production output as we are allowed to have 60% workforce in our manufacturing plants and our office (as compared to only 50% workforce capacity in March to April 2020) and given that this is the second full nationwide lockdown, we are able to better manage our production and business operations as compared to the first lockdown.

Since the introduction of the nationwide MCO in March 2020, we have also incurred additional expenditures to implement new standard operating procedures ("SOPs") to curb the spread of COVID-19. The total cost for the implementation of these SOPs is expected to be between RM150,000 to RM250,000 per annum. However, such cost is not expected to have any material impact to our Group's financial performance.

The escalation of the COVID-19 outbreak globally has also disrupted global supply chains which could have led to a shortage of supply and/or delay in delivery by our suppliers, of either raw materials required for our manufacturing activities or supplies from our suppliers for distribution to our customers. In addition, should any of our employees contract or be suspected of contracting COVID-19, we are required to quarantine the said employees and disinfect our offices, manufacturing plant and warehouses prior to resumption of our operations. Notwithstanding this, since the introduction of the MCO in March 2020 up to the date of this Prospectus, we have not experienced any material disruption to our supply chain and none of our employees have contracted or has been suspected of contracting COVID-19. Our Group's financial performance has also not been materially affected since the MCO was first introduced in March 2020.

8. RISK FACTORS (Cont'd)

Having said that, there can be no assurance that the outbreak of COVID-19 can be effectively controlled, or another outbreak of similar nature to COVID-19 will not happen in the future. Should the outbreak continue to disrupt the local and global economic conditions, our business, financial condition, results of operations and prospects may also be adversely affected.

8.3 RISKS RELATING TO OUR SHARES AND OUR LISTING**8.3.1 The offering of our Shares may not result in an active liquid market for our Shares**

Prior to our IPO, there has been no prior public market for our Shares. As a result, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, such a market can be sustained.

Furthermore, notwithstanding that the IPO Price was determined after taking into consideration various factors such as our financial and operating history and our business strategies, we cannot assure you that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon Listing and that the market price of our Shares will not decline below the IPO Price.

8.3.2 The trading price and trading volume of our Shares may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of regional and global stock exchanges and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volume on Bursa Securities, thus adding risks to the market price of our Shares.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among others, the following factors:

- (i) general operational and business risks of our Group;
- (ii) variations in our financial results and operations;
- (iii) success or failure of our Key Senior Management in implementing business and growth strategies;
- (iv) additions or departures of our Key Senior Management;
- (v) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (vi) changes in market valuations of listed shares in general or shares of companies comparable to ours;
- (vii) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (viii) fluctuation in stock market prices and volume; and/or
- (ix) changes in government policy, legislation or regulation.

8. RISK FACTORS (Cont'd)

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there is no assurance that the market price of our Shares will not be subject to volatility or trade at prices below the IPO Price.

8.3.3 The interest of our Promoters who control our Company may not be aligned with the interest of our other shareholders

Our Promoters will collectively hold at least 59.77% of our enlarged number of issued Shares upon Listing. As a result, they will be able to effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having substantial voting control and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by law, relevant guidelines or regulations. Therefore, there is a risk of non-alignment of interests by our Promoters with those of our other shareholders.

8.3.4 We may not be able to pay dividends to our shareholders

Notwithstanding that it is the intention of our Board to recommend and distribute dividend of at least 40% of our annual audited profit attributable to the shareholders of our Company, the payment of dividends is not guaranteed, and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends at all or at a lower pay-out ratio if it is not in the best interest of our Company. The absence of dividends or any dividend payment which is at level lower than that anticipated by investors, the market price of our Shares may be negatively affected.

It should be highlighted that as we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we received from our subsidiaries. Some of our subsidiaries have entered into facility agreements which contain negative and financial covenants and hence, the inability of our subsidiaries to comply with any of these covenants may affect our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on any outstanding borrowing that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings after our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

For further details on our dividend policy, please refer to Section 11.7 of this Prospectus.

8. RISK FACTORS (Cont'd)**8.3.5 There may be a delay in or termination of our Listing**

Our Listing could be delayed or terminated due to the possible occurrences of certain events, which include the following:

- (i) our Sole Underwriter exercises its rights under the Retail Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements of having at least 25% of the total number of our Shares for which our Listing is sought to be held by a minimum of 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing; and
- (iii) revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- (a) the SC issues a stop order under Section 245(1) of the CMSA, the applications for our IPO Shares shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we and the Selling Shareholders shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Share, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order under Section 245(1) of the CMSA, the issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we and the Selling Shareholders shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either (aa) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstance; or (bb) a solvency statement from our Directors.

9. RELATED PARTY TRANSACTIONS

9.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions

Save as disclosed below, there are no other material related party transactions entered or to be entered into by our Group with related parties for the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD:

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				From 1 January 2021 up to LPD ⁽¹⁾
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
1.	Our Group and Ni-On Marketing System Sdn Bhd* ("Ni-On Marketing"), a major customer of our Group	- Cheng Mooh Lee is a major shareholder and director of Ni-On Marketing. - Cheng Mooh Lee is the brother of Cheng Mooh Tat⁽²⁾, Cheng Mooh Kheng and Cheng Mooh Chye, who are the major shareholders of our Company and the directors of our Group.	(i) Sale of premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals[^], veterinary vaccines, raw materials[#], commodities[#] and farm equipment by our Group (<i>seller</i>) to Ni-On Marketing (<i>buyer</i>) on an <i>ad hoc</i> basis; (ii) Purchase of complete feed, veterinary pharmaceuticals[^], raw materials[#] and commodities[#] from Ni-On Marketing (<i>seller</i>) by our Group (<i>buyer</i>) on an <i>ad hoc</i> basis; and (iii) Packaging and transportation costs charged by Ni-On Marketing (<i>service provider</i>) to our Group (<i>client</i>) for packaging and delivery of some of the abovementioned purchases directly to our customers on an <i>ad hoc</i> basis.	23,265 (13.12% of our Group's revenue)	21,144 (11.67% of our Group's revenue)	13,678 (7.64% of our Group's revenue)	10,672 (5.27% of our Group's revenue)	4,790
				2,346 (1.78% of our Group's cost of sales)	2,176 (1.59% of our Group's cost of sales)	1,821 (1.35% of our Group's cost of sales)	970 (0.65% of our Group's cost of sales)	543
				13 (0.07% of our Group's PAT)	8 (0.03% of our Group's PAT)	48 (0.24% of our Group's PAT)	117 (0.52% of our Group's PAT)	74

These transactions are recurrent in nature and will subsist after our Listing.

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				From 1 January 2021 up to LPD ⁽¹⁾
				FYE 31 December				
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
2.	Our Group and Perniagaan Muhibbah Ria Sdn Bhd* ("PMR"), a major customer of our Group	- Cheng Mooh Lee is a major shareholder and director of PMR. - Cheng Mooh Lee is the brother of Cheng Mooh Tat, Cheng Mooh Kheng⁽³⁾ and Cheng Mooh Chye, who are the major shareholders of our Company and the directors of our Group.	(i) Sale of premixes, formulated products, biotech animal feed ingredients, feed additives, veterinary pharmaceuticals, veterinary vaccines, raw materials [#] and commodities [#] by our Group (<i>seller</i>) to PMR (<i>buyer</i>) on an <i>ad hoc</i> basis;	11,384 (6.42% of our Group's revenue)	8,758 (4.84% of our Group's revenue)	8,811 (4.92% of our Group's revenue)	9,184 (4.53% of our Group's revenue)	6,680
			(ii) Purchase of complete feed, raw materials [#] and commodities [#] from PMR (<i>seller</i>) by our Group (<i>buyer</i>) on an <i>ad hoc</i> basis; and	2,964 (2.24% of our Group's cost of sales)	323 (0.24% of our Group's cost of sales)	383 (0.28% of our Group's cost of sales)	352 (0.23% of our Group's cost of sales)	56
			(iii) Packaging and transportation costs charged by PMR (<i>service provider</i>) to our Group (<i>client</i>) for packaging and delivery of some of the abovementioned purchases directly to our customers on an <i>ad hoc</i> basis.	34 (0.18% of our Group's PAT)	-	-	7 (0.03% of our Group's PAT)	-

These transactions are recurrent in nature and will subsist after our Listing.

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				From 1 January 2021 up to LPD ⁽¹⁾
				FYE 31 December				
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
			(iv) Rental income from the tenancy of a feedmill and poultry farm situated at Lot 863 held under Geran 3755 in Mukim 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang via unwritten monthly tenancy. This tenancy was terminated upon Yenher Agro sold the said feedmill and poultry farm to CMT Properties Sdn Bhd ("CMT") in December 2018 (see item no. 8(ii) below).	486 (2.55% of our Group's PAT)	493 (1.81% of our Group's PAT)	-	-	-
3.	Our Group and Xun Ta Feed Sdn Bhd*("XTF")	- Cheng Mooh Lee is a major shareholder and director of XTF. - Cheng Mooh Lee is the brother of Cheng Mooh Tat⁽⁴⁾, Cheng Mooh Kheng and Cheng Mooh Chye, who are the major shareholders of our Company and the directors of our Group.	(i) Sale of premixes, formulated products, biotech animal feed ingredients, feed additives, raw materials [#] and commodities [#] by our Group (seller) to XTF (buyer) on an ad hoc basis; (ii) Purchase of complete feed, raw materials [#] and commodities [#] from XTF (seller) by our Group (buyer) on an ad hoc basis; (iii) Packaging and transportation costs charged by XTF (service provider) to our Group (client) for packaging and delivery of some of the abovementioned purchases directly to our customers on an ad hoc basis; and	-	38 (0.02% of our Group's revenue)	517 (0.29% of our Group's revenue)	809 (0.40% of our Group's revenue)	741
				-	308 (0.23% of our Group's cost of sales)	2,365 (1.76% of our Group's cost of sales)	483 (0.32% of our Group's cost of sales)	381
				-	4 (0.01% of our Group's PAT)	28 (0.14% of our Group's PAT)	74 (0.33% of our Group's PAT)	11

9. RELATED PARTY TRANSACTIONS (Cont'd)

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				From 1 January 2021 up to LPD ⁽¹⁾
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
			(iv) Mixing charges for complete feed paid by Yenher Agro (<i>customer</i>) to XTF (<i>supplier</i>) for the use of XTF's mixing machinery on an <i>ad hoc</i> basis.	-	-	90 (0.07% of our Group's cost of sales)	388 (0.26% of our Group's cost of sales)	210
			These transactions are recurrent in nature and will subsist after our Listing.					
4.	Our Group and DS Poultry Sdn Bhd* ("DPSB"), a 50.00% associated company of Ni-On Marketing	- Cheng Mooh Lee is a director of DPSB. Cheng Mooh Lee is also a major shareholder of DPSB through his interest in Ni-On Marketing. - Cheng Mooh Lee is the brother of Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, who are the major shareholders of our Company and the directors of our Group.	(i) Sale of veterinary pharmaceuticals [^] and vaccines by our Group (<i>seller</i>) to DPSB (<i>buyer</i>) on an <i>ad hoc</i> basis;	20 (0.01% of our Group's revenue)	561 (0.31% of our Group's revenue)	471 (0.26% of our Group's revenue)	171 (0.08% of our Group's revenue)	19
			(ii) Purchase of veterinary pharmaceuticals [^] from DPSB (<i>seller</i>) by our Group (<i>buyer</i>) on an <i>ad hoc</i> basis; and	-	-	0.05 ($<0.01\%$ of our Group's cost of sales)	-	1
			(iii) Purchase of chicks from DPSB (<i>supplier</i>) by Yenher Biotech (<i>customer</i>) on an <i>ad hoc</i> basis for R&D purpose.	-	-	-	2 (0.01% of our Group's PAT)	-
			These transactions are recurrent in nature and will subsist after our Listing.					
			(iv) Disposal of a motor vehicle by Yenher Agro (<i>seller</i>) to DPSB (<i>buyer</i>).	40 (0.05% of our Group's NA)	-	-	-	-
			This transaction was one-off.					

9. RELATED PARTY TRANSACTIONS (Cont'd)

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				From 1 January 2021 up to LPD ⁽¹⁾
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	
5.	Our Group and DS Breeder Farm Sdn Bhd* ("DBFSB")	- Cheng Mooh Lee is a major shareholder and director of DBFSB. - Cheng Mooh Lee is the brother of Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, who are the major shareholders of our Company and the directors of our Group.	Sale of formulated products, veterinary pharmaceuticals, veterinary vaccines, livestock reproduction products and disinfectants by our Group (<i>seller</i>) to DBFSB (<i>buyer</i>) on an <i>ad hoc</i> basis. This transaction is recurrent in nature and will subsist after our Listing.	-	-	-	111 (0.05% of our Group's revenue)	6
6.	Welcome Potential Sdn Bhd ("WPSB") (<i>landlord</i>) and our Group (<i>tenant</i>)	- Cheng Mooh Tat and Cheng Mooh Kheng are common major shareholders and directors of our Company and WPSB. They are also the directors of Yenher Agro and Yenher Biotech. - Cheng Mooh Chye is a common major shareholder of our Company and WPSB. He is also a director of Yenher Agro, Yenher Biotech and WPSB.	Rental paid for the tenancy of a double-storey office building with warehouse at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang via two (2) separate tenancy agreements with Yenher Agro and Yenher Biotech, respectively. This transaction is recurrent in nature and will subsist after our Listing⁽⁵⁾.	560 (0.42% of our Group's cost of sales)	916 (0.67% of our Group's cost of sales)	954 (0.71% of our Group's cost of sales)	960 (0.64% of our Group's cost of sales)	400

9. RELATED PARTY TRANSACTIONS (Cont'd)

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				From 1 January 2021 up to LPD ⁽¹⁾
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
7.	Cheng Mooh Tat (landlord) and Yenher Agro (tenant)	Cheng Mooh Tat is a major shareholder of our Company as well as a director of our Company and Yenher Agro.	Rental paid for the tenancy of a double-storey semi-detached house at No. 23, Lorong 12/SS1, Bandar Tasek Mutiara, 14120 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang via a tenancy agreement dated 28 February 2018. The property is being used as accommodation for our staff. This transaction is recurrent in nature and will subsist after our Listing⁽⁶⁾.	-	15 (0.01% of our Group's cost of sales)	18 (0.01% of our Group's cost of sales)	18 (0.01% of our Group's cost of sales)	8
8.	Yenher Agro (seller) and CMT (purchaser)	- Cheng Mooh Tat and Cheng Mooh Kheng are common major shareholders and directors of our Company and CMT. They are also directors of Yenher Agro. - Cheng Mooh Chye is a common major shareholder of our Company and CMT. He is also directors of Yenher Agro and CMT.	(i) Disposals of a commercial building and two (2) commercial shop lots located in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang via a sale and purchase agreement dated 1 December 2017 which was completed on 5 January 2018. <i>Further details on the said disposals are set out in Section 13.5(i) of this Prospectus.</i>	905 (1.05% of our Group's NA)	-	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				From 1 January 2021 up to LPD ⁽¹⁾
				FYE 31 December				
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
			(ii) Disposals of a feedmill and poultry farm, a residential house, a commercial shop lot and nine (9) parcels of freehold lands located in Mukim 02, 07 and 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and Mukim 13 and 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang via a sale and purchase agreement dated 19 November 2018 which was completed on 3 December 2018.	-	42,670 (48.95% of our Group's NA)	-	-	-
			<i>Further details on the said disposals are set out in Section 13.5(ii) of this Prospectus.</i>					
			These transactions were one-offs.					
9.	Yenher Agro (vendor) and Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye (collectively, purchasers)	- Cheng Mooh Tat and Cheng Mooh Kheng are major shareholders and directors of our Company and Yenher Agro. - Cheng Mooh Chye is a major shareholder of our Company and Yenher Agro. He is also a director of Yenher Agro.	Yenher Agro had on 14 December 2018 disposed its 100.00% equity interest in CMT to the said purchasers. This transaction was one-off.	-	0.84 ($<0.01\%$ of our Group's NA)	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				From 1 January 2021 up to LPD ⁽¹⁾
				2017	2018	2019	2020	
				(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
10.	Our Company (purchaser) and the following vendors: <u>Related parties:</u> Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye and Yeoh Ngong Koke <u>Non-related party:</u> Boon Jenn Woei	- Cheng Mooh Tat and Cheng Mooh Kheng are our major shareholders and Directors. - Cheng Mooh Chye is our major shareholder. - Yeoh Ngong Koke is the brother-in-law of Theoh Mooi Teng, our Director and also the spouse of Cheng Mooh Tat.	Acquisition by our Company of 100.00% equity interest in Yenher Agro from the said vendors in accordance with the conditional share sale agreement dated 28 August 2020 entered into between our Company and the said vendors. The said acquisition was completed on 28 August 2020. This transaction was one-off.	-	-	-	117,784	-
11.	Our Company (purchaser) and Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye (collectively, vendors)	- Cheng Mooh Tat and Cheng Mooh Kheng are our major shareholders and Directors. - Cheng Mooh Chye is our major shareholder.	Acquisition by our Company of 100.00% equity interest in Yenher Biotech from the said vendors in accordance with the conditional share sale agreement dated 28 August 2020 entered into between our Company and the said vendors. The said acquisition was completed on 28 August 2020. This transaction was one-off.	-	-	-	RM1.00 only	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- * Ni-On Marketing and XTF are feed millers while DPSB and DBFSB are poultry farm operators. PMR, on the other hand, is both a feed miller and poultry farm operator. Ni-On Marketing, PMR, XTF, DPSB and DBFSB are principally involved in the downstream segment of the livestock industry supply chain, unlike our Group which operates predominantly in the midstream segment of the livestock industry supply chain (i.e. manufacturing and distribution of animal health and nutrition products to customers such as farmers, feed millers and livestock integrators). For information purposes, the main product that feed millers like Ni-On Marketing, PMR and XTF sell include complete feed and they purchase ingredients such as premixes, formulated products, biotech animal feed ingredients, feed additives and other raw materials from suppliers like our Group for their respective complete feed formulation. Notwithstanding that our Group also produces complete feed, revenue from such products account for less than 10% of our Group's total revenue for the financial years under review.
- ^ There are different types of veterinary pharmaceuticals which may vary in terms of functionality and characteristic. The veterinary pharmaceuticals which we sold to related parties are different from those we purchased from them.
- # Our Group and the related parties have been and may continue to purchase raw materials and commodities from one another if it is more cost effective to do so as compared to purchasing from other third party suppliers, as the respective parties tend to benefit from economies of scale whenever they purchase such products in bulk. Notwithstanding the above, the transactions between our Group and the related parties were carried out on an arm's length basis and on normal commercial terms which are not detrimental to our Group nor our minority shareholders.
- (1) Percentage contributions are not available as there is no audited financial statements for the period from 1 January 2021 up to LPD for our Group.
- (2) For information purposes, Cheng Mooh Tat, our Group Managing Director, was previously a major shareholder and director of Ni-On Marketing. He had on 30 December 2015 disposed his entire 90.00% equity interest in Ni-On Marketing to his brothers, Cheng Mooh Lee and the late Cheng Mooh Lim. On 31 December 2015, he resigned as a director of Ni-On Marketing to focus on running the business of our Group.
- (3) For information purposes, Cheng Mooh Kheng, our Executive Director, was previously a major shareholder and director of PMR. He had on 20 December 2017 resigned as a director of PMR and on 6 March 2018, he disposed his entire 40.00% equity interest in PMR to his brothers, Cheng Mooh Lee and the late Cheng Mooh Lim to focus on running the business of our Group.
- (4) For information purposes, Cheng Mooh Tat, our Group Managing Director, was previously a major shareholder and director of XTF. He had on 12 October 2018 disposed his entire 42.50% equity interest in XTF to his brother, Cheng Mooh Lee and on 23 April 2019, he resigned as a director of XTF to further focus on running the business of our Group which include the expansion and commercialisation of our Group's biotech animal feed ingredients.

9. RELATED PARTY TRANSACTIONS (Cont'd)

(5) The salient terms of the tenancy agreements between our Group and WPSB are as follows:

Parties	Date of tenancy agreement	Tenure	Renewal term	Monthly rental rate	
Yenher Agro (<i>tenant</i>) and WPSB (<i>landlord</i>)	28 September 2018	Three (3) years commencing from 1 October 2018 till 30 September 2021	Automatic renewal term for a successive one (1) year period until terminated by either party by serving a written notice 30 days prior to the end of the existing term ⁽ⁱ⁾	RM76,000	From 1 October 2018 until termination
Yenher Biotech (<i>tenant</i>) and WPSB (<i>landlord</i>)	1 July 2019	Three (3) years commencing from 1 July 2019 till 30 June 2022	Renewal term to be agreed in writing between the parties at least two (2) months prior to the expiration of the tenancy ⁽ⁱⁱ⁾	RM3,500	From 1 July 2019 to 31 December 2019
				RM4,000	Commencing from 1 January 2020 onwards

(i) Either party may terminate the tenancy without any compensation by serving a written notice to the other party 90 days before the intended termination date.

(ii) Either party may terminate the tenancy by serving a written notice on the other party of not less than one (1) month period or in lieu of a written notice an amount equivalent to one (1) month's rental.

For information purposes, our Group does not intend to continue with these tenancies upon completion of the construction of our new GMP-compliant manufacturing plant. Please refer to Sections 3.7.1 and 6.6.1 of this Prospectus for further information on the construction of our new GMP-compliant manufacturing plant.

(6) The salient terms of the tenancy agreement between Cheng Mooh Tat and Yenher Agro are as follows:

Parties	Date of tenancy agreement	Tenure	Renewal term	Monthly rental rate	
Cheng Mooh Tat (<i>landlord</i>) and Yenher Agro (<i>tenant</i>)	15 February 2021	Three (3) years commencing from 1 March 2021 till 29 February 2024	Automatic renewal term for a successive one (1) year period until terminated by either party by serving a written notice 30 days prior to the end of the existing term ⁽ⁱ⁾	RM1,500	From 1 March 2021 until termination

(i) Either party may terminate the tenancy without any compensation by serving a written notice to the other party 90 days before the intended termination date.

9. RELATED PARTY TRANSACTIONS (Cont'd)

Our Directors confirm that the above related party transactions were carried out on an arm's length basis and on normal commercial terms which are not detrimental to our Group nor our minority shareholders.

Save for the recurrent related party transactions which will subsist after our Listing as disclosed in items 1 to 7 (except for items 2(iv) and 4(iv)) of the table above ("RRPTs"), our Directors also confirm that there are no other material related party transactions that have been effected after LPD or entered by our Group but not yet effected up to the date of this Prospectus.

In this regard, after our Listing, we will seek our shareholders' ratification and mandate for the RRPTs mentioned above at our next annual general meeting, unless otherwise exempted under the Listing Requirements. In view of Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye's relationships with their brother, Cheng Mooh Lee as well as their common shareholdings and/or directorships in WPSB, Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye are deemed interested in the RRPTs mentioned above. In this respect, Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye as well as persons connected to them, including CGH Holdings and Theoh Mooi Teng will abstain from voting on the resolutions with regards to such RRPTs.

After our Listing, we will also be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

9.1.2 Related party transactions entered into that are unusual in their nature or condition

Our Group has not entered into any transaction that is unusual in its nature or condition, involving goods, services, tangible or intangible assets, with a related party for the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD.

9.1.3 Loans made to or for the benefit of a related party

Our Group has not granted any loan to or for the benefit of a related party that is material to our Group for the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD.

9.1.4 Financial assistance provided for the benefit of a related party

Save as disclosed below, our Group has not provided any financial assistance for the benefit of a related party for the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD:

- (i) Yenher Agro had provided corporate guarantees of RM5.00 million and approximately RM1.18 million in favour of CIMB Bank Berhad and Maybank Islamic Berhad respectively, for banking facilities granted to WPSB, a related party as mentioned in item 6 of Section 9.1.1 above. On 11 January 2019 and 2 June 2021, CIMB Bank Berhad and Maybank Islamic Berhad had discharged the said corporate guarantees respectively; and

9. RELATED PARTY TRANSACTIONS (Cont'd)

- (ii) Yenher Agro had provided a corporate guarantee of approximately RM10.63 million in favour of RHB Bank Berhad for banking facilities granted to Victory Potential Sdn Bhd, an oil palm plantation company of which Cheng Mooh Tat is a major shareholder and director. On 29 July 2020, RHB Bank Berhad had discharged the said corporate guarantee.

9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**9.2.1 Audit and Risk Management Committee's review**

Our Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management's integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders. Among others, the related parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and/or votings on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

9.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and this framework will comply with the Listing Requirements and adhere to the best extent possible with the guidance principles set out in the Malaysian Code on Corporate Governance. The procedures which may form part of this framework include the requirement of our Directors to declare any direct or indirect interest that they may have in any business arrangement, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction. All existing or potential related party transactions would also be required to be disclosed by the interested party for management reporting. Our management will then propose the transactions to our Audit and Risk Management Committee for evaluation and assessment which would in turn, make the appropriate recommendations to our Board.

10. CONFLICTS OF INTEREST

10.1 INTEREST IN BUSINESSES AND CORPORATIONS WHICH CARRY ON A SIMILAR TRADE AS THAT OF OUR GROUP OR WHICH ARE OUR CUSTOMERS OR SUPPLIERS

As at LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses or corporations which:

- (i) carrying on a similar trade as that of our Group; or
- (ii) are customers or suppliers of our Group.

10.2 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

10.2.1 RHB Investment Bank

RHB Investment Bank and its related and associated companies ("**RHB Banking Group**") engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, securities trading, assets and fund management as well as credit transaction services. RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to its roles set out in this Prospectus. In addition, any member of RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates.

As at LPD, RHB Banking Group has subsisting bankers' acceptance, letter of credit, trust receipt, bank guarantees, overdraft facilities and foreign exchange contract line with a combined limit of RM13.16 million. The extension of the said credit facilities are in the ordinary course of business of RHB Banking Group.

Notwithstanding the above, RHB Investment Bank is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as the Sole Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO due to the following reasons:

- (i) the credit facilities were provided by RHB Banking Group on an arms' length basis and in its ordinary course of business, and the said credit facilities are not material when compared to the audited NA of RHB Banking Group as at 31 December 2020 of approximately RM27.02 billion;
- (ii) RHB Investment Bank is a licensed investment bank and its appointment as the Sole Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO is in the ordinary course of its business and RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the Sole Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO;

10. CONFLICTS OF INTEREST (Cont'd)

- (iii) the Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (iv) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, CMSA and RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB Investment Bank has confirmed that there is no conflict of interest situation in its capacity as the Sole Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO.

Our Board has also confirmed that it has been informed and is aware of the situations as described above and is agreeable to the role of RHB Investment Bank as the Sole Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO.

10.2.2 Folks DFK & Co.

Folks DFK & Co. has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Company in respect of our IPO.

10.2.3 Wong Beh & Toh

Wong Beh & Toh has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Legal Adviser to our Company in respect of our IPO.

10.2.4 Protégé

Protégé has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

10.2.5 AGRITEUM Share Registration Services Sdn Bhd

AGRITEUM Share Registration Services Sdn Bhd has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Share Registrar in respect of our IPO.

10.2.6 Malaysian Issuing House Sdn Bhd

Malaysian Issuing House Sdn Bhd has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Issuing House in respect of our IPO.

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 9 March 2020. We then formed our Group through the Acquisitions on 28 August 2020.

Our Company and the companies acquired through the Acquisitions have been under the common control of Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye throughout the financial years under review. Accordingly, the historical financial information of our Group as presented in this Section has been prepared as follows:

- (i) *Prior to the Acquisitions*: based on the audited combined financial statements of our Group for the FYEs 31 December 2017, 2018 and 2019 which were prepared based on the audited financial statements of our subsidiaries (i.e. combined entities) for the said financial years and as if our Company has always been the holding company of our Group throughout the said financial years; and
- (ii) *After the completion of the Acquisitions*: based on the audited consolidated financial statements of our Company for the FYE 31 December 2020.

All intra-group balances, transactions, income and expenses were eliminated in full upon combination and consolidation.

You should read the historical financial information of our Group presented in this Section in conjunction with:

- (a) the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 11.3 of this Prospectus; and
- (b) our Group's audited financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus.

The historical results for any prior financial years are not necessarily indicative of the results to be expected for a full financial year or for any future financial year.

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11. FINANCIAL INFORMATION (Cont'd)**11.1.1 Historical statements of profit or loss and other comprehensive income of our Group**

The table below sets out the statements of profit or loss and other comprehensive income of our Group for the financial years indicated:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	177,380	181,109	179,061	202,635
Cost of sales	(132,056)	(136,633)	(134,612)	(150,213)
GP	45,324	44,476	44,449	52,422
Other income	1,614	7,872	2,116	448
Selling and distribution costs	(7,448)	(6,639)	(7,332)	(7,858)
Administrative expenses	(12,470)	(10,729)	(11,982)	(14,833)
R&D costs	-	(49)	(172)	(176)
Other expenses	(235)	(321)	(290)	(148)
Operating profit	26,785	34,610	26,789	29,855
Finance costs	(864)	(436)	(466)	(196)
PBT	25,921	34,174	26,323	29,659
Taxation	(6,883)	(6,889)	(6,578)	(7,262)
PAT for the financial year	19,038	27,285	19,745	22,397
Other comprehensive income, net of tax				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
- Revaluation of land and buildings	-	-	8,412	940
Total comprehensive income for the financial year	19,038	27,285	28,157	23,337
Other selected financial data:				
GP margin ⁽¹⁾ (%)	25.55	24.56	24.82	25.87
EBITDA ⁽²⁾ (RM'000)	27,982	35,429	28,017	31,460
EBITDA margin ⁽³⁾ (%)	15.78	19.56	15.65	15.53
PBT margin ⁽⁴⁾ (%)	14.61	18.87	14.70	14.64
PAT margin ⁽⁵⁾ (%)	10.73	15.07	11.03	11.05
Basic and diluted EPS ⁽⁶⁾ (sen)	8.08	11.58	8.38	9.51

Notes:

(1) GP margin is computed based on GP over revenue of our Group.

11. FINANCIAL INFORMATION (Cont'd)

(2) EBITDA is computed as follows:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT	25,921	34,174	26,323	29,659
Add: Finance costs	864	436	466	196
Add: Depreciation	1,208	895	1,717	1,806
Less: Interest income	(11)	(76)	(489)	(201)
EBITDA	27,982	35,429	28,017	31,460

(3) EBITDA margin is computed based on EBITDA over revenue of our Group.

(4) PBT margin is computed based on PBT over revenue of our Group.

(5) PAT margin is computed based on PAT over revenue of our Group.

(6) For comparative purposes, the basic EPS of our Group is computed based on the PAT of our Group over the total number of 235,569,000 Shares after the Acquisitions. For information purposes, the diluted EPS of our Group is equal to the basic EPS of our Group as there were no potential dilutive securities in issue during the respective financial years under review.

11.1.2 Selected historical statements of financial position of our Group

The table below sets out selected financial information from the statements of financial position of our Group as at the end of the financial years indicated:

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total non-current assets	59,062	23,137	35,886	36,645
Total current assets	95,079	92,572	110,213	117,566
Total assets	154,141	115,709	146,099	154,211
Total non-current liabilities	12,236	5,183	7,441	2,121
Total current liabilities	55,718	23,362	33,237	23,332
Total liabilities	67,954	28,545	40,678	25,453
NA	86,187	87,164	105,421	128,758
Share capital	-	-	-	117,784
Invested equity ⁽¹⁾	2,250	2,250	2,250	-
Merger deficit ⁽²⁾	-	-	-	(115,534)
Revaluation reserve	-	-	8,412	9,337
Retained profits	83,937	84,914	94,759	117,171
Total equity	86,187	87,164	105,421	128,758

11. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) For the purpose of the combined statements of financial position of our Group for the FYEs 31 December 2017, 2018 and 2019, the invested equity as at the end of the respective financial years is the aggregate of the share capital of our subsidiaries, i.e. Yenher Agro and Yenher Biotech.
- (2) The merger deficit arose from the difference between the aggregate purchase consideration paid by our Company for the Acquisitions and the nominal value of the shares of our subsidiaries, i.e. Yenher Agro and Yenher Biotech upon consolidation, based on the principles of merger accounting in respect of business combinations under common control.

11.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our Group's capitalisation and indebtedness as at 30 April 2021 and the pro forma capitalisation and indebtedness of our Group which has been prepared on the assumption that our IPO and the use of proceeds to be raised from the Public Issue ("IPO Proceeds") had occurred on 30 April 2021:

	Unaudited as at 30 April 2021 (RM'000)	Pro Forma I After our IPO and use of IPO Proceeds (RM'000)
Indebtedness:		
Loans and borrowings (secured and guaranteed)	8,000	8,000
Lease liabilities ⁽¹⁾	1,248	1,248
Total indebtedness	9,248	9,248
Capitalisation:		
Total equity attributable to the owners of our Company	136,369	195,005
Non-controlling interests	-	-
Total capitalisation	136,369	195,005
Total capitalisation and indebtedness	145,617	204,253
Gearing ratio (times) ⁽²⁾	0.07	0.05

Notes:

- (1) This is in respect of the existing tenancies for an industrial building. For further information of these tenancies, please refer to Section A.2 of Annexure A of this Prospectus.
- (2) Gearing ratio is computed based on total indebtedness over total equity attributable to the owners of our Company.

The above pro forma capitalisation and indebtedness of our Group is provided for illustrative purposes only and does not represent our actual capitalisation and indebtedness as at 30 April 2021 or in the future.

11. FINANCIAL INFORMATION (Cont'd)

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis relates to the historical financial information of our Group for the FYEs 31 December 2017, 2018, 2019 and 2020. The historical financial information was prepared as if our Group structure had been in existence throughout the financial years under review.

You should read the following management's discussion and analysis in conjunction with our Group's audited financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus.

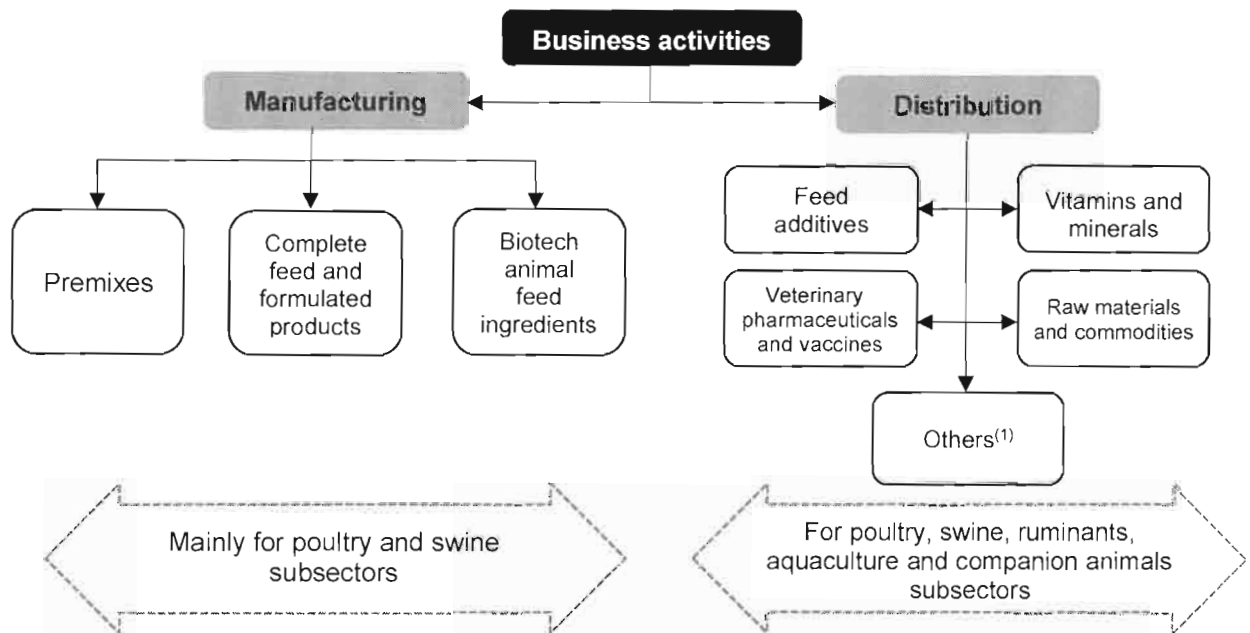
This discussion and analysis contain data derived from our Group's audited financial statements as well as forward-looking statements which reflect our current views with respect to future events. Our actual results may, however, differ significantly from those anticipated in the forward-looking statements as a result of numerous factors, including the risk factors as set out in Section 8 of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to note 2 of the Accountants' Report included in Section 12 of this Prospectus.

11.3.1 Overview of our business operations

We are principally involved in the manufacturing and distribution of animal health and nutrition products. Our principal business activities can be categorised into two (2) segments namely, manufacturing of premixes, complete feed, formulated products and biotech animal feed ingredients as well as distribution of feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, livestock reproduction products and companion animal products. We also distribute raw materials and commodities such as cereals and grains used in producing animal feed.

A summary of our principal business activities is depicted in the diagram below:



Note:

- (1) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

11. FINANCIAL INFORMATION (Cont'd)

Please refer to Section 6 of this Prospectus for further information on our Group's business overview.

11.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be affected by, among others, the following factors:

(i) Economic conditions in Malaysia

The majority of our revenue is derived from the Malaysian market, which accounted for approximately 90.47%, 89.09%, 91.31% and 89.77% of our Group's total revenue for the FYEs 31 December 2017, 2018, 2019 and 2020 respectively. As a result, our business depends on, and will continue to depend on the Malaysian consumer spending and the general state of the Malaysian economy. Any adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriation, adverse changes in political leadership and unfavourable change in government policies and regulations could have an adverse impact on our financial condition and results of operations.

(ii) Dependency on the livestock industry

As we are principally involved in the manufacturing and distribution of animal health and nutrition products, our business operations are highly dependent on the performance of the livestock industry, which in turn is affected and will continue to be affected by, among others, the following:

- (a) ***the growth in worldwide population***, which has increased and will continue to increase the demand for food, including those that are rich in protein, vitamins and other nutritional contents found in livestock products;
- (b) ***change in consumers' dietary preferences and habits***, such as the preference for meat substitutes or plant-based food products that are able to provide similar nutritional contents as consumers seek for non-meat alternatives. Furthermore, the increase in awareness of environmental sustainability including calls for reduction of greenhouse emission from livestock farms, may continue to drive the demand for meat substitutes and plant-based food products; and
- (c) ***outbreak of animal diseases or any other similar epidemic***, which reduces livestock population as such disease outbreak is usually controlled and contained through culling of infected livestock to minimise the spread of diseases. Such disease outbreak could also negatively alter consumer perceptions towards consumption of livestock products.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Competitive environment**

The animal health and nutrition market in Malaysia is competitive and fragmented. It comprises numerous domestic product manufacturers, distributors and subsidiaries of international product manufacturers who collectively offer a wide variety of animal health and nutrition products. According to the IMR, there are 79 market players in the local animal health and nutrition market based on the members of the Malaysian Animal Health and Nutrition Industries Association as at LPD. Many of these players have already established their own reputation with a long track record in the industry, and are able to compete based on product quality, branding and competitive prices. As such, we face stiff competition among local and international animal health and nutrition providers, and our financial condition and results of operations would depend on our ability to continue competing effectively against our competitors.

(iv) Availability and volatility of prices of our raw materials and distribution products

Raw materials used for the production of our manufactured products and material costs for our distribution segment are the main components of our cost of sales, representing more than 90% of our cost of sales for the financial years under review. As such, our profitability is significantly dependent on and will continue to depend on the availability of raw materials and distribution products as well as the prices of these goods. The prices of our raw materials and the products that we distribute have been and are expected to be affected by, among others, their respective market demand and supply.

For instance, in October 2017, the global supply of vitamins A and E, which are two (2) essential nutrients for animals and the main ingredients used in the production of our premixes, was severely interrupted as a result of a fire accident which occurred at the production facilities of BASF SE from Germany, an international major supplier of vitamins. This resulted in a global shortage of vitamins which saw a temporary surge in global prices of vitamins. Prices for vitamin A which ranged between approximately USD50.00 per kg to USD55.00 per kg in September 2017 increased to approximately USD450.00 to USD500.00 per kg in January 2018, representing an increase of approximately 800.00% to 809.09%. Prices for vitamin E, on the other hand, which ranged between approximately USD6.00 per kg to USD6.50 per kg in September 2017 increased to approximately USD20.00 to USD25.00 per kg in January 2018, representing an increase of approximately 233.33% to 284.62%. The temporary surge in global prices of vitamins had affected our GP for the FYE 31 December 2018 as explained in Section 11.3.3(iii) of this Prospectus.

(v) Fluctuation in shipping and freight rates

We source our raw materials and distribution products from various suppliers located overseas and therefore we rely heavily on marine and air transportation to deliver these supplies to us. As such, our profitability is affected by and will continue to be affected by any material fluctuation in shipping and freight rates due to, among others, shipping and freight disruptions.

As part of efforts to contain the spread of COVID-19, governments of many countries imposed lockdowns and tighter border control which led to suspension of economic activities around the globe which in turn, disrupted global production and consumption and resulted in reduced demand for shipping and freight activities. This led to, among others, carriers reducing their freight capacities.

11. FINANCIAL INFORMATION (Cont'd)

As economic activities slowly resumed to normal in the second half of 2020, shipping and freight rates witnessed a slight surge in prices due to a temporary mismatch between supply capacity and increasing demand for shipping and freight services. While our Group has yet to experience any major shipping and freight disruption or any major increase in shipping and freight rates, there can be no assurance that the COVID-19 pandemic can be contained in the near term and not worsen in the future and consequently lead to higher shipping and freight rates. In this regard, our financial condition and results of operations would depend on our ability to pass on any of such increase in inbound expenses and transportation costs to our customers by raising selling prices.

- (vi) **Impact of foreign exchange**, which is further explained in Section 11.3.4(i) of this Prospectus.

11.3.3 Results of operations

The components of our Group's statements of profit or loss and other comprehensive income as well as the analysis of the results of operations of our Group for the financial years under review are as follows:

(i) Revenue

We derive more than 60% of our Group's total revenue for the financial years under review from the sale of animal feed and nutrition products from both our manufacturing and distribution business segments.

Our manufactured animal feed and nutrition products include premixes, complete feed, formulated products and biotech animal feed ingredients which are catered mainly for the poultry and swine subsectors, and our premixes span across different growth stages of such livestock. We market our own brand of premixes, complete feed, formulated products and biotech animal feed ingredients under the 'Yenmix®', 'Yenher®', 'YenSoy®' and 'YenPalm RH®' brand names. We also distribute animal feed and nutrition products for the livestock industry sourced from third parties which include feed additives (such as amino acid), vitamins and minerals.

In addition to the sale of animal feed and nutrition products, we also distribute animal health products (i.e. veterinary pharmaceuticals and vaccines) as well as raw materials and commodities that are used to produce animal feed. To complement our range of product offering, we also distribute other associated products that are used in the livestock industry such as farm equipment, artificial insemination equipment, breeding stock and companion animal products. Our distribution products are mainly sourced from third party international suppliers located in various countries such as Spain, Germany, Taiwan, Belgium, France, Denmark, the Netherlands, India, the PRC and the United States.

11. FINANCIAL INFORMATION (Cont'd)

The table below sets out our revenue by business segments and product categories for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing								
▪ Premixes	61,784	34.83	66,924	36.95	73,413	41.00	75,846	37.43
▪ Complete feed and formulated products	19,178	10.81	18,208	10.05	22,265	12.43	31,663	15.63
▪ Biotech animal feed ingredients	-	-	163	0.09	1,199	0.67	3,593	1.77
▪ Others ⁽¹⁾	2,160	1.22	1,479	0.82	1,414	0.79	1,842	0.91
	<u>83,122</u>	<u>46.86</u>	<u>86,774</u>	<u>47.91</u>	<u>98,291</u>	<u>54.89</u>	<u>112,944</u>	<u>55.74</u>
Distribution								
▪ Feed additives and other animal nutrition products ⁽²⁾	26,583	14.99	33,370	18.43	24,905	13.91	33,028	16.30
▪ Veterinary pharmaceuticals and vaccines	23,921	13.49	22,583	12.47	20,795	11.61	18,256	9.01
▪ Raw materials and commodities	40,434	22.79	33,296	18.38	31,287	17.48	34,388	16.97
▪ Others ⁽³⁾	3,320	1.87	5,086	2.81	3,783	2.11	4,019	1.98
	<u>94,258</u>	<u>53.14</u>	<u>94,335</u>	<u>52.09</u>	<u>80,770</u>	<u>45.11</u>	<u>89,691</u>	<u>44.26</u>
Total	<u>177,380</u>	<u>100.00</u>	<u>181,109</u>	<u>100.00</u>	<u>179,061</u>	<u>100.00</u>	<u>202,635</u>	<u>100.00</u>

Notes:

- (1) This relates to the design, assembly and installation of farm equipment at our customers' farms in accordance with their requirements.
- (2) These include vitamins and minerals.
- (3) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

11. FINANCIAL INFORMATION (Cont'd)

Revenue generated from our manufacturing activities have gradually surpassed those from our distribution activities for the financial years under review, growing from approximately RM83.12 million or 46.86% of our Group's revenue for the FYE 31 December 2017 to approximately RM112.94 million or 55.74% of our Group's revenue for the FYE 31 December 2020. The growth in the manufacturing segment was a result of our Group's ongoing focus and business strategy to further promote our own in-house manufactured products. In line with this, we have prioritised the use of our feed additives, vitamins, minerals, raw materials and commodities for the production of our own in-house manufactured premixes, complete feed, formulated products and biotech animal feed ingredients instead of for distribution. As a result, the revenue generated from our distribution segment have decreased from approximately RM94.26 million or 53.14% of our Group's revenue for the FYE 31 December 2017 to approximately RM89.69 million or 44.26% of our Group's revenue for the FYE 31 December 2020.

Notwithstanding our Group's focus on promoting our own in-house manufactured products, our distribution segment will continue to play an important role in our business as it allows us to cross-sell products which complement our manufactured products. This is also in line with our objective of becoming a one-stop solution provider to our customers by offering them a wide range of animal health and nutrition products for their livestock.

For the financial years under review, our Group's revenue were substantially derived from the Malaysian market, as detailed below:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Local	160,470	90.47	161,349	89.09	163,505	91.31	181,911	89.77
Overseas								
▪ Indonesia	8,664	4.88	7,699	4.25	7,538	4.21	8,660	4.28
▪ Brunei	6,877	3.88	3,448	1.90	4,263	2.38	6,996	3.45
▪ Hong Kong	995	0.56	7,349	4.06	3,184	1.78	1,708	0.84
▪ Belgium	-	-	362	0.20	-	-	1,226	0.61
▪ Others ⁽¹⁾	374	0.21	902	0.50	571	0.32	2,134	1.05
Total	177,380	100.00	181,109	100.00	179,061	100.00	202,635	100.00

Note:

(1) Others include Pakistan, South Korea, Nigeria, Thailand, Vietnam, Singapore and Taiwan.

11. FINANCIAL INFORMATION (Cont'd)

While our revenue is predominantly generated through Yenher Agro which has a longer operating history, we had in 2016, established Yenher Biotech to venture into the manufacturing of animal feed ingredients with the use of biotechnology, as well as to conduct R&D activities. In 2018, Yenher Biotech successfully launched its first biotech animal feed ingredients under the 'YenSoy®' and 'YenPalm RH®' brand names.

The revenue generated by our subsidiaries for the financial years under review are as follows:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Yenher Agro	177,380	100.00	180,946	99.91	177,862	99.33	199,119	98.26
Yenher Biotech	-	-	183	0.10	1,359	0.76	4,083	2.02
	177,380	100.00	181,129	100.01	179,221	100.09	203,202	100.28
Less: consolidation adjustments*	-	-	(20)	(0.01)	(160)	(0.09)	(567)	(0.28)
Total	177,380	100.00	181,109	100.00	179,061	100.00	202,635	100.00

Note:

* Being elimination of inter-company transactions.

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11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

Our Group recorded higher revenue of approximately RM181.11 million for the FYE 31 December 2018, representing an increase of approximately RM3.73 million or 2.10% as compared to the revenue of our Group of approximately RM177.38 million for the FYE 31 December 2017. For the said financial year, our revenue was mainly generated from the sale of premixes and third party animal nutrition products such as feed additives and vitamins as well as the sale of raw materials and commodities used to produce animal feed.

The increase in our revenue was mainly due to the following:

- (a) increase in the sale of premixes manufactured by our Group by approximately RM5.14 million, which were marketed under our in-house brand, 'Yenmix®'. The increase was mainly due to our Group's ongoing focus and business strategy to further promote our own in-house manufactured products. We also increased the average selling price of our premixes slightly as a result of the increase in cost of vitamins, one of the main ingredients used in the production of our premixes;
- (b) commercialisation and sale of our biotech animal feed ingredients in July 2018 under our own brand names 'YenSoy®' and 'YenPalm RH®', which were produced through the fermentation of soybean meal and palm kernel meal respectively. For the said financial year, we recorded net sales of approximately RM0.16 million for our biotech animal feed ingredients (after elimination of inter-company transactions);
- (c) increase in revenue from the sale of feed additives and other third party animal nutrition products by approximately RM6.79 million mainly due to the following:
 - increase in revenue from the sale of feed additives amounting to approximately RM4.22 million due to increase in sales volume by approximately 276 metric tonnes as we were able to offer the feed additives to our customers at a more competitive price as compared to our competitors; and
 - increase in revenue from the sale of vitamins amounting to approximately RM2.90 million mainly due to the temporary surge in selling prices of vitamins during the first quarter of the financial year as a result of the global shortage of vitamins caused by a fire accident at the production facilities of BASF SE from Germany, an international major supplier of vitamins.

The increase in revenue was, however, offset by the decrease in the sale of commodities by approximately RM9.00 million as we did not distribute certain commodities such as maize and corn as the pricing of these commodities from our suppliers were higher than usual and would have affected our overall GP margins.

11. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2018, our revenue was predominantly generated in Malaysia which accounted for approximately 89.09% of our Group's total revenue. The growth in overseas revenue by approximately RM2.85 million or 16.85% to approximately RM19.76 million for the FYE 31 December 2018 (FYE 2017: RM16.91 million) was mainly due to the increase in selling prices of vitamins to our overseas customers as a result of the temporary surge in the global prices of vitamins as mentioned earlier.

FYE 31 December 2019

For the FYE 31 December 2019, we recorded a slight decrease in our revenue by approximately RM2.05 million or 1.13% to approximately RM179.06 million (FYE 2018: RM181.11 million). The decrease in our revenue was mainly attributable to lower revenue from our distribution segment as a result of the following:

- (a) lower selling prices of feed additives during the said financial year due to the oversupply of feed additives globally;
- (b) normalisation of the selling prices of vitamins after the one-off surge in 2018 as supply and demand of such products stabilised during the financial year;
- (c) lower supply of veterinary vaccines by one of our suppliers to us for distribution, as the said supplier had started to distribute these veterinary vaccines directly to customers in the poultry subsector during the first quarter of the financial year. This led to a corresponding decline in our sale of veterinary vaccines; and
- (d) lower sale of raw materials and commodities as discussed below.

The above factors led to a decline in our revenue from the sale of feed additives, vitamins, veterinary vaccines as well as raw materials and commodities by approximately RM6.45 million, RM2.70 million, RM1.34 million and RM2.01 million respectively, for the said financial year.

Notwithstanding the above, the decrease was offset by an increase in revenue generated from the sale of our in-house manufactured premixes as well as complete feed of approximately RM6.49 million and RM4.69 million respectively. This was in line with our Group's focus and business strategy to further promote our in-house manufactured products as mentioned earlier. Backed by reliable product quality and effective cross-selling, the total revenue generated from our manufacturing segment increased by approximately RM11.52 million or 13.27% to approximately RM98.29 million for the FYE 31 December 2019 (FYE 2018: RM86.77 million). However, given the higher consumption of raw materials (including commodities) used in the production of our manufactured products, we recorded lower revenue from the sale of raw materials and commodities by approximately RM2.01 million for the said financial year.

We also recorded an improvement in the sale of our biotech animal feed ingredients by approximately RM1.04 million or 635.58% to approximately RM1.20 million for the FYE 31 December 2019 (FYE 2018: RM0.16 million). However, the sales volume of our biotech animal feed ingredients remained relatively small as compared to our other manufactured products as these products were only commercialised in July 2018 and were subject to further improvement through continuous R&D and continuous marketing efforts to introduce them to our customers.

11. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2019, our revenue continued to be predominantly generated in Malaysia which accounted for approximately 91.31% of our Group's total revenue for the said financial year. The decrease in overseas revenue by approximately RM4.20 million or 21.28% to approximately RM15.56 million for the FYE 31 December 2019 (FYE 2018: RM19.76 million) was mainly due to the decline in selling prices of feed additives and vitamins to our overseas customers.

FYE 31 December 2020

For the FYE 31 December 2020, our Group recorded higher revenue of approximately RM202.64 million, representing an increase of approximately RM23.57 million or 13.17% as compared to the revenue recorded by our Group of approximately RM179.06 million for the FYE 31 December 2019. For the said financial year, our revenue was mainly generated from the sale of animal feed and nutrition products as well as the sale of raw materials and commodities that are used to produce animal feed.

The increase in our revenue for the said financial year was attributable to the following:

- (a) increase in the sale of premixes as well as complete feed and formulated products manufactured by our Group by approximately RM2.43 million and RM9.40 million respectively, due to a surge in orders from our customers as we encouraged our customers to increase their inventory levels in order to minimise possible disruptions to their supplies amid the COVID-19 outbreak;
- (b) increase in the sale of our biotech animal feed ingredients by approximately RM2.39 million due to the following:
 - an increase in the average selling prices of such products by approximately 25% from April 2020 onwards to cover the increase in our production overhead costs, in particular packaging costs as we used better packaging materials to preserve the quality of our biotech animal feed ingredients; and
 - an increase in sales volume as our continuous marketing efforts to introduce our biotech animal feed ingredients to customers located in Perak and East Malaysia enabled us to expand our customer base for such products;
- (c) increase in the sale of third party animal nutrition products by approximately RM8.12 million, as our customers were also increasing their inventory level for such products during the COVID-19 outbreak; and
- (d) increase in the sale of commodities by approximately RM3.18 million mainly due to the increase in sales volume for maize and corn gluten meals. Coupled with the increase in demand from our customers to increase their inventory levels during the COVID-19 outbreak, the higher sale of commodities was also attributed to our ability to sell these commodities to our customers at competitive prices since we purchased these commodities in larger quantities to prevent disruptions to our supply chain arising from COVID-19 outbreak and hence benefited from economies of scale (i.e. lower cost per unit).

11. FINANCIAL INFORMATION *(Cont'd)*

Notwithstanding the above, the increase in revenue was slightly offset by the lower revenue generated from the sales of third party veterinary pharmaceutical and vaccine products by approximately RM2.54 million. This was mainly due to lower demand from our customers for veterinary pharmaceutical products and lower supply of veterinary vaccines by one of our suppliers to us for distribution since FYE 31 December 2019.

For the FYE 31 December 2020, our revenue continued to be predominantly generated in Malaysia which accounted for approximately 89.77% of our Group's total revenue for the said financial year. The increase in overseas revenue by approximately RM5.16 million or 33.22% to approximately RM20.72 million for the FYE 31 December 2020 (FYE 2019: RM15.56 million) was mainly due to the increase in sale of feed additives and maize to our overseas customers.

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11. FINANCIAL INFORMATION (Cont'd)**(ii) Cost of sales**

Our cost of sales comprised the following:

Type of costs	Description
Raw material costs for manufacturing :	For our manufacturing segment, raw materials are the main component of our cost of sales representing close to 90% of the total cost of sales for our manufacturing activities. The raw materials that are used for the production of premixes mainly include vitamins, minerals, enzymes, amino acids, antioxidants, anti-fungus, probiotics and prebiotics. Raw materials that are used for the production of our other manufactured products include commodities (i.e. soybeans and palm kernel meals), enzymes, antioxidants and acidifiers.
Material costs for distribution :	Material costs are the costs of our distribution products, representing more than 98% of the total cost of goods sold for our distribution segment. Our distribution products mainly include feed additives, veterinary pharmaceuticals and vaccines as well as raw materials and commodities that are used to produce animal feed which we sold to our customers.
Inbound expenses :	Inbound expenses mainly consist of haulage costs, freight and forwarding charges, shipping and other transportation costs; storage and handling charges incurred for the delivery of our raw materials and distribution products to our business premises; and permit fees paid to the relevant authorities for the importation of certain raw materials and distribution products.
Direct labour costs :	These are salaries, wages, allowances, bonuses and other related costs and benefits of our workers and employees who work in our production line.
Production overheads :	Our production overheads mainly consist of depreciation of factory building and warehouses, depreciation of machinery and equipment, packaging costs, utilities costs, upkeep and maintenance costs of machinery, warehousing costs as well as indirect staff costs of employees who support the production activities such as those who carry out supervisory roles and/or are involved in quality assurance, product development and store-keeping.

11. FINANCIAL INFORMATION *(Cont'd)*

The table below sets out our cost of sales by business segments and cost components for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing								
▪ Raw material costs	49,920	37.80	54,103	39.60	62,261	46.25	69,943	46.56
▪ Inbound expenses	704	0.53	753	0.55	1,077	0.80	1,410	0.94
▪ Direct labour costs	2,370	1.80	2,402	1.76	2,895	2.15	3,281	2.19
▪ Production overheads	2,670	2.02	3,082	2.25	3,781	2.81	3,639	2.42
	55,664	42.15	60,340	44.16	70,014	52.01	78,273	52.11
Distribution								
▪ Material costs	75,266	57.00	75,063	54.94	64,166	47.67	71,042	47.29
▪ Inbound expenses	1,126	0.85	1,230	0.90	432	0.32	898	0.60
	76,392	57.85	76,293	55.84	64,598	47.99	71,940	47.89
Total	132,056	100.00	136,633	100.00	134,612	100.00	150,213	100.00

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11. FINANCIAL INFORMATION (Cont'd)

The table below sets out our cost of sales by business segments and product categories for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing								
▪ Premixes	39,045	29.57	45,146	33.04	49,869	37.05	50,089	33.35
▪ Complete feed and formulated products	14,853	11.25	13,842	10.13	17,973	13.35	24,152	16.08
▪ Biotech animal feed ingredients	-	-	200	0.15	1,024	0.76	2,613	1.74
▪ Others ⁽¹⁾	1,766	1.33	1,152	0.84	1,148	0.85	1,419	0.94
	<u>55,664</u>	<u>42.15</u>	<u>60,340</u>	<u>44.16</u>	<u>70,014</u>	<u>52.01</u>	<u>78,273</u>	<u>52.11</u>
Distribution								
▪ Feed additives and other animal nutrition products ⁽²⁾	21,244	16.09	27,315	19.99	19,952	14.82	26,846	17.87
▪ Veterinary pharmaceuticals and vaccines	16,822	12.74	15,523	11.36	14,394	10.69	11,915	7.93
▪ Raw materials and commodities	36,056	27.30	29,635	21.69	27,897	20.72	30,636	20.40
▪ Others ⁽³⁾	2,270	1.72	3,820	2.80	2,355	1.76	2,543	1.69
	<u>76,392</u>	<u>57.85</u>	<u>76,293</u>	<u>55.84</u>	<u>64,598</u>	<u>47.99</u>	<u>71,940</u>	<u>47.89</u>
Total	<u>132,056</u>	<u>100.00</u>	<u>136,633</u>	<u>100.00</u>	<u>134,612</u>	<u>100.00</u>	<u>150,213</u>	<u>100.00</u>

Notes:

- (1) This relates to the design, assembly and installation of farm equipment at our customers' farms in accordance with their requirements.
- (2) These include vitamins and minerals.
- (3) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

11. FINANCIAL INFORMATION *(Cont'd)*

The table below sets out our cost of sales by subsidiaries for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Yenher Agro	132,056	100.00	136,433	99.85	133,588	99.24	147,962	98.50
Yenher Biotech	-	-	220	0.16	1,184	0.88	2,811	1.87
	132,056	100.00	136,653	100.01	134,772	100.12	150,773	100.37
Less: consolidation adjustments*	-	-	(20)	(0.01)	(160)	(0.12)	(560)	(0.37)
Total	132,056	100.00	136,633	100.00	134,612	100.00	150,213	100.00

Note:

* Being elimination of inter-company transactions.

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11. FINANCIAL INFORMATION *(Cont'd)***FYE 31 December 2018**

For the FYE 31 December 2018, our cost of sales increased by approximately RM4.58 million or 3.47% to approximately RM136.63 million (FYE 2017: RM132.06 million). The increase was contributed by the increase in cost of sales from our manufacturing segment by approximately RM4.68 million which was in tandem with the increase in the revenue generated from our manufacturing segment for the said financial year.

The increase in cost of sales of our manufacturing segment was mainly attributed to the following cost components:

- (a) increase in our raw material costs by approximately RM4.18 million as a result of higher consumption of raw materials for our production in order to cope with the increased sales orders for our in-house manufactured premixes, 'Yenmix®'. The higher raw material costs was also attributable to the higher cost of vitamins used in the production of our premixes due to the surge in the global selling prices of vitamins as a result of the global shortage of vitamins caused by a fire accident at the production facilities of BASF SE from Germany, an international major supplier of vitamins; and
- (b) increase in our production overhead costs by approximately RM0.41 million mainly due to higher utilities costs incurred as a result of longer production hours and higher warehousing costs as a result of higher rental charged for a warehouse which our Group rents.

However, the increase in our cost of sales for manufacturing segment for the said financial year was partially offset by the decrease in cost of goods sold for our distribution segment, mainly due to the lower sales level of commodities as we did not distribute certain commodities as the pricing from our suppliers were not attractive. Notwithstanding this, the cost of goods sold for our traded feed additives and other animal nutrition products increased by approximately RM6.07 million for the said financial year in tandem with the increase in our revenue generated from the distribution of such animal nutrition products.

FYE 31 December 2019

For the FYE 31 December 2019, our cost of sales decreased by approximately RM2.02 million or 1.48% to approximately RM134.61 million (FYE 2018: RM136.63 million) in tandem with the decrease in our revenue for the same financial year.

The decrease in our cost of sales was mainly attributable to the reduction in cost of goods sold for our distribution segment by approximately RM11.70 million which was in line with the lower revenue generated from the sale of feed additives, vitamins, veterinary vaccines as well as raw materials and commodities.

11. FINANCIAL INFORMATION (Cont'd)

However, the decrease in cost of sales for our distribution segment was partially offset by the increase in cost of sales for our manufacturing segment amounting to approximately RM9.67 million. This was in line with our Group's continued focus in promoting our own in-house manufactured products which enabled us to achieve higher sales of our premixes marketed under the 'Yenmix®' brand name and our complete feed marketed under the 'Yenher®' brand name. This led to the increase in cost of sales for premixes and complete feed by approximately RM4.72 million and RM4.18 million respectively, as more raw materials were consumed and higher inbound expenses, direct labour costs and production overhead costs were incurred for the higher level of production of such products.

Similarly, the cost of sales for the production of our biotech animal feed ingredients also increased by approximately 412.00% in tandem with the increase in revenue for these products by approximately 635.58%. The cost of sales for the production of our biotech animal feed ingredients increased at a lower rate as approximately 35% of the cost of sales for such products comprised fixed production overhead cost.

FYE 31 December 2020

For the FYE 31 December 2020, our Group recorded higher cost of sales of approximately RM150.21 million, representing an increase of approximately RM15.60 million or 11.59% as compared to the cost of sales recorded by our Group of approximately RM134.61 million for the FYE 31 December 2019. The increase in our cost of sales for the said financial year was in tandem with the increase in our revenue for the same financial year.

The increase in our cost of sales was contributed by the higher cost of sales for both our manufacturing and distribution segments which increased by approximately RM8.26 million and RM7.34 million respectively, for the said financial year. The increase in cost of sales for our manufacturing segment was in tandem with the increase in the sale of our premixes, complete feed, formulated products and biotech animal feed ingredients as there was a surge in sales orders for our premixes, complete feed and formulated products as our customers began stocking up on supplies amid the COVID-19 outbreak as well as an increase in sales volume for our biotech animal feed ingredients as a result of our continuous marketing efforts to introduce our biotech animal feed ingredients to our customers. As a result of the increase in production level, raw materials consumed for our production activities increased by approximately RM7.68 million to approximately RM69.94 million for the said financial year as compared to approximately RM62.26 million for the FYE 31 December 2019. Our inbound expenses, direct labour costs and production overheads had also increased by approximately RM0.58 million in total to approximately RM8.33 million for the said financial year as compared to approximately RM7.75 million for the preceding year.

Similarly, the increase in cost of sales for our distribution segment was also in line with the increase in the sale of third party animal nutrition products and commodities. For the said financial year, the cost of sales of third party animal nutrition products and commodities increased by approximately RM6.89 million and RM3.12 million respectively, as compared to the preceding financial year.

Notwithstanding the above, the increase in costs of sales was partially offset by the decrease in cost of goods sold for third party veterinary pharmaceutical and vaccine products by approximately RM2.48 million, which corresponded with lower sales of such products during the same financial year.

11. FINANCIAL INFORMATION (Cont'd)**(iii) GP and GP margin****GP**

The table below sets out our GP by business segments and product categories for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Manufacturing								
▪ Premixes	22,739	50.17	21,778	48.96	23,544	52.97	25,757	49.13
▪ Complete feed and formulated products	4,325	9.54	4,366	9.82	4,292	9.66	7,511	14.33
▪ Biotech animal feed ingredients	-	-	(37)	(0.08)	175	0.39	980	1.87
▪ Others ⁽¹⁾	394	0.87	327	0.73	266	0.60	423	0.81
	<u>27,458</u>	<u>60.58</u>	<u>26,434</u>	<u>59.43</u>	<u>28,277</u>	<u>63.62</u>	<u>34,671</u>	<u>66.14</u>
Distribution								
▪ Feed additives and other animal nutrition products ⁽²⁾	5,339	11.78	6,055	13.61	4,953	11.14	6,182	11.79
▪ Veterinary pharmaceuticals and vaccines	7,099	15.66	7,060	15.88	6,401	14.40	6,341	12.10
▪ Raw materials and commodities	4,378	9.66	3,661	8.23	3,390	7.63	3,752	7.16
▪ Others ⁽³⁾	1,050	2.32	1,266	2.85	1,428	3.21	1,476	2.81
	<u>17,866</u>	<u>39.42</u>	<u>18,042</u>	<u>40.57</u>	<u>16,172</u>	<u>36.38</u>	<u>17,751</u>	<u>33.86</u>
Total	<u>45,324</u>	<u>100.00</u>	<u>44,476</u>	<u>100.00</u>	<u>44,449</u>	<u>100.00</u>	<u>52,422</u>	<u>100.00</u>

Notes:

- (1) This relates to the design, assembly and installation of farm equipment at our customers' farms in accordance with their requirements.
- (2) These include vitamins and minerals.
- (3) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

11. FINANCIAL INFORMATION (Cont'd)

The table below sets out our GP by subsidiaries for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Yenher Agro	45,324	100.00	44,513	100.08	44,274	99.61	51,157	97.59
Yenher Biotech	-	-	(37)	(0.08)	175	0.39	1,272	2.42
	45,324	100.00	44,476	100.00	44,449	100.00	52,429	100.01
Less: consolidation adjustments*	-	-	-	-	-	-	(7)	(0.01)
Total	45,324	100.00	44,476	100.00	44,449	100.00	52,422	100.00

Note:

* Being elimination of inter-company transactions.

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11. FINANCIAL INFORMATION (Cont'd)**GP margin**

The table below sets out our GP margin by business segments and product categories for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
	(%)	(%)	(%)	(%)
Manufacturing				
▪ Premixes	36.80	32.54	32.07	33.96
▪ Complete feed and formulated products	22.55	23.98	19.28	23.72
▪ Biotech animal feed ingredients	-	(22.70)	14.60	27.28
▪ Others ⁽¹⁾	18.24	22.11	18.81	22.96
Overall GP margin for manufacturing segment	33.03	30.46	28.77	30.70
Distribution				
▪ Feed additives and other animal nutrition products ⁽²⁾	20.08	18.15	19.89	18.72
▪ Veterinary pharmaceuticals and vaccines	29.68	31.26	30.78	34.73
▪ Raw materials and commodities	10.83	11.00	10.84	10.91
▪ Others ⁽³⁾	31.63	24.89	37.75	36.73
Overall GP margin for distribution segment	18.95	19.13	20.02	19.79
Group GP margin	25.55	24.56	24.82	25.87

Notes:

- (1) This relates to the design, assembly and installation of farm equipment at our customers' farms in accordance with their requirements.
- (2) These include vitamins and minerals.
- (3) Other distribution products include farm equipment, livestock reproduction products and companion animal products.

The table below sets out our GP margin by subsidiaries for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
	(%)	(%)	(%)	(%)
Yenher Agro	25.55	24.60	24.89	25.69
Yenher Biotech	-	(20.22)	12.88	31.15
Group GP margin	25.55	24.56	24.82	25.87

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

Our GP decreased by approximately RM0.85 million or 1.87% to approximately RM44.48 million for the FYE 31 December 2018 as compared to our GP of approximately RM45.32 million for the FYE 31 December 2017. For the said financial year, we derived approximately RM26.43 million or 59.43% of our GP from our manufacturing segment while our distribution segment contributed approximately RM18.04 million or 40.57% of our GP.

Despite the increase in our revenue by approximately RM3.73 million or 2.10% for the said financial year, our GP decreased marginally mainly due to the increase in cost of vitamins, one of the main ingredients used in the production of our premixes as the global supply of vitamins was severely interrupted due to the fire accident at the production facilities of BASF SE from Germany, an international major supplier of vitamins.

In addition, for the FYE 31 December 2018, our subsidiary, Yenher Biotech also incurred a gross loss and gross loss margin of approximately RM0.04 million and 20.22% respectively, as a result of higher costs incurred for laboratory testing before the commercialisation of our new biotech animal feed ingredients while the sales volume for these products remained minimal for Yenher Biotech to even breakeven as these products were only commercialised in July 2018.

As a result of the above, our overall GP margin for the FYE 31 December 2018 decreased by approximately 0.99% to approximately 24.56% (FYE 2017: 25.55%). The GP margin for our manufacturing segment decreased by approximately 2.57% to approximately 30.46% (FYE 2017: 33.03%) as we decided not to fully pass on the increase in raw material costs (i.e. vitamins costs) to our customers since the surge in the price of vitamins was only short term due to the one-off incident as mentioned above and we intended to maintain competitive selling prices.

However, we recorded a slightly higher GP margin of approximately 19.13% (FYE 2017: 18.95%) for our distribution segment. This was mainly due to an increase in GP margin for the sale of veterinary pharmaceuticals and vaccines by approximately 1.58% as we distributed more veterinary pharmaceuticals and vaccines with higher GP margins during the said financial year.

FYE 31 December 2019

Despite the decrease in our revenue by approximately RM2.05 million or 1.13% for the FYE 31 December 2019, our GP remained relatively constant at approximately RM44.45 million but represents a slight decrease of approximately RM0.03 million or 0.06% from our GP of approximately RM44.48 million in the previous year. This was mainly due to the increase in the sale of our manufactured premixes which we have been able to garner a relatively higher GP margin of more than 30% as compared to our other manufactured products as well as the overall increase in GP margin for our distribution segment.

Our subsidiary, Yenher Biotech also recorded a gross profit of approximately RM0.18 million (FYE 2018: gross loss of approximately RM0.04 million) mainly due to the higher sales volume for our biotech animal feed ingredients, 'YenSoy®' and 'YenPalm RH®' which allowed us to cover our production overhead costs such as laboratory and R&D costs.

11. FINANCIAL INFORMATION (Cont'd)

However, our overall GP margin for our manufacturing segment for the FYE 31 December 2019 declined slightly to approximately 28.77% (FYE 2018: 30.46%) mainly due to the increase in sales level for our complete feed for the poultry subsector which had a lower average GP margin of approximately 13% as compared to our complete feed for the swine subsector which had an average GP margin of approximately 25%. Sales for complete feed for the poultry subsector increased by approximately RM4.13 million to approximately RM5.26 million, representing approximately 2.94% of our overall revenue for the financial year (FYE 2018: RM1.13 million or 0.62% of our overall revenue).

On the other hand, for our distribution segment, we recorded a higher GP margin of approximately 20.02% for the FYE 31 December 2019 (FYE 2018: 19.13%). This was mainly due to the decrease in the sale of our lower margin products from our distribution segment such as feeds additives as well as raw materials and commodities during the financial year. On the other hand, the GP margin for our other distribution products increased by approximately 12.86% to 37.75% for the same financial year (FYE 2018: 24.89%) and this was attributed to the change in sales composition, where more products with higher GP margins such as livestock reproduction products were sold during the said financial year.

As a result of the above, our overall GP margin for the FYE 31 December 2019 increased by approximately 0.26% to 24.82% (FYE 2018: 24.56%).

FYE 31 December 2020

Our GP increased by approximately RM7.97 million or 17.94% to approximately RM52.42 million for the FYE 31 December 2020 (FYE 2019: RM44.45 million). For the said financial year, we derived approximately RM34.67 million or 66.14% of our GP from our manufacturing segment while our distribution segment contributed the remaining RM17.75 million or 33.86%.

The increase in our GP for the FYE 31 December 2020 was mainly attributable to our manufacturing segment which recorded an improvement in GP by approximately RM6.39 million. For the financial year, we recorded higher GP margin from the sale of our manufactured premixes, complete feed and formulated products as well as biotech animal feed ingredients of 33.96%, 23.72% and 27.28% respectively (FYE 2019: 32.07%; 19.28%; 14.60%). This was mainly due to lower raw materials cost per unit as we purchased larger quantities of raw materials and commodities for the production of our animal feed and nutrition products in anticipation of possible disruptions in our supply chain as a result of the COVID-19 outbreak, and we benefitted from more competitive prices.

Furthermore, we also increased the average selling prices of our biotech animal feed ingredients by approximately 25% from April 2020 onwards to cover the increase in our production overhead costs, in particular packaging costs as we used better packaging materials to preserve the quality of our biotech animal feed ingredients. As such, our subsidiary, Yenher Biotech recorded a higher GP and GP margin of approximately RM1.27 million and 31.15% respectively, for the FYE 31 December 2020 (FYE 2019: RM0.18 million; 12.88%) which was in line with the higher GP recorded from the sale of our biotech animal feed ingredients, 'YenSoy®' and 'YenPalm RH®'.

11. FINANCIAL INFORMATION *(Cont'd)*

We also recorded higher GP of approximately RM17.75 million for our distribution segment for the FYE 31 December 2020 (FYE 2019: RM16.17 million). This was mainly attributed to the higher sales of third party animal nutrition products and commodities by approximately RM8.12 million and RM3.18 million respectively. However, these distribution products generally bear lower GP margins as compared to our other distribution products (such as veterinary pharmaceuticals and vaccines for which we recorded lower revenue, i.e. by approximately RM2.54 million). This led to a slight decline in our GP margin from our distribution segment by approximately 0.23% to 19.79% (FYE 2019: 20.02%).

As a result of the above, our overall GP margin for the FYE 31 December 2020 increased by approximately 1.05% to 25.87% (FYE 2019: 24.82%).

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11. FINANCIAL INFORMATION (Cont'd)**(iv) Other income**

The table below sets out the components of our other income for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Gain on foreign exchange	160	9.91	9	0.11	143	6.76	-	-
Net reversal of impairment losses on trade receivables	-	-	80	1.02	1,422	67.20	211	47.10
Gain on disposal of property, plant and equipment	49	3.04	3,823	48.56	50	2.36	-	-
Gain on disposal of investment properties	615	38.10	3,278	41.64	-	-	-	-
Gain on disposal of a subsidiary	-	-	1	0.01	-	-	-	-
Gain on disposal of other investment	2	0.13	-	-	-	-	-	-
Rental income	536	33.21	518	6.58	-	-	-	-
Interest income	11	0.68	76	0.97	489	23.11	201	44.87
Others*	241	14.93	87	1.11	12	0.57	36	8.03
Total	1,614	100.00	7,872	100.00	2,116	100.00	448	100.00

Note:

* Others include sundry income from harvesting and selling of oil palm fruits from our vacant freehold land as well as freight and forwarding charges to customers.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

Our other income increased by approximately RM6.26 million or 387.73% to approximately RM7.87 million for the FYE 31 December 2018 (FYE 2017: RM1.61 million). The increase in other income was mainly due to gains from the disposal of our Group's non-operating assets to CMT Properties Sdn Bhd (formerly known as Yenher Properties Sdn Bhd) ("**CMT**") as follows:

- (a) gain on disposal of property, plant and equipment amounting to approximately RM3.82 million arising from the sale of a commercial shop lot and eight (8) parcels of freehold lands located in Seberang Perai Selatan, Pulau Pinang as well as a parcel of freehold land located in Seberang Perai Tengah, Pulau Pinang; and
- (b) gain on disposal of investment properties amounting to approximately RM3.28 million arising from the sale of a feedmill and poultry farm located in Seberang Perai Selatan, Pulau Pinang and the sale of a residential house located in Seberang Perai Tengah, Pulau Pinang.

For details of the sale of the abovementioned properties, please refer to Sections 9.1.1, 11.4.6(ii) and 13.5(ii) of this Prospectus.

FYE 31 December 2019

We recorded lower other income of approximately RM2.12 million for the FYE 31 December 2019, representing a decrease of approximately RM5.76 million or 73.12% as compared to approximately RM7.87 million for the FYE 31 December 2018. The decrease in other income was mainly due to the absence of the one-off gain of approximately RM7.10 million arising from the disposals of property, plant and equipment and investment properties in the previous year, as well as the decrease in rental income by approximately RM0.52 million following the disposal of our investment properties in 2018.

However, for the FYE 31 December 2019, we recorded a reversal of impairment losses on our trade receivables of approximately RM1.42 million as certain long overdue amounts owed by our customers were recovered during the said financial year. We also received higher interest income of approximately RM0.49 million due to the increase in our short-term deposits with licensed banks.

FYE 31 December 2020

For the FYE 31 December 2020, our other income decreased by approximately RM1.67 million or 78.83% to approximately RM0.45 million (FYE 2019: RM2.12 million).

The decrease was mainly due to lower net reversal of impairment losses on our trade receivables of approximately RM0.21 million (FYE 2019: RM1.42 million) as lesser long overdue amounts owed by our customers were recovered during the said financial year as compared to the preceding financial year. We also received lower interest income of approximately RM0.20 million (FYE 2019: RM0.49 million) as we placed less of our cash balances in short-term deposits with licensed banks in view of the lower interest rates offered by licensed banks during the said financial year.

11. FINANCIAL INFORMATION (Cont'd)**(v) Selling and distribution costs**

The table below sets out the components of our selling and distribution costs for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs ⁽¹⁾	2,974	39.93	2,888	43.50	2,840	38.74	3,813	48.52
Transportation costs ⁽²⁾	1,831	24.58	1,538	23.16	1,801	24.56	2,534	32.25
Travelling expenses	656	8.81	705	10.62	763	10.41	449	5.71
Incentives ⁽³⁾	579	7.77	266	4.01	357	4.87	(80)	(1.02)
Seminar costs	379	5.09	173	2.61	353	4.81	124	1.58
Entertainment expenses	495	6.65	580	8.74	522	7.12	359	4.57
Discount given ⁽⁴⁾	320	4.30	303	4.56	289	3.94	315	4.01
Others ⁽⁵⁾	214	2.87	186	2.80	407	5.55	344	4.38
Total	7,448	100.00	6,639	100.00	7,332	100.00	7,858	100.00

Notes:

- (1) These are salaries, allowances, bonuses, sales commissions, sales incentives and other staff-related costs and benefits of our sales and marketing staff.
- (2) These are transportation costs incurred for delivery of our products to our customers and to our warehouse in East Malaysia, such as freight charges, forwarding costs as well as fumigation and haulage charges.
- (3) These are expenses incurred for sales achievement incentive trips (for achieving the revenue targets) organised by us for our sales and marketing staff and customers.
- (4) This relates to discounts for selected products given to our customers who paid us within 30 days from the invoice date.
- (5) Others include license and permit fees paid to the relevant authorities for shipment of our goods, accommodation costs incurred for our sales and marketing activities as well as upkeep and maintenance costs of motor vehicles.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

For the FYE 31 December 2018, our selling and distribution costs decreased by approximately RM0.81 million or 10.86% to approximately RM6.64 million (FYE 2017: RM7.45 million) mainly due to the following reasons:

- (a) decrease in transportation costs by approximately RM0.29 million due to lower ocean freight costs as a result of the lower overseas sales to Brunei of approximately RM3.45 million (FYE 2017: RM6.88 million);
- (b) decrease in expenses incurred for sales achievement incentive trips by approximately RM0.31 million as fewer sales and marketing staff and customers were entitled to such incentive trips and the prices for such travel packages were lower as compared to the preceding year; and
- (c) decrease in seminar costs by approximately RM0.21 million as we were able to reduce cost by organising seminars at venues which were more economical.

FYE 31 December 2019

For the FYE 31 December 2019, our selling and distribution costs increased by approximately RM0.69 million or 10.44% to approximately RM7.33 million (FYE 2018: RM6.64 million) mainly due to the following reasons:

- (a) increase in transportation costs by approximately RM0.26 million due to higher carriage outwards and ocean freight costs as a result of the higher sales to East Malaysia and Brunei;
- (b) increase in seminar costs by approximately RM0.18 million as we organised more seminars during the year to educate farmers on the prevention of virus and at the same time, promote our products; and
- (c) recognition of accommodation costs incurred for our sales and marketing activities of approximately RM0.12 million under the selling and distribution costs. For information purpose, such accommodation costs were previously recognised as administrative expenses.

FYE 31 December 2020

For the FYE 31 December 2020, our selling and distribution costs increased by approximately RM0.53 million or 7.17% to approximately RM7.86 million (FYE 2019: RM7.33 million) mainly due to the following reasons:

- (a) increase in our staff costs by approximately RM0.97 million mainly as a result of the increase in head count for our sales and marketing team to 26 (FYE 2019: 24) as well as higher bonuses and sales incentives for our sales and marketing team in view of the higher revenue achieved during the financial year as compared to the preceding year; and
- (b) increase in transportation costs by approximately RM0.73 million due to higher carriage outwards and ocean freight costs incurred as a result of higher sales to East Malaysia and Brunei for the said financial year.

11. FINANCIAL INFORMATION *(Cont'd)*

However, the increase in selling and distribution costs was partially offset by the following:

- (a) decrease in travelling expenses by approximately RM0.31 million as our employees were restricted from travelling due to the imposition of MCO by the Malaysian Government which commenced from 18 March 2020 and throughout the financial year to contain the COVID-19 outbreak;
- (b) the reversal of an over accrual for sales achievement incentive trips expenses in FYE 31 December 2019 of approximately RM0.08 million and trips for year 2020 were postponed as a result of COVID-19 outbreak; and
- (c) decrease in seminar costs by approximately RM0.23 million as we organised most of our seminars online during the various phases of MCO period, which were relatively cheaper.

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11. FINANCIAL INFORMATION (Cont'd)**(vi) Administrative expenses**

The table below sets out the components of our administrative expenses for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs ⁽¹⁾	2,003	16.06	2,518	23.47	3,036	25.34	2,127	14.34
Directors' remuneration	4,941	39.62	5,435	50.66	5,759	48.06	8,867	59.78
Depreciation	992	7.96	828	7.72	782	6.53	808	5.45
Professional fees	349	2.80	449	4.18	599	5.00	1,014	6.84
Impairment loss on trade receivables	1,741	13.96	-	-	-	-	-	-
Impairment loss on property, plant and equipment	1,046	8.39	-	-	-	-	-	-
Loss on revaluation of property, plant and equipment	-	-	-	-	527	4.40	-	-
Office supplies and upkeep of office equipment	263	2.11	325	3.03	367	3.06	306	2.06
Postage and courier charges	115	0.92	131	1.22	151	1.26	150	1.01
Security cost	132	1.06	148	1.38	150	1.25	190	1.28
Insurance	64	0.51	75	0.70	61	0.51	142	0.96
Telecommunication expenses	107	0.86	104	0.97	92	0.77	109	0.73
Road tax and insurance	101	0.81	93	0.87	107	0.89	105	0.71
Accommodations ⁽²⁾	131	1.05	141	1.31	-	-	-	-
Foreign exchange loss	104	0.83	98	0.91	24	0.20	413	2.78
Others ⁽³⁾	381	3.06	384	3.58	327	2.73	602	4.06
Total	12,470	100.00	10,729	100.00	11,982	100.00	14,833	100.00

Notes:

- (1) These are salaries, allowances, bonuses and other staff-related costs and benefits of our administrative staff.
- (2) These accommodation costs relate to our sales and marketing activities and they have been reclassified to selling and distribution costs since the beginning of financial year 2019.
- (3) Others include advertisement costs, bad debts written off, cleaning expenses, license and registration fees paid for the renewal of our business licenses, training and education expenses as well as bank charges.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

For the FYE 31 December 2018, our administrative expenses decreased by approximately RM1.74 million or 13.96% to approximately RM10.73 million (FYE 2017: RM12.47 million) mainly due to the following reasons:

- (a) the absence of impairment loss on trade receivables which amounted to approximately RM1.74 million in the FYE 31 December 2017 arising from overdue trade receivables by more than 12 months as at 31 December 2017; and
- (b) the absence of impairment loss on property, plant and equipment which amounted to approximately RM1.05 million in the FYE 31 December 2017 arising from a dispute on a 5.66-acre freehold land located in Kepala Batas, Pulau Pinang purchased by us from a vendor who held a forged title of the said land which resulted in the transaction becoming null and void. For information purposes, after considering the advice of our appointed solicitors for this legal case as well as the substantial legal expenses and amount of time and attention that may be required to pursue this case, we discontinued our efforts to recover the monies paid for the said land in the said financial year as the probability of succeeding was very remote.

However, the decrease in administrative expenses was partially offset by the following:

- (aa) increase in our staff costs by approximately RM0.52 million due to annual salary increment and the increase in staff head count to 23 (FYE 2017: 20); and
- (bb) increase in directors' remuneration by approximately RM0.49 million arising from annual salary increment for the directors of Yenher Agro.

FYE 31 December 2019

For the FYE 31 December 2019, our administrative expenses increased by approximately RM1.25 million or 11.68% to approximately RM11.98 million (FYE 2018: RM10.73 million) mainly due to the following reasons:

- (a) increase in our staff costs by approximately RM0.52 million due to annual salary increment and the increase in staff head count to 27 (FYE 2018: 23);
- (b) increase in directors' remuneration by approximately RM0.32 million due to the appointment of Theoh Mooi Teng as a new director in Yenher Agro on 23 October 2019 and annual salary increment for the directors of Yenher Agro during the financial year; and
- (c) revaluation loss of approximately RM0.53 million recognised on our warehouse located in Kuching, Sarawak arising from the revaluation carried out by a professional valuer on 11 October 2019.

11. FINANCIAL INFORMATION *(Cont'd)***FYE 31 December 2020**

For the FYE 31 December 2020, our administrative expenses increased by approximately RM2.85 million or 23.79% to approximately RM14.83 million (FYE 2019: RM11.98 million) mainly due to the following reasons:

- (a) increase in directors' remuneration by approximately RM3.11 million arising from the appointment of Theoh Mooi Teng as a new director of Yenher Agro on 23 October 2019 as well as annual salary increment and higher bonuses for the directors of Yenher Agro during the said financial year;
- (b) increase in professional fees by approximately RM0.42 million mainly arising from the professional fees paid for our Listing exercise during the financial year; and
- (c) increase in foreign exchange loss by approximately RM0.39 million mainly attributed to our purchases denominated in EUR which strengthened against RM during the year as well as outstanding balances owed by our customers denominated in USD which weakened against RM during the year.

However, the increase in our administrative expenses was partially offset by the decrease in staff costs by approximately RM0.91 million mainly due to the salaries previously paid to Theoh Mooi Teng, a salaried employee now being recognised as director's remuneration in view of her appointment as a director of Yenher Agro, as well as the absence of revaluation loss of approximately RM0.53 million recognised on our warehouse located in Kuching, Sarawak in the previous financial year.

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11. FINANCIAL INFORMATION (Cont'd)**(vii) R&D costs**

Our R&D costs relate to expenses incurred by our subsidiary, Yenher Biotech in carrying out its R&D activities.

The table below sets out the components of our R&D costs for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs ⁽¹⁾	-	-	34	69.39	117	68.02	147	83.52
Depreciation	-	-	-	-	5	2.91	6	3.41
Rental of premises	-	-	3	6.12	6	3.49	6	3.41
Laboratory costs	-	-	11	22.45	7	4.07	2	1.14
Sundry expenses	-	-	1	2.04	37	21.51	15	8.52
Total	-	-	49	100.00	172	100.00	176	100.00

Note:

(1) These are salaries, allowances, bonuses and other staff-related costs and benefits of our R&D staff.

FYE 31 December 2018

We did not incur any R&D cost during the FYE 31 December 2017 as Yenher Biotech only commenced operations in 2018. For the FYE 31 December 2018, our R&D costs were mainly made up of staff costs of approximately RM0.03 million and laboratory costs of approximately RM0.01 million.

FYE 31 December 2019

For the FYE 31 December 2019, our R&D costs increased by approximately RM0.12 million or 251.02% to approximately RM0.17 million (FYE 2018: RM0.05 million). The increase was mainly due to the increase in staff costs by approximately RM0.08 million as four (4) additional staff were hired for the expansion of Yenher Biotech's R&D activities. As a result of the increased R&D activities, sundry expenses such as cost of materials for farm trials increased by approximately RM0.04 million for the said financial year.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2020**

For the FYE 31 December 2020, our R&D costs increased by approximately RM0.01 million or 2.33% to approximately RM0.18 million (FYE 2019: RM0.17 million). This was mainly due to the increase in staff costs by approximately RM0.03 million as a result of higher bonuses and annual salary increment for our R&D staff. However, the increase in our R&D costs was offset by the decrease in sundry expenses by approximately RM0.02 million due to the absence of a one-off farm trial on poultry which we conducted in the preceding financial year.

(viii) Other expenses

The table below sets out the components of our other expenses for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Donations	121	51.49	119	37.07	122	42.07	95	64.19
Gift and condolences	114	48.51	100	31.15	160	55.17	53	35.81
Harvesting expenses ⁽¹⁾	-	-	5	1.56	8	2.76	-	-
Others	-	-	97	30.22	-	-	-	-
Total	235	100.00	321	100.00	290	100.00	148	100.00

Note:

(1) These are expenses incurred for harvesting of oil palm fruits from our vacant freehold land.

FYE 31 December 2018

During the FYE 31 December 2018, a fraudster had used the identity of one of our trade suppliers to request us to make payment for outstanding trade payables due to it amounting to approximately RM0.10 million, which we did without knowing that this is an identity theft. This led to the increase in other expenses by approximately RM0.09 million or 36.60% to approximately RM0.32 million (FYE 2017: RM0.24 million). We lodged a police report for this incident and precautionary measures such as increasing staff awareness on information technology security and counter-checking with our suppliers via telephone calls before making any payment to them, have been put in place to prevent the recurrence of such incident.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2019**

For the FYE 31 December 2019, our other expenses decreased by approximately RM0.03 million or 9.66% to approximately RM0.29 million (FYE 2018: RM0.32 million) mainly due to the absence of the one-off identity theft incident amounting to approximately RM0.10 million in the previous year. The decrease was partially offset by the increase in gift and condolences expenses by approximately RM0.06 million as our Group sponsored a local school sports team during the said financial year.

FYE 31 December 2020

For the FYE 31 December 2020, our other expenses decreased by approximately RM0.14 million or 48.97% to approximately RM0.15 million (FYE 2019: RM0.29 million) mainly due to decrease in donations to temples, charity and welfare homes as well as gift and condolences expenses by approximately RM0.03 million and RM0.11 million respectively, during the said financial year.

(ix) Finance costs

Our finance costs comprised, among others, interest expenses on our bank borrowings for the financial years under review. Such borrowings were obtained by our Group to finance the purchase of industrial land and building for our business operations, as well as to finance our working capital requirements.

The table below sets out the components of our finance costs for the financial years under review:

	FYE 31 December							
	2017		2018		2019		2020	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Term loan interest	697	80.67	426	97.71	335	71.89	79	40.31
Banker's acceptance interest	166	19.21	10	2.29	1	0.21	25	12.75
Lease liabilities interest	-	-	-	-	130	27.90	92	46.94
Overdraft interest	1	0.12	*	*	*	*	*	*
Total	864	100.00	436	100.00	466	100.00	196	100.00

Note:

* Negligible as the amount is less than RM200.

11. FINANCIAL INFORMATION (Cont'd)**FYE 31 December 2018**

For the FYE 31 December 2018, our finance costs decreased by approximately RM0.43 million or 49.54% to approximately RM0.44 million (FYE 2017: RM0.86 million). The decrease in finance costs was mainly due to lower term loan interest following the full settlement of two (2) of our term loans during the FYE 31 December 2018. We also recorded lower banker's acceptance interest of approximately RM0.01 million for the same financial year as opposed to approximately RM0.17 million for the preceding year.

FYE 31 December 2019

For the FYE 31 December 2019, our finance costs increased by approximately RM0.03 million or 6.88% to approximately RM0.47 million (FYE 2018: RM0.44 million). This was mainly due to the recognition of lease liabilities interest for our existing tenancies for an industrial building amounting to approximately RM0.13 million following the adoption of MFRS 16 *Leases* which was effective from 1 January 2019. The increase was partially offset by the decrease in term loan interest by approximately RM0.09 million as a result of the partial repayment of term loan during the financial year.

FYE 31 December 2020

For the FYE 31 December 2020, our finance costs decreased by approximately RM0.27 million or 57.94% to approximately RM0.20 million (FYE 2019: RM0.47 million). The decrease in finance costs was mainly due to lower term loan interest as a result of the full repayment of our term loan during the financial year.

(x) PBT and PBT margin

The table below sets out our PBT and PBT margin for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
PBT (RM'000)	25,921	34,174	26,323	29,659
PBT margin (%)	14.61	18.87	14.70	14.64

FYE 31 December 2018

Notwithstanding the lower GP recorded for the FYE 31 December 2018 as explained in item (iii) above, our PBT increased by approximately RM8.25 million or 31.84% to approximately RM34.17 million (FYE 2017: RM25.92 million). The increase in PBT for the FYE 31 December 2018 was mainly due to the following:

- (a) increase in other income by approximately RM6.26 million as a result of the one-off gain from the disposals of our Group's non-operating assets as explained in item (iv) above;
- (b) decrease in selling and distribution costs by approximately RM0.81 million as a result of lower transportation costs, lower expenses incurred for sales achievement incentive trips and lower seminar costs as explained in item (v) above; and

11. FINANCIAL INFORMATION (Cont'd)

- (c) decrease in administrative expenses by approximately RM1.74 million mainly due to the absence of impairment losses on trade receivables and property, plant and equipment recognised in the previous financial year as explained in item (vi) above.

As a result of the above, our PBT margin increased by approximately 4.26% to approximately 18.87% for the FYE 31 December 2018 (FYE 2017: 14.61%) despite the slight decrease in GP margin by approximately 0.99% to approximately 24.56% for the FYE 31 December 2018 (FYE 2017: 25.55%).

FYE 31 December 2019

While our GP for the FYE 31 December 2019 remained relatively constant as explained in item (iii) above, our PBT decreased by approximately RM7.85 million or 22.97% to approximately RM26.32 million (FYE 2018: RM34.17 million). The decrease in PBT for the FYE 31 December 2019 was mainly due to the following reasons:

- (a) absence of the one-off gains from the disposal of our Group's non-operating assets amounting to approximately RM7.10 million in total during the said financial year as explained in item (iv) above; and
- (b) increase in administrative expenses by approximately RM1.25 million as a result of higher staff costs and directors' remuneration as well as the revaluation loss on property, plant and equipment recognised as explained in item (vi) above.

As a result of the above, our PBT margin decreased by approximately 4.17% to approximately 14.70% for the FYE 31 December 2019 (FYE 2018: 18.87%) although our GP margin remained relatively constant at approximately 24.82% for the FYE 31 December 2019 (FYE 2018: 24.56%).

FYE 31 December 2020

Our PBT increased by approximately RM3.34 million or 12.67% to approximately RM29.66 million (FYE 2019: RM26.32 million) which is in tandem with the increase in our GP by approximately RM7.97 million or 17.94% for the FYE 31 December 2020.

The increase in GP was nevertheless, offset by higher selling and distribution costs as well as higher administrative expenses which increased by approximately RM0.53 million or 7.17% and RM2.85 million or 23.79%, respectively, for the FYE 31 December 2020. We also recorded lower other income of approximately RM0.45 million representing a decrease by approximately RM1.67 million or 78.83% from the preceding financial year.

Notwithstanding the above, we were able to maintain our PBT margin at approximately 14.64% for the FYE 31 December 2020 (FYE 2019: 14.70%).

11. FINANCIAL INFORMATION (Cont'd)**(xi) Taxation**

The table below sets out a summary of our tax expenses, as well as a comparison of our effective tax rate and the statutory tax rate in Malaysia for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax	6,796	6,658	6,426	7,084
Deferred tax	87	196	(118)	178
Real property gains tax	-	35	270	-
Total	6,883	6,889	6,578	7,262
Effective tax rate ⁽¹⁾	26.55%	20.16%	24.99%	24.48%
Statutory tax rate	24.00%	24.00%	24.00%	24.00%

Note:

- (1) Effective tax rate is computed by dividing the total tax charged over PBT of our Group for the relevant financial year.

FYE 31 December 2017

Our effective tax rate for the FYE 31 December 2017 of 26.55% was higher than the statutory tax rate of 24.00% mainly due to higher non-tax deductible expenses, which included higher depreciation arising from the purchase of plant and equipment as well as impairment loss on property, plant and equipment as explained in item (vi) above.

FYE 31 December 2018

Our effective tax rate for the FYE 31 December 2018 of 20.16% was lower than the statutory tax rate of 24.00% as the gain on disposals of property, plant and equipment as well as investment properties of approximately RM7.10 million as explained in item (iv) above were subjected to a lower tax rate under the Real Property Gains Tax Act 1976, ranging from 5% to 15%.

FYE 31 December 2019

Our effective tax rate for the FYE 31 December 2019 of 24.99% was slightly higher than the statutory tax rate of 24.00% mainly due to higher non-tax deductible expenses such as the revaluation loss of approximately RM0.53 million as explained in item (vi) above and the under-provision of real property gains tax by approximately RM0.27 million in the FYE 31 December 2018.

FYE 31 December 2020

Our effective tax rate for the FYE 31 December 2020 of 24.48% was slightly higher than the statutory tax rate of 24.00% mainly due to the adjustments for non-tax deductible expenses for the said financial year and under-provision of deferred tax expense in the previous financial year amounting to approximately RM0.30 million and RM0.15 million respectively.

11. FINANCIAL INFORMATION (Cont'd)**(xii) PAT and PAT margin**

The table below sets out our PAT and PAT margin for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
PAT (RM'000)	19,038	27,285	19,745	22,397
PAT margin (%)	10.73	15.07	11.03	11.05

FYE 31 December 2018

For the FYE 31 December 2018, our PAT increased by approximately RM8.25 million or 43.32% to approximately RM27.29 million (FYE 2017: RM19.04 million) mainly due to the one-off gains from the disposal of our Group's non-operating assets amounting to approximately RM7.10 million in total.

The normalised PAT, after excluding the one-off gain on disposals, of approximately RM20.18 million which translates to a PAT margin of approximately 11.14% was relatively constant as compared to the PAT margin of approximately 10.73% for the FYE 31 December 2017.

FYE 31 December 2019

For the FYE 31 December 2019, our PAT decreased by approximately RM7.54 million or 27.63% to approximately RM19.75 million (FYE 2018: RM27.29 million). This was mainly due to the absence of the one-off gains from the disposal of our Group's non-operating assets during the FYE 31 December 2018.

In comparison with the normalised PAT margin of approximately 11.14% for the FYE 31 December 2018, our PAT margin for the FYE 31 December 2019 remained relatively constant at 11.03%.

FYE 31 December 2020

For the FYE 31 December 2020, our PAT increased by approximately RM2.65 million or 13.43% to approximately RM22.40 million (FYE 2019: RM19.75 million). This was due to the increase in our GP which is in tandem with the increase in our revenue as explained in item (iii) above.

Nevertheless, our PAT margin for the FYE 31 December 2020 remained relatively constant at approximately 11.05% (FYE 2019: 11.03%) as a result of lower other income, higher selling and distribution costs and higher administrative expenses recognised in the financial year as mentioned in item (x) above.

11. FINANCIAL INFORMATION (Cont'd)**11.3.4 Impact of fluctuations in foreign exchange rates and interest rates, inflation and government/economic/fiscal/monetary policies****(i) Foreign exchange**

Our sales are primarily denominated in RM whilst our purchases are transacted primarily in RM, USD and Euro. As such, we are exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation may materially affect our business operations and financial performance.

For information purposes, the breakdown of our revenue and purchases transacted in RM and other currencies for the FYEs 31 December 2019 and 2020 are summarised as follows:

Currency	FYE 31 December							
	2019				2020			
	Revenue		Purchases		Revenue		Purchases	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
RM	164,458	91.84	50,063	39.14	184,466	91.03	51,793	36.35
USD	14,603	8.16	58,679	45.88	18,169	8.97	69,511	48.79
Euro	-	-	19,127	14.96	-	-	21,056	14.78
GBP	-	-	28	0.02	-	-	63	0.04
RMB	-	-	-	-	-	-	58	0.04
Total	179,061	100.00	127,897	100.00	202,635	100.00	142,481	100.00

We enter into forward foreign exchange contracts with licensed financial institutions to manage our exposure to foreign currency fluctuations in relation to sales and purchases that are transacted and denominated in foreign currency. Forward foreign exchange contracts refer to agreements with licensed financial institutions to purchase or sell a set amount of a foreign currency at a specified foreign exchange rate for settlement at a predetermined future date. As at LPD, we have entered into forward foreign exchange contracts amounting to approximately RM1.54 million with a remaining validity period of less than three (3) months.

Furthermore, certain foreign currency transactions that our Group enters into provide a natural hedge against foreign currency fluctuations, for example, when our sales and purchases are both denominated in USD. We also maintain USD bank accounts in Malaysia, and as at 31 December 2020, we have cash and cash equivalents of approximately RM0.63 million held in USD.

11. FINANCIAL INFORMATION (Cont'd)

For the financial years under review, the net gain or loss on foreign exchange was immaterial when compared to our PBT for the respective financial years as shown below:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Gain on foreign exchange:				
▪ Realised	160	-	140	-
▪ Unrealised	-	9	3	-
Loss on foreign exchange:				
▪ Realised	-	(98)	-	(286)
▪ Unrealised	(104)	-	(24)	(127)
Net gain/(loss) on foreign exchange	56	(89)	119	(413)
PBT	25,921	34,174	26,323	29,659
Net gain/(loss) on foreign exchange as a percentage of PBT	0.22%	(0.26%)	0.45%	(1.39%)

Please refer to Section 8.2.10 of this Prospectus for risk relating to adverse movements in foreign currency exchange that may materially affect our financial condition and results of operations.

(ii) Interest rate

Our exposure to interest rate fluctuation arises from a floating rate term loan which is pegged to the base financing rate as stipulated by our financial institution that may change from time to time. As such, any change in the interest rate of our floating rate term loan will raise the cost of our borrowings and our finance costs, which in turn may have an adverse effect on our financial performance.

Notwithstanding the above, as at 31 December 2020, we do not have any floating rate term loan which is subject to interest rate fluctuation as we have fully repaid our floating rate term loan in the second half of 2020. We also do not have any formal hedging policy with respect to interest rate exposures as at LPD. Our Group has monitored and will continue to monitor interest rates movements to ensure that the most competitive rates are secured and where appropriate, borrowing arrangements and interest bearing instruments are structured or reduced.

For information purposes, for the financial years under review, a change in interest rate by a 100 basis points would have the following impact on our Group's profit or loss:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest rate increase by 100 basis points	(140)	(58)	(52)	-
Interest rate decrease by 100 basis points	140	58	52	-

11. FINANCIAL INFORMATION (Cont'd)**(iii) Inflation**

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the financial years under review. However, inflation may affect our financial performance as it could increase our raw materials and distribution products costs, labour costs, as well as our operating costs and selling and distribution costs. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset such higher costs through increased revenue.

(iv) Government/economic/fiscal/monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects of the industry in which we operate. Please refer to Section 8.1.4 of this Prospectus for risk relating to government, economic, fiscal or monetary policies which could materially affect our operations.

Notwithstanding the above, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies during the financial years under review.

11.3.5 Order book

Due to the nature of our business, we do not maintain an order book. Our sales are based on confirmed orders from our customers and we do not have any long-term contracts with our customers.

11.4 LIQUIDITY AND CAPITAL RESOURCES**11.4.1 Working capital**

For the FYEs 31 December 2017, 2018, 2019 and 2020, we have financed our operations through a combination of cash generated from our operations and external borrowings from financial institutions. The principal use of these funds are to finance our working capital requirements, which include, among others, the purchases of raw materials, distribution products as well as plant and machinery, and payments to our employees and other suppliers, along with the repayment of bank borrowings.

As at 31 December 2020, we have:

- (i) cash and cash equivalents of approximately RM24.70 million; and
- (ii) banking facilities amounting to RM28.98 million.

As at 31 December 2020, our working capital which is calculated based on total current assets minus total current liabilities, was approximately RM94.23 million. This represents a current ratio of approximately 5.04 times.

Based on the above, after taking into consideration our evaluation of the impact of COVID-19 on our Group as discussed in Section 6.18 of this Prospectus as well as the funding requirements for our committed capital expenditure, expected cash flows to be generated from our operations, our existing level of cash and cash equivalents, credit resources and the proceeds to be raised from the Public Issue, our Board is of the opinion that we will have sufficient working capital for at least 12 months from the date of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.4.2 Cash flows**

The table below sets out the summary of our Group's cash flows for the financial years under review:

	FYE 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net cash from operating activities	25,781	1,427	9,964	23,369
Net cash from/(used in) investing activities	373	42,122	(2,157)	(1,510)
Net cash (used in)/from financing activities	(24,900)	(37,705)	(954)	(15,948)
Net increase in cash and cash equivalents	1,254	5,844	6,853	5,911
Effects of foreign exchange difference on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the beginning of the year	4,833	6,087	11,931	18,784
Cash and cash equivalents at the end of the year	6,087	11,931	18,784	24,695
Cash and cash equivalents comprise the following:				
Cash and bank balances	6,087	10,931	6,217	16,395
Short-term deposits with licensed banks	1,405	2,905	14,110	9,840
	7,492	13,836	20,327	26,235
Less: Short-term deposits pledged as security	(1,405)	(1,905)	(1,543)	(1,540)
Total	6,087	11,931	18,784	24,695

There is no legal, financial or economic restriction on our subsidiaries' ability to transfer/receive funds to/from our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenant.

FYE 31 December 2017**(i) Net cash from operating activities**

For the FYE 31 December 2017, our Group generated net cash from operating activities of approximately RM25.78 million. Our operating profit before working capital changes of approximately RM30.13 million was adjusted for the changes in working capital of approximately RM2.07 million arising from the following:

- (a) increase in inventories by approximately RM10.87 million mainly due to higher purchase of raw materials and distribution products as well as higher amount of goods in transit in anticipation of higher demand for our products in 2018 after taking into consideration, among others, the sales orders received towards the end of 2017;
- (b) increase in trade and other receivables by approximately RM9.16 million mainly due to higher trade receivables which was in tandem with the increase in revenue for the FYE 31 December 2017 of approximately RM177.38 million (FYE 2016: RM146.64 million); and

11. FINANCIAL INFORMATION (Cont'd)

- (c) increase in trade and other payables by approximately RM22.10 million mainly due to the increase in advances given by the directors of Yenher Agro amounting to approximately RM21.37 million.

For the FYE 31 December 2017, we also paid income tax and interest on bank borrowings of approximately RM5.57 million and RM0.86 million respectively.

(ii) Net cash from investing activities

For the FYE 31 December 2017, our Group recorded net cash from investing activities of approximately RM0.37 million mainly due to the proceeds received from the disposal of investment properties of approximately RM0.91 million. The cash inflow from investing activities was partially offset by cash paid for the purchase of plant and equipment amounting to approximately RM0.60 million.

(iii) Net cash used in financing activities

For the FYE 31 December 2017, our Group recorded net cash used in financing activities of approximately RM24.90 million mainly due to the dividend paid to the shareholders of Yenher Agro amounting to RM20.00 million as well as the repayment of bank borrowings of approximately RM5.15 million.

FYE 31 December 2018**(i) Net cash from operating activities**

For the FYE 31 December 2018, our Group generated net cash from operating activities of approximately RM1.43 million. Our operating profit before working capital changes of approximately RM28.32 million was substantially offset by the changes in working capital of approximately RM19.14 million arising from the following:

- (a) decrease in inventories by approximately RM1.61 million as we recorded higher sales and utilised more inventories as compared to the previous financial year, as evidenced by the increase in our cost of sales for the said financial year;
- (b) decrease in trade and other receivables by approximately RM5.53 million mainly due to higher collections from our customers during the said financial year and lower orders towards the end of 2018 from our foreign suppliers, which typically require advance payments, as we have sufficient inventory levels; and
- (c) decrease in trade and other payables by approximately RM26.28 million mainly due to the full repayment of advances from the directors of Yenher Agro in the past years amounting to approximately RM22.92 million and the reduction in deposits received from overseas customers for their sales orders as at year end by approximately RM2.59 million.

For the FYE 31 December 2018, we also paid income tax and interest on bank borrowings of approximately RM7.42 million and RM0.44 million respectively.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Net cash from investing activities**

For the FYE 31 December 2018, our Group recorded net cash from investing activities of approximately RM42.12 million mainly due to the proceeds received from the disposal of investment properties as well as the disposal of property, plant and equipment of approximately RM26.67 million and RM16.06 million respectively. These were mainly attributable to the disposal of the non-operating assets of Yenher Agro to CMT Properties Sdn Bhd (formerly known as Yenher Properties Sdn Bhd) as set out Section 11.4.6(ii)(b) of this Prospectus.

(iii) Net cash used in financing activities

For the FYE 31 December 2018, our Group recorded net cash used in financing activities of approximately RM37.71 million due to dividend paid to the shareholders of Yenher Agro amounting to RM25.00 million, repayment of bank borrowings of approximately RM12.21 million as well as higher fixed deposits pledged as a security for banking facilities granted to our Group with a licensed bank amounting to RM0.50 million.

FYE 31 December 2019**(i) Net cash from operating activities**

For the FYE 31 December 2019, our Group generated net cash from operating activities of approximately RM9.96 million. Our operating profit before working capital changes of approximately RM27.12 million was offset by the changes in working capital of approximately RM10.35 million arising from the following:

- (a) increase in inventories by approximately RM0.23 million in anticipation of the higher sales orders received for the next financial year;
- (b) increase in trade and other receivables by approximately RM9.50 million mainly attributable to higher sales towards the end of FYE 31 December 2019 which resulted in higher amounts due from customers and higher advanced payments made to foreign suppliers for goods ordered from them; and
- (c) decrease in trade and other payables by approximately RM0.62 million as we decided to settle more of our trade and non-trade payables at the end of 2019 to capitalise on the favourable foreign exchange rate for RM against USD.

For the FYE 31 December 2019, we also paid income tax and interest on bank borrowings of approximately RM6.83 million and RM0.47 million respectively. However, we also received higher interest income of approximately RM0.49 million for the same financial year as we placed more short-term deposits with licensed banks during the said year.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Net cash used in investing activities**

For the FYE 31 December 2019, our Group recorded net cash used in investing activities of approximately RM2.16 million which was mainly attributed to the purchase of property, plant and equipment which included a ribbon mixer for our Group's production of biotech animal feed ingredients, motor vehicles and the renovation expenses incurred for our rented warehouse located at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang amounting to approximately RM2.02 million in total, as well as the purchase of computer software amounting to approximately RM0.19 million.

(iii) Net cash used in financing activities

For the FYE 31 December 2019, our Group recorded net cash used in financing activities of approximately RM0.95 million mainly due to the repayment of lease liabilities and term loans of approximately RM0.78 million and RM0.53 million respectively. The net cash used in financing activities for the said financial year was partially offset by a cash inflow of approximately RM0.36 million arising from the withdrawal of fixed deposits pledged for a banking facility granted to our Group as we terminated the banking facility and closed the said fixed deposit account in the 1st quarter of 2019.

FYE 31 December 2020**(i) Net cash from operating activities**

For the FYE 31 December 2020, our Group generated net cash from operating activities of approximately RM23.37 million. Our operating profit before working capital changes of approximately RM31.37 million was offset by the changes in working capital of approximately RM1.19 million arising from the following:

- (a) increase in inventories by approximately RM0.78 million mainly due to higher purchases of raw materials and distribution products that are in transit as at 31 December 2020 in anticipation of higher demand for our products in 2021 after taking into consideration, among others, the sales orders received towards the end of 2020 and to minimise possible disruption to our manufacturing operation and sales amid the COVID-19 pandemic;
- (b) increase in trade and other receivables by approximately RM0.59 million mainly due to an increase in other receivables amounting to approximately RM0.40 million arising from trade commission earned from our distributors and increase in deposits of approximately RM0.29 million which were paid for, among others, the application of permit for land filling and earthworks for the construction of our new GMP-compliant manufacturing plant. However, the increase was partially offset by the decrease in trade receivables of approximately RM0.19 million due to higher collections from our customers; and
- (c) increase in trade and other payables by approximately RM0.19 million mainly attributable to the increase in other payables of approximately RM2.28 million as a result of the accruals for directors' remuneration, which was offset by the decrease in trade payables of approximately RM2.11 million as we settled some of our trade payables denominated in USD earlier than the credit term granted so as to capitalise on the favourable foreign exchange rate for RM against USD towards the end of 2020.

11. FINANCIAL INFORMATION (Cont'd)

For the 31 December 2020, we also paid income tax and interest on bank borrowings of approximately RM6.82 million and RM0.20 million respectively. We also received lower interest income of approximately RM0.20 million for the same financial year as we placed less short-term deposits with licensed banks during the said financial year as compared to the preceding financial year due to lower interest rates offered by licensed banks.

(ii) Net cash used in investing activities

For the FYE 31 December 2020, our Group recorded net cash used in investing activities of approximately RM1.51 million due to the purchase of property, plant and equipment which included forklifts, office equipment and the renovation expenses incurred for our rented warehouse located at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang amounting to approximately RM1.39 million in total, as well as the purchase of computer software amounting to approximately RM0.12 million.

(iii) Net cash used in financing activities

For the FYE 31 December 2020, our Group recorded net cash used in financing activities of approximately RM15.95 million mainly due to the dividend paid to the shareholders of Yenher Agro amounting to RM9.90 million, repayment of term loan amounting to approximately RM5.23 million and repayment of lease liabilities amounting to approximately RM0.82 million.

11.4.3 Borrowings

The table below sets out the facilities granted to our Group as well as the amounts utilised and unutilised as at 31 December 2020:

	Amount granted	Amount utilised	Amount unutilised
	(RM'000)	(RM'000)	(RM'000)
Term loan	12,000	-	12,000
Banker's acceptance	16,530	-	16,530
Bank overdraft	450	-	450
Total	28,980	-	28,980

As at 31 December 2020, we do not have any outstanding bank borrowings. However, as at 30 April 2021, we have outstanding banker's acceptance of RM8.00 million which was used to fund the working capital of our Group.

The financing facilities granted to us from the licensed banks are denominated in RM and are secured by way of legal charges over certain properties and short-term deposits of our Group and are jointly and severally guaranteed by the directors of our Group. For the past four (4) FYEs 31 December 2017 to 2020, all our outstanding borrowings were interest bearing with effective interest rates ranging from 2.50% to 7.70% per annum.

11. FINANCIAL INFORMATION (Cont'd)

The gearing ratio for the financial years under review are as follows:

	As at 31 December			
	2017	2018	2019	2020
Gearing ratio (times) ⁽¹⁾	0.21	0.07	0.07	0.01

Note:

- (1) Gearing ratio is computed based on total borrowings and lease liabilities over total shareholders' equity as at the end of the respective financial year.

We have not been in default on payments of either interest and/or principal sums in respect of any of our borrowings for the past four (4) FYEs 31 December 2017 to 2020 as well as for the period from 1 January 2021 up to LPD. As at LPD, we are also not in breach of any term and condition or covenant associated with our credit arrangements or bank loans which can materially affect our financial position, results of business operations, or the investment by holders of our Shares.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

11.4.4 Material commitments

Save as disclosed below, as at LPD, we do not have any other material commitment for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position:

	RM'000
Approved but not contracted for:	
▪ Construction of a new GMP-compliant manufacturing plant	32,000
Approved and contracted for:	
▪ Purchase of machinery and equipment for our new GMP-compliant manufacturing plant	9,687
Total	41,687

The material commitments above are for the expansion of our manufacturing plant, which include the construction costs of our new GMP-compliant manufacturing plant as well as for the purchase of new machinery and equipment. Of the RM41.69 million, RM40.70 million will be funded through the proceeds raised from our IPO, while the remaining RM0.99 million will be funded through our internal funds.

For further details on the use of our IPO proceeds for the abovementioned material commitment and our business strategies, please refer to Sections 3.7 and 6.6 of this Prospectus.

11.4.5 Contingent liabilities

As at LPD, our Board confirms that there are no contingent liabilities, which upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

11. FINANCIAL INFORMATION (Cont'd)**11.4.6 Material investments and material divestitures****(i) Material investments**

We have paid a deposit amounting to approximately RM1.65 million to an international plant equipment manufacturer for the purchase of new machinery and equipment for our new GMP-compliant manufacturing plant to be constructed on Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang. This was financed using our internal funds during the FYE 31 December 2018.

Save as disclosed above, we have not undertaken any material investment during the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD.

(ii) Material divestitures

Save as disclosed below, we have not undertaken any material divestiture during the FYEs 31 December 2017, 2018, 2019 and 2020 as well as for the period from 1 January 2021 up to LPD:

- (a) sale of a commercial building and two (2) commercial shop lots located in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang to CMT Properties Sdn Bhd (formerly known as Yenher Properties Sdn Bhd) ("**CMT**") for a total consideration of approximately RM0.91 million, that was transacted vide a sale and purchase agreement dated 1 December 2017, and was completed on 5 January 2018; and
- (b) sale of a feedmill and poultry farm, a residential house, a commercial shop lot and nine (9) parcels of freehold lands located in Mukim 02, 07 and 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and Mukim 13 and 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang to CMT for a total consideration of RM42.67 million, that was transacted vide a sale and purchase agreement dated 19 November 2018, and was completed on 3 December 2018.

For information purposes, CMT, an investment holding company, was previously a wholly-owned subsidiary of Yenher Agro. During the 4th quarter of 2018, Yenher Agro carried out an internal restructuring which included the disposal of its non-operating assets to CMT as set out in item (b) above, the consideration for which was settled through a combination of cash and set-off against the outstanding advances from the directors to Yenher Agro; as well as the disposal of CMT to Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye for a cash consideration of RM840.

11.4.7 Material litigation or arbitration proceedings

As at LPD, we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.4.8 Key financial ratios**

The table below sets out our Group's key financial ratios for the financial years under review:

	As at 31 December			
	2017	2018	2019	2020
Trade receivables turnover period (days) ⁽¹⁾	101	98	102	98
Trade payables turnover period (days) ⁽²⁾	37	38	37	30
Inventory turnover period (days) ⁽³⁾	72	82	82	74
Current ratio (times) ⁽⁴⁾	1.71	3.96	3.32	5.04
Gearing ratio (times) ⁽⁵⁾	0.21	0.07	0.07	0.01

Notes:

- (1) Trade receivables turnover period is computed based on the average beginning and ending balance of trade receivables (after deducting allowance for impairment losses) over our revenue for the respective financial year multiplied by the number of days in the respective financial year.
- (2) Trade payables turnover period is computed based on the average beginning and ending balance of trade payables over our cost of sales for the respective financial year multiplied by the number of days in the respective financial year.
- (3) Inventory turnover period is computed based on the average beginning and ending balance of inventories over our cost of sales for the respective financial year multiplied by the number of days in the respective financial year.
- (4) Current ratio is computed based on total current assets over total current liabilities as at the end of the respective financial year.
- (5) Gearing ratio is computed based on total borrowings and lease liabilities over total shareholders' equity as at the end of the respective financial year.

(i) Trade receivables turnover period

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade receivables denominated in:				
▪ RM	51,389	46,499	52,865	52,327
▪ USD	2,707	2,180	2,812	2,949
	54,096	48,679	55,677	55,276
Less: Allowance for impairment losses	(1,875)	*(3,378)	(1,257)	(1,046)
Net trade receivables	52,221	45,301	54,420	54,230
Revenue	177,380	181,109	179,061	202,635
Trade receivables turnover period (days) ⁽¹⁾	101	98	102	98

11. FINANCIAL INFORMATION (Cont'd)**Notes:**

* We adopted MFRS 9 *Financial Instruments* with effect from 1 January 2018 and this resulted in additional allowance for impairment losses on our Group's trade receivables of approximately RM1.72 million recognised on 1 January 2018. For further details of the additional allowance for impairment losses, please refer to note 3.1(b) to the Accountants' Report included in Section 12 of this Prospectus.

(1) This is computed based on the average beginning and ending balance of trade receivables (after deducting allowance for impairment losses) over our revenue for the respective financial year multiplied by 365 days.

The normal credit term granted to our customers generally ranges from 30 to 120 days. Other credit terms are assessed and approved in certain cases after taking into consideration, among others, the background and creditworthiness (including payment history) of the customer as well as our business relationship with the customer.

Our trade receivables turnover period for the FYEs 31 December 2017 to 2020 were consistent at between 98 to 102 days, and were within the normal credit period granted. We have also not experienced any instances of material bad debts during these financial years.

The ageing analysis of our trade receivables as at 31 December 2020 and the subsequent collections and balance of our trade receivables as at LPD are set out below:

	Within credit period (RM'000)	Past due			Total (RM'000)
		1-30 days (RM'000)	31-120 days (RM'000)	More than 120 days (RM'000)	
Trade receivables	38,754	7,470	6,014	3,038	55,276
Less: Allowance for impairment loss	(74)	(54)	(89)	(829)	(1,046)
Net trade receivables	38,680	7,416	5,925	2,209	54,230
% of total net trade receivables	71.33	13.67	10.93	4.07	100.00
Subsequent collections up to and including LPD	34,200	6,917	4,517	2,004	47,638
Outstanding net trade receivables as at LPD	4,480	499	1,408	205	6,592
% of trade receivables collected as at LPD over total net trade receivables	63.06	12.75	8.33	3.70	87.84

As at 31 December 2020, our total net trade receivables stood at approximately RM54.23 million, of which approximately RM15.55 million or 28.67% of our net trade receivables exceeded the normal credit period.

As at LPD, we have collected approximately RM47.64 million, representing approximately 87.84% of our total net trade receivables as at 31 December 2020.

11. FINANCIAL INFORMATION (Cont'd)

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on each of our customers regularly. For any trade receivables which have exceeded the normal credit period granted by more than 30 days, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on our dealings with the customers. In addition, we have also purchased trade credit insurance with a maximum coverage value of up to RM3.70 million to provide coverage against any unforeseen event that may affect the recoverability of our trade receivables.

We are in the midst of collecting the remaining outstanding trade receivables of approximately RM6.59 million. Notwithstanding the above, our Board is of the opinion that the remaining outstanding trade receivables are recoverable after taking into consideration these customers' payment history, credentials as well as their established long-term relationships with us.

(ii) Trade payables turnover period

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables denominated in:				
▪ RM	6,982	7,589	8,438	8,554
▪ USD	6,270	5,057	2,961	1,798
▪ Euro	1,358	1,185	1,973	909
Total	14,610	13,831	13,372	11,261
Cost of sales	132,056	136,633	134,612	150,213
Trade payables turnover period (days) ⁽¹⁾	37	38	37	30

Note:

- (1) This is computed based on the average beginning and ending balance of trade payables over our cost of sales for the respective financial year multiplied by 365 days.

The normal credit period granted to us by our suppliers typically ranges from 7 to 90 days. Our trade payables turnover period for the FYEs 31 December 2017 to 2020 were consistent at between 30 to 38 days, and were within the normal credit period granted. It is our practice to make prompt payment to our suppliers in order to maintain good business relationships with our suppliers, safeguard the continuity of our supplies as well as enjoy early settlement discounts from certain suppliers.

11. FINANCIAL INFORMATION (Cont'd)

The ageing analysis of our trade payables as at 31 December 2020 and the subsequent payments and balance of our trade payables as at LPD are set out below:

	Within credit period	Past due			Total
		1-30 days	31-90 days	More than 90 days	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables	8,664	2,394	55	148	11,261
% of trade payables	76.94	21.26	0.49	1.31	100.00
Subsequent payments up to and including LPD	8,661	2,389	55	-	11,105
Outstanding trade payables as at LPD	3	5	-	148	156
% of trade payables paid as at LPD over total trade payables	76.91	21.21	0.49	-	98.61

As at 31 December 2020, our total trade payables stood at approximately RM11.26 million, of which approximately RM2.60 million or 23.06% of our trade payables exceeded the normal credit period. However, as at LPD, we have settled approximately RM11.11 million or 98.61% of our trade payables which were outstanding as at 31 December 2020.

We have not been involved in any dispute with any of our suppliers nor has any legal action been initiated by our suppliers on us during the FYEs 31 December 2017 to 2020 and up to LPD.

(iii) Inventory turnover period

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Inventories comprised:				
▪ Raw materials	17,196	17,562	16,842	16,729
▪ Finished goods	4,189	4,191	5,636	5,454
▪ Distribution products	5,401	6,816	6,335	5,855
▪ Good in transit	4,836	1,441	1,429	2,987
Total	31,622	30,010	30,242	31,025
Cost of sales	132,056	136,633	134,612	150,213
Inventory turnover period (days) ⁽¹⁾	72	82	82	74

Note:

- (1) This is computed based on the average beginning and ending balance of inventories over our cost of sales for the respective financial year multiplied by 365 days.

11. FINANCIAL INFORMATION (Cont'd)

It is our Group's general practice to maintain adequate level of raw materials to reduce the risk of disruption to our manufacturing operation as well as adequate level of distribution products, all of which are aimed to meet our customers' demand and ensure timely delivery of our manufactured and distribution products.

Our inventory turnover period increased from 72 days in the FYE 31 December 2017 to 82 days in the FYEs 31 December 2018 and 2019. This was mainly attributable to lower inventory opening balance as at 1 January 2017 of approximately RM20.75 million in comparison with the inventory balance as at 31 December 2017 of approximately RM31.62 million as we have increased our inventory levels in the subsequent years to meet the higher demand for our products. However, our inventory turnover period has reduced to 74 days in the FYE 31 December 2020 mainly due to the increase in the cost of sales as a result of higher sales volume in the said financial year.

We review the condition of our inventories on a product-by-product basis at the end of each reporting period and assess if there is any indication for impairment for our inventories such as obsolescence, slow-moving inventories that are nearing their expiry dates or non-sellable inventories. We did not record any write-down in value of inventories in each of the financial years indicated above. Please also refer to Section 6.8 of this Prospectus for further information on our Group's inventory management.

(iv) Current ratio

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current assets	95,079	92,572	110,213	117,566
Current liabilities	55,718	23,362	33,237	23,332
Current ratio (times) ⁽¹⁾	1.71	3.96	3.32	5.04

Note:

- (1) This is computed based on total current assets over total current liabilities as at the end of the respective financial year.

Current ratio measures our Group's liquidity and our ability to meet our short term obligations. Our current ratio increased from 1.71 times as at 31 December 2017 to 3.96 times as at 31 December 2018. This was mainly due to lower other payables upon the full repayment of the advances from the directors of Yenher Agro of approximately RM22.92 million as well as the lower short-term bank borrowings as at 31 December 2018 after the repayment thereon.

11. FINANCIAL INFORMATION (Cont'd)

Our current ratio decreased slightly from 3.96 times as at 31 December 2018 to 3.32 times as at 31 December 2019. Notwithstanding the higher trade and other receivables as well as higher cash and cash equivalents recorded as at 31 December 2019 by approximately RM10.92 million and RM6.49 million respectively, as compared to 31 December 2018, our current liabilities also increased by approximately RM9.87 million mainly arising from the dividend payable to the shareholders of Yenher Agro for the FYE 31 December 2019 of RM9.90 million.

Our current ratio increased from 3.32 times as at 31 December 2019 to 5.04 times as at 31 December 2020. This was due to the increase in our current assets by approximately RM7.35 million which is mainly attributable to the increase in our cash and bank balances as a result of the improvement in our operating cash flows in 2020 and the decrease in our current liabilities by approximately RM9.91 million as the dividend payable to the shareholders of Yenher Agro for the FYE 31 December 2019 of RM9.90 million was paid to the said shareholders on 28 August 2020. Furthermore, we have fully repaid our term loan in the second half of 2020.

(v) Gearing ratio

	As at 31 December			
	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total borrowings	17,971	5,765	5,231	-
Lease liabilities ⁽¹⁾	-	-	2,349	1,530
Total shareholders' equity	86,187	87,164	105,421	128,758
Gearing ratio (times) ⁽²⁾	0.21	0.07	0.07	0.01

Notes:

- (1) We adopted MFRS 16 *Leases* with effect from 1 January 2019 and this resulted in the recognition of lease liabilities since then. For further details of the lease liabilities, please refer to notes 3.3 and 27 of the Accountants' Report included in Section 12 of this Prospectus.
- (2) This is computed based on total borrowings and lease liabilities over total shareholders' equity as at the end of the respective financial year.

Our gearing ratio improved from 0.21 times as at 31 December 2017 to 0.07 times as at 31 December 2018 and 31 December 2019. It further improved to 0.01 times as at 31 December 2020. The improvement in our gearing ratio during the financial years under review is mainly attributable to the increase in our retained profits as well as the repayment of our bank borrowings. As at 31 December 2020, we have fully repaid all of our bank borrowings. As at 31 December 2019, we also recognised revaluation reserve for our land and buildings of approximately RM8.41 million and additional revaluation reserve for our land and buildings of approximately RM0.92 million as at 31 December 2020 which resulted in higher shareholders' equity in both years. For information purposes, we changed our accounting policy from the cost model to the revaluation model in measuring our land and buildings with effect from 31 December 2019. For further details of the accounting policy, please refer to notes 2.2.2 and 2.9 of the Accountants' Report included in Section 12 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.4.9 Types of financial instruments used**

As at LPD, saved for the forward foreign exchange contracts and bank borrowings as disclosed in Sections 11.3.4(i) and 11.4.3 of this Prospectus respectively, we do not use any other financial instruments.

However, from accounting perspective, our financial instruments comprised cash and cash equivalents, borrowings, trade and other receivables as well as trade and other payables, as shown in our Group's statements of financial position. We use these financial instruments in the ordinary course of our business.

11.4.10 Treasury policies and objectives

Our main treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet the estimated commitments arising from our operational expenditures and financial liabilities. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions.

Our cash and cash equivalents and trade receivables are primarily maintained in RM, USD, Euro, NTD and SGD. As at 31 December 2020, the cash and cash equivalents and trade receivables of our Group were held in the following currencies:

	RM	USD	Euro	NTD	SGD
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash and cash equivalents	23,931	632	23	109	*
Trade receivables	51,295	2,935	-	-	-

Note:

* Negligible as the amount is less than RM100.

Our Directors monitor the adequacy of capital on an ongoing basis. Our strategy is to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions. It is also the responsibility of our Directors to identify, quantify, monitor and control the key risks (credit, liquidity, currency and interest rate) associated with these activities.

11.5 TREND ANALYSIS

As at LPD, our Board confirms that there are no:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on the financial performance, position and operations of our Group other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus;
- (ii) material commitment for capital expenditure, save as set out in Section 11.4.4 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Sections 6 and 8 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and/or profits as well as our Group's liquidity and capital resources, save for those that have been disclosed in this Section and in Sections 6 and 8 of this Prospectus; and

11. FINANCIAL INFORMATION (Cont'd)

- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Sections 6 and 8 of this Prospectus.

11.6 SIGNIFICANT CHANGES

There are no other significant changes that have occurred which may have a material effect on the financial position and results of our Group since 31 December 2020 up to the date of this Prospectus.

11.7 DIVIDEND POLICY

It is the intention of our Board to recommend and distribute dividend of at least 40% of our annual audited profit attributable to the shareholders of our Company. This will allow our shareholders to participate in the profits of our Group while leaving adequate reserves for the future growth of our Group.

Notwithstanding our intention above, as we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiaries. The payment of dividends by our subsidiaries is dependent on their distributable profits, financial performance and cash flow requirements for operations and capital expenditures, the covenants in their existing loan agreements which prior written consent from the respective financial institutions are required for the payment of dividends of more than certain percentage of their respective PAT as well as other factors.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, when recommending the actual dividends for approval by shareholders or when declaring any interim dividend, our Board will also consider, among others:

- (i) the level of our cash, gearing, return on equity and retained profits;
- (ii) our expected financial performance;
- (iii) our working capital requirements;
- (iv) our projected levels of expenditure and other investment plans;
- (v) any restrictive covenants contained in our current and future financing arrangements; and
- (vi) any material impact of tax laws and other regulatory requirements.

Save for certain banking restrictive covenants which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

For information purposes, the table below sets out the dividend pay-out ratio of our Group for the financial years indicated:

	FYE 31 December			
	2017	2018	2019	2020
Dividend declared (RM'000)	20,000	25,000	9,900	-
PAT (RM'000)	19,038	27,285	19,745	22,397
Dividend pay-out ratio	105.05%	91.63%	50.14%	*-

11. FINANCIAL INFORMATION (Cont'd)

Note:

- * For information purposes, Yenher Agro, our wholly-owned subsidiary, declared a first and final single-tier dividend of RM5.80 per ordinary share amounting to RM11.60 million in total in respect of the FYE 31 December 2020. The said dividend was paid to our Company, being the sole shareholder of Yenher Agro, on 20 April 2021 out of its operating cash flows.

Subsequently, on 30 April 2021, our Company declared an interim dividend of RM10.80 million for the FYE 31 December 2021 which was then paid to our existing shareholders on 3 May 2021. Such dividend paid is not expected to affect the execution and implementation of our future plans and strategies as set out in Section 6.6 of this Prospectus.

Save as disclosed above, there is no dividend paid or declared subsequent to 31 December 2020 but prior to our Listing.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical pay-outs. Please refer to Section 8.3.4 of this Prospectus for the risk factor which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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11. FINANCIAL INFORMATION (Cont'd)**11.8 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date : 08 JUN 2021

The Board of Directors
YENHER HOLDINGS BERHAD
No. 35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Pulau Pinang

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF YENHER HOLDINGS BERHAD AS AT 31 DECEMBER 2020

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of Yenher Holdings Berhad ("Yenher" or the "Company") and its subsidiaries, namely Yenher Agro-Products Sdn Bhd and Yenher Biotech Sdn Bhd (collectively referred to as the "Group") as at 31 December 2020 (the "Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position and the accompanying notes (the "Notes") which are set out in Attachment A (for which we have stamped for identification purposes) have been compiled by the Board of Directors of the Company (the "Directors") for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are specified in Chapter 9, Part II Division 1 : Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and are described in the Notes to Attachment A.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of events or transactions as set out in the Notes to Attachment A on the Group's financial position as at 31 December 2020, as if such events or transactions had taken place on 31 December 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, on which an audit report dated 24 March 2021 has been issued by us without any qualification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis specified in the Prospectus Guidelines and as described in the Notes to Attachment A.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

11. FINANCIAL INFORMATION (Cont'd)**Reporting Accountants' Independence and Quality Control (Cont'd)**

Our firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Statements, and Other Assurance and Related Services Engagements* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis specified in the Prospectus Guidelines and as described in the Notes to Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis specified in the Prospectus Guidelines and as described in the Notes to Attachment A.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position for inclusion in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if such events had occurred or such transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of such events or transactions at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis specified in the Prospectus Guidelines and as described in the Notes to Attachment A involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether :-

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

11. FINANCIAL INFORMATION (Cont'd)**Opinion**

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis specified in the Prospectus Guidelines and as described in the Notes to Attachment A.

Other Matter

This report has been prepared solely to comply with the Prospectus Guidelines and for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad, and should not be used or relied upon for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Folks DFK & Co.", written over a light blue rectangular background.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

A handwritten signature in black ink, appearing to read "Leong Kok Tong", written over a light blue rectangular background.

LEONG KOK TONG
No. : 02973/11/2021 J
Chartered Accountant

11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad**

Attachment A

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Pro Forma Consolidated Statements of Financial Position**1. Introduction**

The pro forma consolidated statements of financial position of Yenher Holdings Berhad ("Yenher" or the "Company"), Yenher Agro-Products Sdn Bhd and Yenher Biotech Sdn Bhd (collectively referred to as the "Group") as at 31 December 2020 (the "Pro Forma Consolidated Statements of Financial Position") and the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only and for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the assumption that the Material Subsequent Event and the Listing Scheme as described in Notes 2 and 3 respectively, were effected on 31 December 2020. The Pro Forma Consolidated Statements of Financial Position may not, because of their nature, give a true picture of the Group's actual financial position. Further, such financial information does not purport to predict the future financial position of the Group.

2. Material Subsequent Event**Distribution of Dividend**

On 30 April 2021, the Directors of the Company declared an interim dividend of RM10,800,000 for the financial year ending 31 December 2021. This dividend was subsequently paid on 3 May 2021.

3. Listing Scheme

The Listing of the Company involves the following :-

3.1 Initial Public Offering ("IPO")**(a) Public Issue**

Public issue of 64,431,000 new Shares ("Issue Shares") representing approximately 21.48% of the enlarged issued shares of the Company at an issue price of RM0.95 per Issue Share. The Issue Shares will be offered in the following manner :-

- (i) 15,000,000 Issue Shares will be made available for application by the Malaysian public;
- (ii) 15,000,000 Issue Shares will be reserved for application by the eligible Directors of the Company, eligible employees of the Group as well as other persons who have contributed to the success of the Group; and
- (iii) 34,431,000 Issue Shares will be made available for application by way of a private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

(Collectively hereinafter referred to as the "Public Issue")

The proceeds to be raised from the Public Issue of approximately RM61,209,450 would be used for the Group's capital expenditure, working capital and listing expenses as detailed in Note 5.4.



11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad****Attachment A**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Pro Forma Consolidated Statements of Financial Position**3. Listing Scheme (Cont'd)****3.1 Initial Public Offering ("IPO") (Cont'd)****(b) Offer for Sale**

Offer for sale of up to 41,757,000 existing Shares ("Offer Shares") at the offer price of RM0.95 per Offer Share representing up to approximately 13.92% of the enlarged issued shares of the Company by way of private placement in the following manner :-

- (i) 3,069,000 Offer Shares to identified Bumiputera investors approved by MITI; and
- (ii) 38,688,000 Offer Shares to institutional and selected investors (other than Bumiputera investors approved by MITI).

3.2 Listing and Quotation on the Main Market of Bursa Malaysia Securities Berhad

The admission of Yenher to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of its entire enlarged issued shares comprising 300,000,000 Shares on the Main Market of Bursa Securities.

4. Pro Forma Consolidated Statements of Financial Position as at 31 December 2020

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2020 as set out below have been prepared for illustrative purposes only to show the effects on the consolidated statement of financial position of the Group as at 31 December 2020 had the transactions described in Notes 2 and 3 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Consolidated Statement of Financial Position of the Group as at 31.12.2020 RM	Pro Forma I (Note 5.2) Material Subsequent Event – Distribution of Dividend RM	Pro Forma II (Note 5.3) After Pro Forma I and the Public Issue and Offer for Sale RM	Pro Forma III (Note 5.4) After Pro Forma II and Use of Proceeds RM
Assets				
Non-current Assets				
Property, plant and equipment	36,336,892	36,336,892	36,336,892	46,036,892
Intangible assets	308,595	308,595	308,595	308,595
	36,645,487	36,645,487	36,645,487	46,345,487
Current Assets				
Inventories	31,024,612	31,024,612	31,024,612	31,024,612
Trade and other receivables	60,306,314	60,306,314	60,306,314	60,149,687
Short-term deposits, cash and bank balances	26,234,942	15,434,942	76,644,392	64,328,141
	117,565,868	106,765,868	167,975,318	155,502,440
Total Assets	154,211,355	143,411,355	204,620,805	201,847,927



11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad****Attachment A**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Pro Forma Consolidated Statements of Financial Position**4. Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (Cont'd)**

	Audited Consolidated Statement of Financial Position of the Group as at 31.12.2020 RM	Pro Forma I (Note 5.2) Material Subsequent Event – Distribution of Dividend RM	Pro Forma II (Note 5.3) After Pro Forma I and the Public Issue and Offer for Sale RM	Pro Forma III (Note 5.4) After Pro Forma II and Use of Proceeds RM
Equity and Liabilities				
Equity Attributable to Owners of the Company				
Share capital	117,784,501	117,784,501	178,993,951	177,384,951
Merger deficit	(115,534,500)	(115,534,500)	(115,534,500)	(115,534,500)
Revaluation reserve	9,337,236	9,337,236	9,337,236	9,337,236
Retained profits	117,171,182	106,371,182	106,371,182	105,207,304
	<u>128,758,419</u>	<u>117,958,419</u>	<u>179,167,869</u>	<u>176,394,991</u>
Non-current Liabilities				
Deferred tax liabilities	1,450,051	1,450,051	1,450,051	1,450,051
Lease liabilities	670,850	670,850	670,850	670,850
	<u>2,120,901</u>	<u>2,120,901</u>	<u>2,120,901</u>	<u>2,120,901</u>
Current Liabilities				
Lease liabilities	858,682	858,682	858,682	858,682
Trade and other payables	21,244,208	21,244,208	21,244,208	21,244,208
Tax payable	1,229,145	1,229,145	1,229,145	1,229,145
	<u>23,332,035</u>	<u>23,332,035</u>	<u>23,332,035</u>	<u>23,332,035</u>
Total Liabilities	25,452,936	25,452,936	25,452,936	25,452,936
Total Equity and Liabilities	154,211,355	143,411,355	204,620,805	201,847,927
Number of ordinary shares in issue	235,569,000	235,569,000	300,000,000	300,000,000
Net assets ("NA")	128,758,419	117,958,419	179,167,869	176,394,991
NA per ordinary share in issue (RM)	0.55	0.50	0.60	0.59



11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad****Attachment A**

Registration No. : 202001008388 (1364708-X)

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Pro Forma Consolidated Statements of Financial Position**5. Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020****5.1 Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 have been compiled by the Directors of the Company based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, which were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the audited consolidated financial statements and accounting policies adopted by the Group.

The audit report dated 24 March 2021 on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 used in the preparation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 was not subject to any qualification.

5.2 Pro Forma I

Pro Forma I incorporates the effects of the material subsequent event as detailed in Note 2. The affected line items of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2020 are as follows :-

	Short-term deposits, cash and bank balances RM	Retained profits RM
Balance as per audited consolidated statement of financial position of the Group as at 31 December 2020	26,234,942	117,171,182
Declaration and payment of interim dividend	(10,800,000)	(10,800,000)
Pro Forma I	15,434,942	106,371,182



11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad****Attachment A**

Registration No. : 202001008388 (1364708-X)

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Pro Forma Consolidated Statements of Financial Position**5. Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (Cont'd)****5.3 Pro Forma II**

Pro Forma II incorporates the effects of Pro Forma I and the Public Issue and Offer for Sale as detailed in Notes 3.1(a) and (b) respectively.

The Offer for Sale has no financial impact on the Group. The effects of the Public Issue on the affected line items of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2020 are as follows :-

	Short-term deposits, cash and bank balances RM	Share capital RM
Balance as per Pro Forma I (Note 5.2)	15,434,942	117,784,501
Public Issue of 64,431,000 new Shares at an issue price of RM0.95 per Issue Share	61,209,450	61,209,450
Pro Forma II	76,644,392	178,993,951

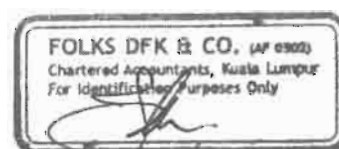
Thereafter, the entire enlarged issued Shares comprising 300,000,000 Shares will be listed on the Main Market of Bursa Securities.

5.4 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the effects of use of proceeds from the Public Issue.

The proceeds of approximately RM61,209,450 are intended to be used as follows :-

	RM
Capital expenditure (Note 5.4(a))	40,700,000
Working capital (Note 5.4(b))	16,709,450
Listing expenses (Note 5.4(c))	3,800,000
	61,209,450



11. FINANCIAL INFORMATION (Cont'd)**Yenher Holdings Berhad****Attachment A**

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Pro Forma Consolidated Statements of Financial Position**5. Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (Cont'd)****5.4 Pro Forma III (Cont'd)****(a) Capital expenditure**

The estimated capital expenditure comprise the following :-

	RM
Construction of a new manufacturing plant	31,000,000
Purchase of new machinery and equipment	9,700,000
	<u>40,700,000</u>

As at 31 May 2021, being the latest practicable date prior to the date of the Prospectus ("LPD"), the RM31,000,000 earmarked for the construction of a new manufacturing plant is not supported by any purchase order, sales and purchase agreement or any other contractual binding arrangement. Accordingly, the use of proceeds for the construction of a new manufacturing plant is not reflected in the Pro Forma Consolidated Statements of Financial Position.

(b) Working capital

Proceeds which are earmarked for working capital are estimated to be used for purchase of additional raw materials and distribution products as well as to fund selling and distribution costs.

As at the LPD, the Group has yet to issue any purchase order or enter into any other contractual binding arrangement for the purchase of additional raw materials and distribution products as well as for the selling and distribution activities. Accordingly, the use of proceeds earmarked for working capital purposes is not reflected in the Pro Forma Consolidated Statements of Financial Position.

(c) Listing expenses

The estimated listing expenses comprise the following :-

	RM
Professional fees	2,115,200
Fees to authorities	17,000
Brokerage, underwriting and placement fees	1,203,142
Other fees and expenses such as printing and advertising expenses incurred in connection with the Public Issue	<u>464,658</u>
Total	<u>3,800,000</u>

For information purposes, as at 31 December 2020, an aggregate amount of RM1,183,749 out of the total estimated listing expenses of RM3,800,000 had already been incurred of which RM1,027,122 was charged to the retained profits and RM156,627 was recognised as prepayment.



11. FINANCIAL INFORMATION (Cont'd)

Yenher Holdings Berhad

Attachment A

Registration No. : 202001008388 (1364708-X)

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Pro Forma Consolidated Statements of Financial Position**5. Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 (Cont'd)****5.4 Pro Forma III (Cont'd)****(c) Listing expenses (Cont'd)**

The remaining estimated listing expenses to be incurred is RM2,616,251 of which RM1,163,878 will be charged to the retained profits and RM1,452,373 will be deducted from the share capital of the Company as this portion of listing expenses is directly attributable to the new issuance of shares. Together with the amount of RM156,627 previously recognised as prepayment, the total listing expenses that will be deducted from the share capital account is RM1,609,000.

(d) Summary of effects

The effects of the use of proceeds from the Public Issue on the affected line items of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2020 are as follows :-

	Property, plant and equipment RM	Trade and other receivables RM	Short-term deposits, cash and bank balances RM	Share capital RM	Retained profits RM
Balance as per					
Pro Forma II (Note 5.3)	36,336,892	60,306,314	76,644,392	178,993,951	106,371,182
Purchase of new machinery and equipment (Note 5.4(a))	9,700,000	-	(9,700,000)	-	-
Estimated listing expenses (Note 5.4(c)) :					
- deducted from share capital	-	(156,627)	(1,452,373)	(1,609,000)	-
- charged to profit or loss	-	-	(1,163,878)	-	(1,163,878)
Pro Forma III	46,036,892	60,149,687	64,328,141	177,384,951	105,207,304



11. FINANCIAL INFORMATION (Cont'd)

Yenher Holdings Berhad

Attachment A

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Pro Forma Consolidated Statements of Financial Position

6. Approval by the Board of Directors

Approved and adopted by the Board of Directors of Yenher Holdings Berhad in accordance with a resolution dated **04 JUN 2021**

On behalf of the Board of Directors,


CHENG MOOI TAI
Director


CHENG MOOI KHENG
Director



12. ACCOUNTANTS' REPORT

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date : **08 JUN 2021**

The Board of Directors
YENHER HOLDINGS BERHAD
No. 35, 1st Floor, Jalan Kelisa Emas 1
Taman Kelisa Emas
13700 Seberang Jaya
Pulau Pinang

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF YENHER HOLDINGS BERHAD

Opinion

We have audited the accompanying financial statements of Yenher Holdings Berhad (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the following :

- (a) The combined statements of financial position of Yenher Agro-Products Sdn Bhd ("Yenher Agro") and Yenher Biotech Sdn Bhd ("Yenher Biotech") as at 31 December 2017, 31 December 2018 and 31 December 2019, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Yenher Agro and Yenher Biotech for each of the financial year then ended;
- (b) The consolidated statement of financial position of the Group as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended; and
- (c) The notes to the aforesaid financial statements, including a summary of significant accounting policies, as set out on pages 10 to 84.

The financial statements of the Group have been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad.

In our opinion, the financial statements contained in the Accountants' Report give a true and fair view of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance and cash flows for each of the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12. ACCOUNTANTS' REPORT (Cont'd)**Independence and Other Ethical Responsibilities**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibilities for the Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the financial statements of the Group contained in the Accountants' Report so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :-

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

12. ACCOUNTANTS' REPORT (Cont'd)**Reporting Accountants' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1 : Equity of the Prospectus Guidelines as issued by Securities Commission Malaysia, we report that the significant subsequent events identified by the Group since 31 December 2020, the reporting date of the most recent audited financial statements to the date of this report, are as disclosed in Note 33 to the financial statements.

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad, and should not be used or relied upon for any other purposes without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

LEONG KOK TONG
No. : 02973/11/2021 J
Chartered Accountant

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Statements of Financial Position of the Group**

		Combined			Consolidated
		Audited	Audited	Audited	Audited
		31.12.2017	31.12.2018	31.12.2019	31.12.2020
	Note	RM	RM	RM	RM
Assets					
Non-current Assets					
Property, plant and equipment	5	35,643,409	23,136,822	35,694,516	36,336,892
Investment properties	6	23,419,079	-	-	-
Intangible assets	7	-	-	191,146	308,595
Investment in a subsidiary	8	2	-	-	-
		<u>59,062,490</u>	<u>23,136,822</u>	<u>35,885,662</u>	<u>36,645,487</u>
Current Assets					
Inventories	9	31,621,981	30,009,994	30,241,951	31,024,612
Trade and other receivables	10	55,965,233	48,726,388	59,644,794	60,306,314
Short-term deposits, cash and bank balances	11	7,491,900	13,835,921	20,326,790	26,234,942
Tax recoverable		-	-	45	-
		<u>95,079,114</u>	<u>92,572,303</u>	<u>110,213,580</u>	<u>117,565,868</u>
Total Assets		<u>154,141,604</u>	<u>115,709,125</u>	<u>146,099,242</u>	<u>154,211,355</u>
Equity and Liabilities					
Equity Attributable to Owners of the Company					
Share capital	12.1	-	-	-	117,784,501
Invested equity	12.2	2,250,000	2,250,000	2,250,000	-
Merger deficit	13	-	-	-	(115,534,500)
Revaluation reserve	14	-	-	8,412,396	9,337,236
Retained profits		83,937,216	84,913,641	94,758,879	117,171,182
Total Equity		<u>86,187,216</u>	<u>87,163,641</u>	<u>105,421,275</u>	<u>128,758,419</u>
Non-current Liabilities					
Deferred tax liabilities	15	230,000	15,000	1,159,695	1,450,051
Bank borrowings (Secured)	16	12,006,330	5,167,762	4,751,445	-
Lease liabilities		-	-	1,529,532	670,850
		<u>12,236,330</u>	<u>5,182,762</u>	<u>7,440,672</u>	<u>2,120,901</u>
Current Liabilities					
Bank borrowings (Secured)	16	5,964,558	597,588	480,003	-
Lease liabilities		-	-	819,495	858,682
Trade and other payables	17	47,954,002	21,665,464	21,071,129	21,244,208
Dividend payable	22	-	-	9,900,000	-
Tax payable		1,799,498	1,099,670	966,668	1,229,145
		<u>55,718,058</u>	<u>23,362,722</u>	<u>33,237,295</u>	<u>23,332,035</u>
Total Liabilities		<u>67,954,388</u>	<u>28,545,484</u>	<u>40,677,967</u>	<u>25,452,936</u>
Total Equity and Liabilities		<u>154,141,604</u>	<u>115,709,125</u>	<u>146,099,242</u>	<u>154,211,355</u>

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Statements of Profit or Loss and Other Comprehensive Income of the Group**

		Combined			Consolidated
		Audited	Audited	Audited	Audited
		01.01.2017	01.01.2018	01.01.2019	01.01.2020
		to	to	to	to
		31.12.2017	31.12.2018	31.12.2019	31.12.2020
Note	RM	RM	RM	RM	RM
Revenue	18	177,379,757	181,109,284	179,061,219	202,634,937
Cost of sales		(132,055,559)	(136,632,880)	(134,612,561)	(150,213,190)
Gross profit		45,324,198	44,476,404	44,448,658	52,421,747
Other income		1,613,938	7,871,663	2,116,132	447,663
Selling and distribution costs		(7,448,387)	(6,639,365)	(7,331,757)	(7,857,595)
Administrative expenses		(12,469,408)	(10,729,074)	(11,982,368)	(14,832,855)
Research and development costs		-	(48,517)	(171,812)	(176,354)
Other expenses		(235,402)	(321,020)	(289,407)	(147,977)
Operating profit		26,784,939	34,610,091	26,789,446	29,854,629
Finance costs		(863,401)	(435,640)	(465,759)	(196,507)
Profit before taxation	19	25,921,538	34,174,451	26,323,687	29,658,122
Taxation	20	(6,883,164)	(6,889,139)	(6,578,449)	(7,261,571)
Profit for the year		19,038,374	27,285,312	19,745,238	22,396,551
Other comprehensive income, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss :</i>					
- Revaluation of land and buildings	14	-	-	8,412,396	940,592
Total comprehensive income for the year		19,038,374	27,285,312	28,157,634	23,337,143
Attributable to owners of the Company					
Profit for the year		19,038,374	27,285,312	19,745,238	22,396,551
Total comprehensive income for the year		19,038,374	27,285,312	28,157,634	23,337,143
Earnings per share attributable to owners of the Company					
Basic and diluted (Sen)	21	8.08	11.58	8.38	9.51

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Statements of Changes in Equity of the Group**

	Non-distributable		Distributable	
	Invested equity	Revaluation reserve	Retained profits	Total
	RM	RM	RM	RM
<u>Combined</u>				
Audited				
Balance at 1 January 2017	2,000,100	-	84,898,842	86,898,942
Profit for the year, representing the total comprehensive income for the year	-	-	19,038,374	19,038,374
Issuance of shares (Note 12.2)	249,900	-	-	249,900
Dividend declared and paid (Note 22)	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2017	2,250,000	-	83,937,216	86,187,216
<u>Combined</u>				
Audited				
Balance at 1 January 2018				
- As previously stated	2,250,000	-	83,937,216	86,187,216
- Effects on adoption of MFRS 9 (Note 3.1)	-	-	(1,308,887)	(1,308,887)
- As restated	2,250,000	-	82,628,329	84,878,329
Profit for the year, representing the total comprehensive income for the year	-	-	27,285,312	27,285,312
Dividend declared and paid (Note 22)	-	-	(25,000,000)	(25,000,000)
Balance at 31 December 2018	2,250,000	-	84,913,641	87,163,641
<u>Combined</u>				
Audited				
Balance at 1 January 2019	2,250,000	-	84,913,641	87,163,641
Profit for the year	-	-	19,745,238	19,745,238
Surplus on revaluation of land and buildings, net of attributable deferred tax (Note 14)	-	8,412,396	-	8,412,396
Total comprehensive income for the year	-	8,412,396	19,745,238	28,157,634
Dividend declared (Note 22)	-	-	(9,900,000)	(9,900,000)
Balance at 31 December 2019	2,250,000	8,412,396	94,758,879	105,421,275

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

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Accountants' Report (Cont'd)**Statements of Changes in Equity of the Group (Cont'd)**

	Non-distributable			Distributable		
	Share capital RM	Invested equity RM	Merger deficit RM	Revaluation reserve RM	Retained profits RM	Total RM
<u>Consolidated</u>						
Audited						
Balance at 1 January 2020	-	2,250,000	-	8,412,396	94,758,879	105,421,275
Profit for the year	-	-	-	-	22,396,551	22,396,551
Surplus on revaluation of land and buildings, net of attributable deferred tax (Note 14)	-	-	-	940,592	-	940,592
Total comprehensive income for the year	-	-	-	940,592	22,396,551	23,337,143
Transfer of revaluation surplus on land and buildings (Note 14)	-	-	-	(15,752)	15,752	-
Shares issued upon incorporation of the Company on 9 March 2020 (Note 12.1)	2	-	-	-	-	2
Shares issued for acquisition of a subsidiary (Notes 12.1 and 32.1)	117,784,499	(2,000,000)	(115,784,499)	-	-	-
Acquisition of a subsidiary satisfied by cash (Note 32.1)	-	(250,000)	249,999	-	-	(1)
Total transactions with owners of the Company	117,784,499	(2,250,000)	(115,534,500)	-	-	1
Balance at 31 December 2020	117,784,501	-	(115,534,500)	9,337,236	117,171,182	128,758,419

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Statements of Cash Flows of the Group**

	Combined			Consolidated
	Audited	Audited	Audited	Audited
	01.01.2017	01.01.2018	01.01.2019	01.01.2020
	to	to	to	to
	31.12.2017	31.12.2018	31.12.2019	31.12.2020
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before taxation	25,921,538	34,174,451	26,323,687	29,658,122
Adjustments for :-				
Bad debts written off	26,856	76,076	-	-
Depreciation of investment properties	30,717	27,390	-	-
Depreciation of property, plant and equipment	1,177,258	867,279	869,284	950,166
Depreciation of right-of-use assets	-	-	847,371	855,929
Gain on disposal of a subsidiary	-	(838)	-	-
Gain on disposal of investment properties	(614,699)	(3,278,311)	-	-
Gain on disposal of other investment	(1,983)	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(49,489)	(3,822,594)	(49,999)	2,979
Impairment losses on property, plant and equipment	1,046,406	-	-	-
Interest expense	863,401	435,640	465,759	196,507
Interest income	(10,733)	(76,347)	(488,625)	(200,700)
Net addition/(reversal) of impairment losses on trade receivables	1,638,348	(79,961)	(1,421,873)	(210,724)
Property, plant and equipment written off	-	10,627	20,317	-
Refundable deposit written off	-	-	4,000	-
Reversal of loss on revaluation of property, plant and equipment	-	-	-	(5,814)
Loss on revaluation of property, plant and equipment	-	-	527,005	-
Unrealised loss/(gain) on foreign exchange	103,853	(8,789)	20,580	127,430
Operating profit before working capital changes	30,131,473	28,324,623	27,117,506	31,373,895
(Increase)/Decrease in inventories	(10,874,224)	1,611,987	(231,957)	(782,661)
(Increase)/Decrease in trade and other receivables	(9,161,328)	5,525,802	(9,500,533)	(594,134)
Increase/(Decrease) in trade and other payables	22,104,112	(26,282,708)	(614,915)	188,987
Cash generated from operations	32,200,033	9,179,704	16,770,101	30,186,087
Interest received	10,733	76,347	488,625	200,700
Interest paid	(863,401)	(435,640)	(465,759)	(196,507)
Tax paid	(5,566,666)	(7,422,804)	(6,829,668)	(6,821,511)
Tax refunded	-	29,837	597	-
Net cash from operating activities	25,780,699	1,427,444	9,963,896	23,368,769

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Statements of Cash Flows of the Group (Cont'd)**

	Combined			Consolidated
	Audited	Audited	Audited	Audited
	01.01.2017	01.01.2018	01.01.2019	01.01.2020
	to	to	to	to
	31.12.2017	31.12.2018	31.12.2019	31.12.2020
	RM	RM	RM	RM
Cash flows from investing activities				
Investment in a subsidiary (Note 32.1)	-	-	-	(1)
Proceeds from disposal of investment in a subsidiary (Note 8.2)	-	840	-	-
Proceeds from disposal of investment properties	905,000	26,670,000	-	-
Proceeds from disposal of other investment	7,852	-	-	-
Proceeds from disposal of property, plant and equipment	58,491	16,064,774	50,000	1,000
Purchase of intangible assets	-	-	(191,146)	(117,449)
Purchase of property, plant and equipment	(597,760)	(613,499)	(2,015,881)	(1,393,226)
Net cash from/(used in) investing activities	373,583	42,122,115	(2,157,027)	(1,509,676)
Cash flows from financing activities				
Dividend paid (Note 22)	(20,000,000)	(25,000,000)	-	(9,900,000)
(Increase)/Decrease in short-term deposits pledged as security	-	(500,000)	362,531	3,000
Proceeds from issuance of ordinary shares	249,900	-	-	2
Repayment of term loans (Note 24)	(2,033,184)	(8,273,538)	(533,902)	(5,231,448)
Repayment of bankers' acceptances (Note 24)	(3,117,000)	(3,932,000)	-	-
Payments of lease liabilities (Note 24)	-	-	(782,098)	(819,495)
Net cash used in financing activities	(24,900,284)	(37,705,538)	(953,469)	(15,947,941)
Net increase in cash and cash equivalents	1,253,998	5,844,021	6,853,400	5,911,152
Cash and cash equivalents at beginning of year	4,832,818	6,086,816	11,930,837	18,784,237
Cash and cash equivalents at end of year (Note 11)	6,086,816	11,930,837	18,784,237	24,695,389

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**Notes to the Financial Statements****1. General Information**

Yenher Holdings Berhad (the "Company") was incorporated in Malaysia under the Companies Act 2016 on 9 March 2020 as a private limited liability company under the name of Yenher Holdings Sdn Bhd and is domiciled in Malaysia. On 3 November 2020, the Company was converted to a public limited liability company.

The Company was incorporated for the purpose of undertaking, among others, a restructuring and acquisition exercise that would result in the Company becoming the holding company of Yenher Agro-Products Sdn Bhd ("Yenher Agro") and Yenher Biotech Sdn Bhd ("Yenher Biotech") (both collectively referred to as the "subsidiaries"), the acquisitions of which have been completed on 28 August 2020, as further explained in Note 32.1.

The registered office of the Company is located at No. 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang and its principal place of business is located at No. 1628, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries, all of which are incorporated in Malaysia, are as follows :-

Names of subsidiaries	Principal activities
Yenher Agro	Manufacturing, supplying and marketing of animal health and nutrition products for livestock and companion animals
Yenher Biotech	Manufacturing of animal feed ingredients and agricultural products using biotechnology and undertaking research and development activities in the related fields

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial years under review.

(The Company and its subsidiaries collectively defined as the "Group")

2. Basis of Preparation and Summary of Significant Accounting Policies**2.1 Basis of Preparation**

The Accountants' Report comprises the combined financial statements of the subsidiaries for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 (hereinafter collectively referred to as the "financial statements"). The financial statements are prepared solely for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of its entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad.

For information purposes, Yenher Agro had on 14 December 2018 disposed of a 100% owned subsidiary, namely CMT Properties Sdn Bhd (formerly known as Yenher Properties Sdn Bhd) ("CMT"). Since CMT is not part of the listing group of the Company for the purpose of the initial public offering and listing exercises, the audited financial statements of CMT for the financial years under review have not been included in the preparation of these financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.1 Basis of Preparation (Cont'd)**

The Company was incorporated on 9 March 2020 and its acquisitions of Yenher Agro and Yenher Biotech were completed on 28 August 2020. Accordingly, the financial statements for the financial years ended 31 December 2017 through 31 December 2020 have been prepared on the following bases :-

(a) Combined financial statements for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019

The Group has not been established as at the end of the financial year ended 31 December 2019. Hence, there are no consolidated financial statements for the financial years ended 31 December 2017 through 31 December 2019. The combined financial statements for the financial years ended 31 December 2017 through 31 December 2019 consist of the audited financial statements of Yenher Agro and Yenher Biotech (hereafter referred to as the "combining entities"). The combined financial statements have been prepared in accordance with the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants and on the assumption that the combining entities have been operating as a single economic entity throughout those financial years.

Throughout the financial years ended 31 December 2017 to 31 December 2019, the combining entities are under the common control of Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, all being the major shareholders and promoters of the Company.

Entities under common control are entities which are ultimately controlled by the same parties for a reasonable period of time. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as presented in the combined financial statements may not correspond to the consolidated financial statements of the Group had the relevant acquisitions to legally constitute the Group been incorporated for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the Group for those financial years.

(b) Consolidated financial statements for the financial year ended 31 December 2020

The Group was established during the financial year ended 31 December 2020 upon the acquisitions of Yenher Agro and Yenher Biotech on 28 August 2020 by the Company. Accordingly, the consolidated financial statements of the Group are prepared for the financial year ended 31 December 2020.

The acquisitions of Yenher Agro and Yenher Biotech represent common control combinations and for the purpose of the preparation of the consolidated financial statements, these subsidiaries are consolidated under the principles of merger accounting as disclosed under accounting policy Note 2.6.

The financial statements throughout the financial years under review have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards and are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies below.

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.2 Changes in Accounting Policies****2.2.1 Application of new MFRSs**

The Group has consistently applied its accounting policies throughout the reporting periods presented except for the changes in accounting policies on the application of the following new MFRSs issued by the Malaysian Accounting Standards Board ("MASB") :-

- MFRS 9, Financial Instruments effective from 1 January 2018;
- MFRS 15, Revenue from Contracts with Customers and Clarifications to MFRS 15 effective from 1 January 2018; and
- MFRS 16, Leases effective from 1 January 2019.

The financial effects on the initial application of these new MFRSs are disclosed in Note 3.

The Group has also adopted the following new IC Interpretations and amendments to MFRSs which are applicable to its operations and they did not have any significant impact on the financial statements covered by this report :-

Effective for annual periods beginning on or after 1 January 2018

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 9 - Prepayment Features with Negative Compensation

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle" :

- Amendments to MFRS 112, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity

- Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 - Definition of a Business

Amendments to MFRS 101 and MFRS 108 - Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 - Interest Rate Benchmark Reform

2.2.2 Change to revaluation model for land and buildings

With effect from 31 December 2019, the Group has changed its accounting policy on subsequent measurement of land and buildings from the cost model to revaluation model. This change in accounting policy to revaluation model has been applied prospectively from 31 December 2019. Accordingly, the carrying amounts of the related land and buildings as at 31 December 2017 and 31 December 2018 as presented in the combined statements of financial position have not been restated. The financial effects on the change in basis of subsequent measurement of land and buildings of the Group are disclosed in Note 5.

The change was made as the Directors considered that the revaluation model will provide a fairer presentation of the value of the land and buildings of the Group.

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.3 New MFRS and Amendments to MFRSs That Are In Issue But Not Yet Effective**

The Group has not early adopted the following new MFRS and amendments to MFRSs that have been issued by the MASB but are not yet effective :-

Effective for annual periods beginning on or after 1 June 2020

Amendment to MFRS 16 - Covid-19-Related Rent Concessions

Effective immediately on 17 August 2020

Amendments to MFRS 4 - Extension of the Temporary Exemption from Applying MFRS 9

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 - Reference to the Conceptual Framework

Amendments to MFRS 116 - Proceeds before Intended Use

Amendments to MFRS 137 - Onerous Contracts - Cost of Fulfilling a Contract

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2018 - 2020" :

- Amendment to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards

- Amendment to MFRS 9, Financial Instruments

- Amendment to MFRS 16, Leases

- Amendment to MFRS 141, Agriculture

Effective for annual periods beginning on or after 1 January 2023

MFRS 17, Insurance Contracts

Amendments to MFRS 17 - Insurance Contracts

Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current

Amendments to MFRS 101 - Disclosure of Accounting Policies

Amendments to MFRS 108 - Definition of Accounting Estimates

Effective for annual periods beginning on or after a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new MFRS and amendments to MFRSs that are applicable once they become effective. The adoption of these new MFRS and amendments to MFRSs are not expected to have any significant financial impact on the Group's financial statements for the current financial period and any prior periods covered by this report.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.4 Basis of Combination**

The combined financial statements for the financial years ended 31 December 2017 through 31 December 2019 comprise the financial statements of the combining entities. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting dates. When necessary, adjustments are made to the financial statements of the combining entities to ensure conformity with the Group's accounting policies.

In preparing the combined financial statements, the assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of retained profits and other equity of the combining entities are added to the same components within the Group's equity. Intra-group balances and transactions and the resulting unrealised profits are eliminated on combination. Unrealised losses are eliminated on combination and the relevant assets are assessed for impairment. The combined financial statements reflect external transactions and balances only.

2.5 Basis of Consolidation

The consolidated financial statements of the Group for the financial year ended 31 December 2020 include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :-

- has power over the entity;
- 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 three elements of controls listed above.

Subsidiaries are consolidated using the acquisition method except for subsidiaries arising from common control combination as explained in accounting policy Note 2.6. Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.5 Basis of Consolidation (Cont'd)**

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2.6 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method except for combinations of entities or businesses under common control. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

The acquisitions of Yenher Agro and Yenher Biotech have been accounted for as common control combination.

Subsidiaries arising from common control combinations are consolidated using the principles of merger accounting. The common control combinations are business combinations in which all the combining entities have common ultimate controlling parties prior to and immediately after such combinations, and that control is not transitory. Under the principles of merger accounting, the assets and liabilities of the combining entities are consolidated using the existing book values from the controlling parties' perspective and the results of each of the combining entity are presented as if the combination had been effected throughout the current and previous comparative periods presented. On consolidation, the cost of investment is matched against the nominal value of ordinary shares acquired and any difference is taken to equity as merger reserve (for resulting credit difference) or merger deficit (for resulting debit difference).

On the application of acquisition method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.6 Business Combinations (Cont'd)**

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2.7 Goodwill on Consolidation

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.8 Foreign Currencies**2.8.1 Functional and presentation currency**

The individual financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The combined and the consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's and the subsidiaries' functional currency.

2.8.2 Foreign currency transactions and balances

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.8 Foreign Currencies (Cont'd)****2.8.2 Foreign currency transactions and balances (Cont'd)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly to other comprehensive income.

2.9 Property, Plant and Equipment

Items of property, plant and equipment are initially stated at cost. Cost initially recognised includes expenditure that is directly attributable to the acquisition of the asset. Land and buildings are subsequently carried at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance are charged to the profit or loss during the financial period in which they are incurred.

If the carrying amount of land and buildings is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on a revaluation is recognised to profit or loss to the extent that it exceeds the credit balance held in the revaluation reserve relating to a previous revaluation of that asset.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised on a straight-line basis over its remaining lease term of 55 years. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The estimated useful lives of the Group's property, plant and equipment are as follows :-

Buildings	50 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	5 to 10 years
Plant and machinery	5 to 10 years
Renovation	10 years
Tools and equipment	10 years

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

Incorporated in Malaysia

Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.9 Property, Plant and Equipment (Cont'd)**

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

2.10 Intangible Assets**2.10.1 Computer software**

The costs of computer software licences that are acquired separately are capitalised as an intangible asset and are carried at costs less accumulated amortisation and any accumulated impairment losses. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight-line basis over the period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. The computer software development costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis.

2.10.2 Research and development expenditure

Research expenditure on internal projects is recognised as an expense when it is incurred.

Development expenditure on internal projects that can be measured reliably is recognised as an intangible asset where it can be demonstrated that it is technically feasible and there is intention, and technical, financial and other resources are available, to complete and to use or sell the intangible asset or its output and probable future economic benefits will be generated from the sale or use thereof. Development expenditure that does not meet any of the criteria for recognition as an asset is recognised as an expense when it is incurred.

Development expenditure recognised as an asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Development expenditure is amortised, when the asset is available for use, using the straight-line method over the period the asset is expected to generate economic benefits.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

Registration No. : 202001008388 (1364708-X)

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.11 Investment Properties**

Investment properties are land and/or buildings which are held for rental yields or for capital appreciation or for both or land held for a currently undetermined future use. The investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy adopted for investment properties is similar to property assets under property, plant and equipment as disclosed under Note 2.9. Investment properties are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of the retirement or disposal.

2.12 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, financial assets and inventories) are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write down of the non-current asset to fair value less costs to sell. A gain is recognised for any subsequent increases in the asset's fair value less costs to sell but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities classified as held for sale continue to be recognised.

Non-current assets classified as held-for-sale are presented separately from the other assets in the statements of financial position. The liabilities classified as held for sale are presented separately from other liabilities in the statements of financial position. Both the assets and liabilities classified as held for sale are presented under current assets and current liabilities respectively.

2.13 Impairment of Non-financial Assets

The carrying amounts of non-financial assets (other than inventories, deferred tax assets and non-current assets or disposal group held for sale) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life (Note 2.7) and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.13 Impairment of Non-financial Assets (Cont'd)**

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised in other comprehensive income for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised to the profit or loss unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.14 Inventories

Inventories are valued at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Costs of raw materials and distribution goods comprise purchase price and other costs directly attributable to the acquisition of inventories.

Cost of finished goods consists of direct materials, direct labour, direct expenses and attributable production overheads.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.15 Financial Assets**

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to :-

- the recognition of an asset to be received and the liability to pay for it on the trade date which is the date the Group commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.15.1 Classification

Upon the adoption of MFRS 9 on 1 January 2018, the Group classifies its financial assets into the following measurement categories depending on the business models used for managing the financial assets and the contractual cash flow characteristics of the financial assets :-

- (a) at amortised cost;
- (b) fair value through other comprehensive income; and
- (c) fair value through profit or loss.

Financial assets are reclassified when and only when the Group changes its business model for managing the financial assets and the reclassification of all affected financial assets is applied prospectively from the reclassification date i.e. on the first day of the first reporting period following the change in business model.

2.15.2 Measurement

At initial recognition, trade receivables without a significant financing component are measured at their transaction price when they are originated.

Other financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets at fair value through profit or loss are expensed to profit or loss when incurred.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.15 Financial Assets (Cont'd)****2.15.2 Measurement (Cont'd)****(a) Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's debt instruments are categorised into the following measurement categories :-

(i) Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated as at fair value through profit or loss at initial recognition :-

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured at amortised cost using the effective interest method less any impairment losses. Interest income, gains or losses on derecognition, foreign exchange gains or losses and impairment are recognised in profit or loss.

(ii) Fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI if both of the following conditions are met and it is not designated as FVTPL at initial recognition :-

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in fair value of these financial assets are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss.

(iii) Fair value through profit or loss ("FVTPL")

A financial asset is measured at FVTPL if it does not meet the criteria for amortised cost or FVOCI. This includes all derivative financial assets.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.15 Financial Assets (Cont'd)****2.15.2 Measurement (Cont'd)****(a) Debt instruments (Cont'd)****(iii) Fair value through profit or loss ("FVTPL") (Cont'd)**

Changes in fair value of financial assets at FVTPL and interest or dividend income are recognised in profit or loss.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value.

For equity investments at FVTPL, changes in fair value are recognised in profit or loss. Where the Group has elected to present the changes in fair value in other comprehensive income, the amounts presented are not subsequently transferred to profit or loss when the equity investments are derecognised. The cumulative gains or losses is transferred to retained profits instead. The election is made on an instrument-by-instrument basis and it is irrevocable. The amount presented in other comprehensive income includes the related foreign exchange gains or losses.

Dividend income from equity investments at FVTPL and FVOCI is recognised in profit or loss as other income when the Group's right to receive payment has been established.

Changes in the fair value of equity investments at FVTPL are recognised in other income or expenses, as applicable, in the profit or loss. Impairment losses or reversal of impairment losses on equity instruments measured at FVOCI are recognised in other comprehensive income and are not reported separately from other changes in fair value.

2.15.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of derecognition and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2.15.4 Impairment of financial assets

From 1 January 2018, upon the adoption of MFRS 9, the Group recognises loss allowance for expected credit losses ("ECLs") on :-

- (a) financial assets measured at amortised cost;
- (b) debt instruments measured at FVOCI; and
- (c) financial guarantee contracts.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.15 Financial Assets (Cont'd)****2.15.4 Impairment of financial assets (Cont'd)**

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months i.e. a 12-month ECL. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default i.e. a lifetime ECL.

For trade receivables, the Group applies a simplified approach in measuring ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The expected loss rates are based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the profit or loss and the carrying amount of the assets is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flow in its entirety or a portion thereof.

2.15.5 Accounting policies applied until 31 December 2017

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information as permitted by the Standard. As a result, the information for financial year ended 31 December 2017 provided in the combined financial statements continues to be accounted for in accordance with the previous accounting policies under MFRS 139.

Classification and measurement

Until 31 December 2017, the Group's financial assets were classified as loans and receivables. The Group did not have financial assets classified at fair value through profit or loss, held-to-maturity or available-for-sale.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.15 Financial Assets (Cont'd)****2.15.5 Accounting policies applied until 31 December 2017 (Cont'd)*****Classification and measurement (Cont'd)***

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. This category of financial assets were initially measured at fair value plus directly attributable transaction costs. Receivables and deposits, and cash and bank balances were classified as loans and receivables.

Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method less any impairment loss. Gains and losses were recognised in the statement of comprehensive income when loans and receivables were derecognised or impaired, and through the amortisation process.

Derecognition of financial assets

The Group derecognised a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expired or it transferred the financial asset without retaining control or transferred substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income was recognised in profit or loss.

Impairment of financial assets

The Group assessed at the end of each reporting period whether there was any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, was impaired. Financial assets were considered to be impaired when objective evidence indicated that a loss event had occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that could be reliably estimated. Losses expected as a result of future events, no matter how likely, were not recognised.

Impairment loss on loans and receivables was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate i.e. the effective rate computed at initial recognition. The carrying amount of the asset was reduced through an allowance account. The amount of loss was recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss was reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset did not exceed its amortised cost had the impairment not been recognised at the date the impairment was reversed. The amount of reversal was recognised in profit or loss.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.16 Cash and Cash Equivalents**

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash in hand, bank balances, deposits with licensed banks with original maturities of 3 months or less and short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

2.17 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.18 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

2.18.1 Classification and measurement

Financial liabilities are initially measured at fair value minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial liabilities at fair value through profit or loss are expensed to profit or loss when incurred.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. The Group does not have any financial liabilities at fair value through profit or loss.

All financial liabilities of the Group are subsequently measured at amortised cost using the effective interest method and any gain or loss is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.18.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.19 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.20 Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of (i) the amount of loss allowance determined in accordance with the expected credit loss model under MFRS 9 *Financial Instruments*; and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*. The loss allowance on financial guarantee contracts, if any, is recognised as a provision and is reported under current liabilities.

2.21 Derivatives Financial Instruments

The Group enters into derivative financial instruments such as forward foreign currency contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset and derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

Embedded derivatives

Embedded derivatives are separated from host contract and accounted for separately if the host contract is not a financial asset and when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

2.22 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.23 Leases as a Lessee**

On the adoption of MFRS 16 *Leases* from 1 January 2019, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

Subsequent to the initial recognition, the right-of-use assets (except for acquired leasehold land) are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liability.

For acquired leasehold land, the Group has elected to apply the revaluation model in accordance with MFRS 116 *Property, Plant and Equipment*, as explained in Note 2.9 above.

Depreciation for right-of-use asset is calculated using the straight-line method and commences from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets of the Group are included under the line item of Property, Plant and Equipment (Note 5) and their depreciation rates are as follows :-

Leasehold land	55 years
Buildings on lease	45 months

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

Accounting policies applied until 31 December 2018

Operating lease payments were recognised as expenses in profit or loss on a straight-line basis over the period of the relevant leases.

2.24 Income Taxes

Tax expense is the aggregate amount of current and deferred taxation. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable income for the reporting period using tax rates enacted or substantively enacted at the end of the reporting period.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.24 Income Taxes (Cont'd)**

Deferred tax is provided by using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.25 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.26 Employee Benefits**2.26.1 Short-term employee benefits**

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as expenses in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2.26.2 Post-employment benefits - Defined contribution plan

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.27 Fair Value Measurements**

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :-

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability; and
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable input).

Transfer between levels of the fair value hierarchy is deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

2.28 Revenue Recognition**2.28.1 Revenue from Contracts with Customers**

On the adoption of MFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, the Group recognises revenue from a contract with customer when it satisfies a performance obligation by transferring control of a promised good or service to the customer. Depending on the terms of a contract with customer, control may transfer over time or at a point in time.

Control of a good or service is transferred over time when one of the following criteria is met :-

- (i) the Group's performance 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; or
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where any one of the above conditions is met, the Group recognises revenue over time. Otherwise, revenue is recognised at a point in time.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.28 Revenue Recognition (Cont'd)****2.28.1 Revenue from Contracts with Customers (Cont'd)**

Revenue from sales of goods derived from the manufacturing and distribution activities is recognised at a point in time when control of the goods has transferred, being when the goods are delivered to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Revenue is measured based on the consideration specified in the contract which the Group expects to be entitled in exchange for transferring the goods, excluding the amounts collected on behalf of third parties.

The normal credit term ranges from 30 to 120 days upon delivery. There is no significant financing component in contracts with customers as the payment terms is less than 12 months from the date of billings. Therefore, no adjustment is made to the promised amount of consideration for the effects of time value of money.

Accounting policies applied until 31 December 2017

Prior to the adoption of MFRS 15 *Revenue from Contracts with Customers* on 1 January 2018, revenue was measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue was recognised when it could be measured reliably and to the extent that it was probable that the economic benefits associated to the transactions will flow to the Group.

Revenue from sale of goods was recognised upon the transfer of significant risks and rewards of ownership to the buyer, net of discounts and returns. Revenue was not recognised to the extent where there were significant uncertainties regarding recovery of the consideration due, associated costs or the possible return.

2.28.2 Revenue from Other Sources and Other Income**(a) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental income

Rental income is recognised on an accrual basis over the period of tenancy.

2.29 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held if any. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

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Accountants' Report(Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.30 Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors, who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

3. Changes in Accounting Policies on Application of New MFRSs

As disclosed in Note 2.2.1, the Group has adopted the new MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* which became effective for annual periods beginning on or after 1 January 2018 and MFRS 16 *Leases* which became effective for annual periods beginning on or after 1 January 2019.

The adoption of the new MFRS 9, MFRS 15 and MFRS 16 has resulted in changes in the Group's accounting policies as further explained in Notes 3.1, 3.2 and 3.3 respectively.

3.1 MFRS 9 Financial Instruments

MFRS 9 replaces the requirements of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The new accounting policies are disclosed in Notes 2.15 and 2.18.

MFRS 9 has been adopted from the beginning of 1 January 2018 without restating prior periods in accordance with the transitional provisions of the Standard and the reclassification and adjustments arising from the new requirements were therefore not reflected in the statement of financial position as at 31 December 2017. Instead, they were recognised in the opening balances as at 1 January 2018. The financial instruments information presented for the financial year ended 31 December 2017 in the combined financial statements do not reflect the requirements of MFRS 9 but rather those of MFRS 139.

The impact of the initial application of MFRS 9 on the retained profits of the Group as at 1 January 2018 is as follows :-

	RM
Closing balance as at 31 December 2017, before the application of MFRS 9	83,937,216
Adjustments to retained profits on application of MFRS 9 on 1 January 2018 :	
- Recognition of loss allowance for expected credit losses under MFRS 9 (Note 3.1(b))	(1,719,887)
- Increase in deferred tax assets (Note 15)	411,000
	(1,308,887)
Opening retained profits as at 1 January 2018, after the application of MFRS 9	82,628,329

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Accountants' Report(Cont'd)**3. Changes in Accounting Policies on Application of New MFRSs (Cont'd)****3.1 MFRS 9 Financial Instruments (Cont'd)****(a) Classification and measurement of financial assets and financial liabilities**

MFRS 9 provides three classification categories of financial assets which consist of financial assets measured at amortised cost; fair value through other comprehensive income ("FVOCI"); and fair value through profit or loss ("FVTPL"). The financial assets are classified into the measurement categories depending on the business models used for managing the financial assets and the financial assets' contractual cash flow characteristics. In relation to financial liabilities, MFRS 9 largely retains the existing requirements of MFRS 139 for the classification and measurement.

The original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets as at 1 January 2018 are summarised below. The adoption of MFRS 9 has no impact on the measurement categories of the Group's financial liabilities.

	Measurement categories		Carrying amount		
	Original under MFRS 139	New under MFRS 9	Original under MFRS 139 RM	New under MFRS 9 RM	Difference RM
Trade and other receivables (aa)	L&R at AC	AC	55,940,899	54,221,012	1,719,887
Short-term deposits with licensed banks	L&R at AC	AC	1,405,084	1,405,084	-
Cash and bank balances	L&R at AC	AC	6,086,816	6,086,816	-
Total financial assets			63,432,799	61,712,912	1,719,887

L&R : Loans and receivables

AC : Amortised costs

(aa) Trade and other receivables classified as loans and receivables under MFRS 139 have been classified at amortised costs under MFRS 9. On transition to MFRS 9, an additional allowance for impairment on trade receivables amounted to RM1,719,887 (Note 3.1(b)) and the corresponding tax impact of RM411,000 were recognised in the Group's retained profits as at 1 January 2018.

(b) Impairment of financial assets

MFRS 9 replaces the incurred loss model under MFRS 139 with the expected credit losses ("ECLs") impairment model which is described in Note 2.15.4. As at 1 January 2018, the Group had four types of financial assets that were subject to the new ECLs impairment model and they were :-

- Trade receivables from sales of goods;
- Other receivables and deposits;
- Short-term deposits with licensed banks; and
- Cash and bank balances.

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Accountants' Report(Cont'd)**3. Changes in Accounting Policies on Application of New MFRSs (Cont'd)****3.1 MFRS 9 *Financial Instruments* (Cont'd)****(b) Impairment of financial assets (Cont'd)**

The initial application of MFRS 9 impairment model had resulted in additional allowance for impairment on the Group's trade receivables and the impact is shown in the reconciliation below :-

	RM
Loss allowance as at 31 December 2017 under MFRS 139	(1,875,045)
Additional loss allowance recognised at 1 January 2018 under MFRS 9	(1,719,887)
Loss allowance as at 1 January 2018 under MFRS 9	<u>(3,594,932)</u>

The Group applies the MFRS 9 simplified approach to measure the ECLs which uses a lifetime expected loss allowance for all trade receivables. This had resulted in an increase of the loss allowance for trade receivables on 1 January 2018 by RM1,719,887.

Note 30.2(a) describes the details about how the Group measures the loss allowance for ECLs on its financial assets.

3.2 MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 replaces the previous revenue recognition guidance including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and the related IC Interpretations.

The Group has adopted MFRS 15 which resulted in changes in accounting policies and adjustments to the financial position as at 1 January 2018. MFRS 15 was adopted using the modified retrospective approach whereby the information presented for the financial year ended 31 December 2017 was not restated and the effects on the initial application, if any, were recognised in the opening retained profits as at 1 January 2018.

The initial application of MFRS 15 had no impact on the Group's financial position as at 1 January 2018 as the revenue recognition policies under the previous revenue recognition standards did not defer substantially from the revenue recognition requirements under MFRS 15.

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Accountants' Report(Cont'd)**3. Changes in Accounting Policies on Application of New MFRSs (Cont'd)****3.3 MFRS 16 Leases**

MFRS 16 replaces MFRS 117 *Leases* and its related IC Interpretations. It introduces a single accounting model, requiring a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases required by MFRS 117. As a consequence, a lessee recognises right-of-use ("ROU") assets and lease liabilities arising from previous operating leases applying MFRS 117. The ROU asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* (or accounted under other appropriate measurement models) and the lease liability is accreted over time with interest expense recognised in profit or loss. For lessors, MFRS 16 retains most of the requirements in MFRS 117, and lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The adoption of MFRS 16 has resulted in changes in accounting policies for leases and the new policies are disclosed in Note 2.23. On the adoption of MFRS 16 on 1 January 2019, the Group recognised lease liabilities and the corresponding ROU asset in respect of the existing tenancy for an industrial building that was previously classified as an operating lease under MFRS 117. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 of 4.70%. The ROU asset was measured at an amount equal to the lease liabilities and was included under the line item of Property, Plant and Equipment.

As permitted by the Standard, the Group has adopted MFRS 16 using the modified retrospective approach whereby the cumulative effects on initial application have been recognised as an adjustment to the opening balance of statement of financial position as at 1 January 2019 and without restating the prior reporting periods presented in the combined financial statements for the financial years ended 31 December 2017 and 31 December 2018. The Group has also applied the following practical expedients when applying MFRS 16 for the first time to leases previously classified as operating leases under MFRS 117 :-

- (a) the non-recognition of ROU assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- (b) the exclusion of initial direct costs from measuring the ROU asset at the date of initial application; and
- (c) the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The financial effects on the adoption of MFRS 16 on the statement of financial position as at 1 January 2019 are as follows :-

	Audited as at 31.12.2018 RM	Effects on adoption of MFRS 16 RM	Restated as at 01.01.2019 RM
Property, plant and equipment	23,136,822	3,131,125	26,267,947
Lease liabilities - non-current	-	2,349,027	2,349,027
Lease liabilities - current	-	782,098	782,098

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Accountants' Report(Cont'd)**3. Changes in Accounting Policies on Application of New MFRSs (Cont'd)****3.3 MFRS 16 Leases (Cont'd)**

A reconciliation for the difference between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application on 1 January 2019 is as follows :-

	RM
Operating lease commitments disclosed as at 31 December 2018 (Note 27(a))	2,568,000
Less : Short-term leases recognised as an expense on a straight line basis	<u>(60,000)</u>
Remaining operating lease commitments to be discounted on adoption of MFRS 16	<u>2,508,000</u>
Discounted using the incremental borrowing rate at 1 January 2019	2,349,027
Add : Extension option reasonably certain to be exercised	<u>782,098</u>
Lease liabilities recognised at 1 January 2019	<u>3,131,125</u>

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Significant judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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Accountants' Report(Cont'd)**4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Cont'd)****4.2 Key sources of estimation uncertainty (Cont'd)****4.2.1 Estimated useful lives of property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimate the useful lives of property, plant and equipment to be between 5 to 50 years. The Group reviews the estimated useful lives of these assets annually based on various factors such as obsolescence, level of usage and business plans. The estimated useful lives are disclosed in Note 2.9. Future financial performance could be materially affected by changes in these estimates.

4.2.2 Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the estimation of the provision for income taxes is made and which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

4.2.3 Loss allowances on expected credit losses for trade receivables

The Group applies a simplified approach in measuring loss allowances on expected credit losses ("ECLs") for trade receivables. The measurement requires the use of significant assumptions about risk of default, expected loss rate and the future economic conditions.

The expected loss rates are based on the payment profiles of its customers in relation to the invoices issued for sales of goods over a period of 2 years prior to the end of each reporting period and the corresponding historical credit loss experienced within those periods.

The historical loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") as a relevant factor and accordingly adjusts the expected loss rates based on expected changes in the factor.

At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed. When the historical observed loss rates vary from the original estimates, such difference will impact the carrying amount of trade receivables. The carrying amounts of trade receivables and the cumulative allowance for impairment losses are disclosed in Note 10.1.

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment**

5.1 The movements of property, plant and equipment during the financial years are as follows :-

31.12.2017 - Audited

	At beginning of year RM	Additions RM	Disposals RM	At end of year RM
Costs				
Freehold land	29,607,249	-	-	29,607,249
Leasehold land	682,100	-	-	682,100
Buildings	4,912,383	-	-	4,912,383
Shophouses	240,000	-	-	240,000
Furniture and fittings	316,358	22,159	-	338,517
Motor vehicles	5,006,896	454,200	(180,401)	5,280,695
Office equipment	949,820	100,851	-	1,050,671
Plant and machinery	3,834,311	-	-	3,834,311
Renovation	554,550	15,900	-	570,450
Tools and equipment	698,872	-	-	698,872
Capital work-in-progress	-	4,650	-	4,650
	46,802,539	597,760	(180,401)	47,219,898
	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Accumulated depreciation				
Freehold land	-	-	-	-
Leasehold land	-	12,402	-	12,402
Buildings	839,971	98,677	-	938,648
Shophouses	24,836	3,963	-	28,799
Furniture and fittings	227,142	21,234	-	248,376
Motor vehicles	3,629,177	615,687	(171,399)	4,073,465
Office equipment	556,379	84,542	-	640,921
Plant and machinery	3,554,776	215,859	-	3,770,635
Renovation	406,259	55,007	-	461,266
Tools and equipment	285,684	69,887	-	355,571
Capital work-in-progress	-	-	-	-
	9,524,224	1,177,258	(171,399)	10,530,083
Accumulated impairment losses				
Freehold land	-	1,046,406	-	1,046,406

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

31.12.2018 - Audited

	At beginning of year RM	Additions RM	Disposals RM	Written off RM	At end of year RM
Costs					
Freehold land	29,607,249	-	(11,979,776)	-	17,627,473
Leasehold land	682,100	-	-	-	682,100
Buildings	4,912,383	-	-	-	4,912,383
Shophouses	240,000	-	(240,000)	-	-
Furniture and fittings	338,517	6,117	-	(11,380)	333,254
Motor vehicles	5,280,695	122,755	(250,449)	-	5,153,001
Office equipment	1,050,671	90,365	-	(177,684)	963,352
Plant and machinery	3,834,311	218,235	-	(1,835,998)	2,216,548
Renovation	570,450	99,093	-	-	669,543
Tools and equipment	698,872	70,082	-	(2,300)	766,654
Capital work-in-progress	4,650	6,852	-	-	11,502
	47,219,898	613,499	(12,470,225)	(2,027,362)	33,335,810
	At beginning of year RM	Charge for the year RM	Disposals RM	Written off RM	At end of year RM
Accumulated depreciation					
Freehold land	-	-	-	-	-
Leasehold land	12,402	12,402	-	-	24,804
Buildings	938,648	98,677	-	-	1,037,325
Shophouses	28,799	-	(28,799)	-	-
Furniture and fittings	248,376	20,835	-	(11,366)	257,845
Motor vehicles	4,073,465	447,375	(199,246)	-	4,321,594
Office equipment	640,921	83,822	-	(167,862)	556,881
Plant and machinery	3,770,635	67,101	-	(1,835,974)	2,001,762
Renovation	461,266	62,815	-	-	524,081
Tools and equipment	355,571	74,252	-	(1,533)	428,290
Capital work-in-progress	-	-	-	-	-
	10,530,083	867,279	(228,045)	(2,016,735)	9,152,582
Accumulated impairment losses					
Freehold land	1,046,406	-	-	-	1,046,406

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

31.12.2019 - Audited

	At beginning of year (As previously stated) RM	Effects on adoption of MFRS 16 (Note 5.5) RM	At beginning of year (Restated) RM	Additions RM	Disposals RM	Written off RM	Revaluation RM	At end of year RM
Valuation/Costs								
<u>Assets at valuation</u>								
<u>Own assets</u>								
Freehold land (Note 5.6)	17,627,473	-	17,627,473	-	-	(1,046,406)	7,568,933	24,150,000
Buildings	4,912,383	-	4,912,383	-	-	-	(2,383)	4,910,000
	22,539,856	-	22,539,856	-	-	(1,046,406)	7,566,550	29,060,000
<u>Right-of-use assets</u>								
Leasehold land	682,100	-	682,100	-	-	-	407,900	1,090,000
	23,221,956	-	23,221,956	-	-	(1,046,406)	7,974,450	30,150,000
<u>Assets at cost</u>								
<u>Own assets</u>								
Furniture and fittings	333,254	-	333,254	-	-	(5,021)	-	328,233
Motor vehicles	5,153,001	-	5,153,001	554,604	(637,608)	-	-	5,069,997
Office equipment	963,352	-	963,352	193,394	-	(63,693)	-	1,093,053
Plant and machinery	2,216,548	-	2,216,548	761,794	-	-	-	2,978,342
Renovation	669,543	-	669,543	127,907	-	-	-	797,450
Tools and equipment	766,654	-	766,654	31,150	-	(650)	-	797,154
Capital work-in-progress	11,502	-	11,502	347,032	-	-	-	358,534
	10,113,854	-	10,113,854	2,015,881	(637,608)	(69,364)	-	11,422,763
<u>Right-of-use assets</u>								
Buildings on lease	-	3,131,125	3,131,125	-	-	-	-	3,131,125
	10,113,854	3,131,125	13,244,979	2,015,881	(637,608)	(69,364)	-	14,553,888
	33,335,810	3,131,125	36,466,935	2,015,881	(637,608)	(1,115,770)	7,974,450	44,703,888

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

31.12.2019 – Audited (Cont'd)

	At beginning of year RM	Charge for the year RM	Disposals RM	Written off RM	Revaluation RM	At end of year RM
Accumulated depreciation						
<u>Assets at valuation</u>						
<u>Own assets</u>						
Freehold land	-	-	-	-	-	-
Buildings	1,037,325	98,678	-	-	(1,136,003)	-
	1,037,325	98,678	-	-	(1,136,003)	-
<u>Right-of-use assets</u>						
Leasehold land	24,804	12,404	-	-	(37,208)	-
	1,062,129	111,082	-	-	(1,173,211)	-
<u>Assets at cost</u>						
<u>Own assets</u>						
Furniture and fittings	257,845	13,852	-	(3,731)	-	267,966
Motor vehicles	4,321,594	456,606	(637,607)	-	-	4,140,593
Office equipment	556,881	108,402	-	(44,969)	-	620,314
Plant and machinery	2,001,762	91,160	-	-	-	2,092,922
Renovation	524,081	22,712	-	-	-	546,793
Tools and equipment	428,290	77,874	-	(347)	-	505,817
Capital work-in-progress	-	-	-	-	-	-
	8,090,453	770,606	(637,607)	(49,047)	-	8,174,405
<u>Right-of-use assets</u>						
Buildings on lease	-	834,967	-	-	-	834,967
	8,090,453	1,605,573	(637,607)	(49,047)	-	9,009,372
	9,152,582	1,716,655	(637,607)	(49,047)	(1,173,211)	9,009,372
Accumulated impairment losses						
<u>Own assets</u>						
Freehold land (Note 5.6)	1,046,406	-	-	(1,046,406)	-	-

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

31.12.2020 - Audited

	At beginning of year RM	Additions RM	Transfers RM	Disposals RM	Revaluation RM	At end of year RM
Valuation/Costs						
Assets at valuation						
Own assets						
Freehold land	24,150,000	-	-	-	1,000,000	25,150,000
Buildings	4,910,000	-	-	-	-	4,910,000
	29,060,000	-	-	-	1,000,000	30,060,000
Right-of-use assets						
Leasehold land	1,090,000	-	-	-	-	1,090,000
	30,150,000	-	-	-	1,000,000	31,150,000
Assets at cost						
Own assets						
Furniture and fittings	328,233	8,600	-	-	-	336,833
Motor vehicles	5,069,997	269,620	-	-	-	5,339,617
Office equipment	1,093,053	202,850	-	(8,849)	-	1,287,054
Plant and machinery	2,978,342	56,164	-	-	-	3,034,506
Renovation	797,450	121,737	883,816	-	-	1,803,003
Tools and equipment	797,154	69,066	-	-	-	866,220
Capital work-in-progress	358,534	665,189	(883,816)	-	-	139,907
	11,422,763	1,393,226	-	(8,849)	-	12,807,140
Right-of-use assets						
Buildings on lease	3,131,125	-	-	-	-	3,131,125
	14,553,888	1,393,226	-	(8,849)	-	15,938,265
	44,703,888	1,393,226	-	(8,849)	1,000,000	47,088,265

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

31.12.2020 - Audited (Cont'd)

	At beginning of year RM	Charge for the year RM	Disposals RM	Revaluation RM	At end of year RM
Accumulated depreciation					
<u>Assets at valuation</u>					
<u>Own assets</u>					
Freehold land	-	-	-	-	-
Buildings	-	98,629	-	(49,314)	49,315
	-	98,629	-	(49,314)	49,315
<u>Right-of-use assets</u>					
Leasehold land	-	20,962	-	(9,910)	11,052
	-	119,591	-	(59,224)	60,367
<u>Assets at cost</u>					
<u>Own assets</u>					
Furniture and fittings	267,966	13,827	-	-	281,793
Motor vehicles	4,140,593	416,563	-	-	4,557,156
Office equipment	620,314	132,865	(4,870)	-	748,309
Plant and machinery	2,092,922	143,412	-	-	2,236,334
Renovation	546,793	61,009	-	-	607,802
Tools and equipment	505,817	83,861	-	-	589,678
Capital work-in-progress	-	-	-	-	-
	8,174,405	851,537	(4,870)	-	9,021,072
<u>Right-of-use assets</u>					
Buildings on lease	834,967	834,967	-	-	1,669,934
	9,009,372	1,686,504	(4,870)	-	10,691,006
	9,009,372	1,806,095	(4,870)	(59,224)	10,751,373

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

5.1 The movements of property, plant and equipment during the financial years are as follows (Cont'd) :-

	Carrying amounts as at			
	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
<u>Assets at valuation</u>				
<i>Own assets</i>				
Freehold land	-	-	24,150,000	25,150,000
Buildings	-	-	4,910,000	4,860,685
<i>Right-of-use assets</i>				
Leasehold land	-	-	1,090,000	1,078,948
	-	-	30,150,000	31,089,633
<u>Assets at cost</u>				
<i>Own assets</i>				
Freehold land	28,560,843	16,581,067	-	-
Leasehold land	669,698	657,296	-	-
Buildings	3,973,735	3,875,058	-	-
Shophouses	211,201	-	-	-
Furniture and fittings	90,141	75,409	60,267	55,040
Motor vehicles	1,207,230	831,407	929,404	782,461
Office equipment	409,750	406,471	472,739	538,745
Plant and machinery	63,676	214,786	885,420	798,172
Renovation	109,184	145,462	250,657	1,195,201
Tools and equipment	343,301	338,364	291,337	276,542
Capital work-in-progress	4,650	11,502	358,534	139,907
<i>Right-of-use assets</i>				
Buildings on lease	-	-	2,296,158	1,461,191
	35,643,409	23,136,822	5,544,516	5,247,259
	35,643,409	23,136,822	35,694,516	36,336,892

5.2 The carrying amounts of property, plant and equipment of the Group which have been charged to financial institutions in consideration for credit facilities granted as disclosed in Note 16 are as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Freehold land	22,130,829	16,581,067	24,150,000	25,150,000
Buildings	2,837,616	2,763,496	4,350,000	4,306,500
	24,968,445	19,344,563	28,500,000	29,456,500

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**5. Property, Plant and Equipment (Cont'd)**

- 5.3 The land and buildings of the Group have been revalued by the Directors on 31 December 2019 and 31 December 2020 based on the assets' open market values as ascertained through valuations carried out by independent professional valuers in October 2019 and in June 2020 respectively.

The fair values of the land and buildings of the Group as at 31 December 2019 and 31 December 2020 were RM30,150,000 and RM31,150,000 respectively. In the assessment of the fair values, the sales prices of comparable properties in the locality are adjusted for factors which affect value such as location, size, age and condition of buildings, tenure, shape, title restrictions, if any, and other relevant characteristics. The most significant input of this valuation is price per square foot.

The fair values of the land and buildings of the Group are categorised as Level 2 in the fair value hierarchy and there were no transfers in between fair value levels during the reporting periods under review.

- 5.4 As disclosed in Note 2.2.2, the Directors have changed the basis of subsequent measurement of land and buildings of the Group from cost model to the revaluation model effective from 31 December 2019. Had the revalued land and buildings of the Group been carried under cost model, their carrying amounts as at 31 December 2019 and 31 December 2020 would be as follows :-

	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Freehold land	16,581,067	16,581,067
Leasehold land	644,892	631,775
Buildings	3,776,380	3,677,208
	<u>21,002,339</u>	<u>20,890,050</u>

5.5 Right-of-use asset - Buildings on lease

The Group entered into a contract for the lease of a double-storey office cum warehouse building (the "underlying assets") from a company in which certain Directors of the Group have substantial financial interests for an initial period of 3 years and thereafter the lease contract will be automatically renewed for a successive 1 year period until terminated by either party.

Upon the adoption of MFRS 16 *Leases* as disclosed in Note 3.3, the cost of right-of-use asset and the corresponding lease liability have been measured at 1 January 2019 which include the present value of all unpaid lease payments up to the end of extension period as the Group reasonably expects for the underlying assets will be used. The Group shall reassess the lease term upon the occurrence of either a significant event or a significant change in circumstances that is within its control and that was not previously included in its determination of the lease term.

- 5.6 A parcel of freehold land at a cost of RM1,046,406 was written off during the financial year ended 31 December 2019 following a court's decision on 21 August 2019 to nullify the acquisition contract entered into by the Group in prior years as the vendor did not have a valid title to the said land. The carrying amount of this land had been fully impaired in prior years and therefore the write-off has no impact on the profit or loss for the financial year ended 31 December 2019.

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Accountants' Report(Cont'd)**6. Investment Properties**

6.1 The movements of investment properties during the financial years are as follows :-

31.12.2017 - Audited

	At beginning of year RM	Additions RM	Disposals RM	At end of year RM
Costs				
Freehold land	22,837,318	-	-	22,837,318
Buildings	709,041	-	-	709,041
Shophouses	502,329	-	(502,329)	-
	24,048,688	-	(502,329)	23,546,359
	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Accumulated depreciation				
Freehold land	-	-	-	-
Buildings	97,399	29,881	-	127,280
Shophouses	211,192	836	(212,028)	-
	308,591	30,717	(212,028)	127,280

31.12.2018 - Audited

	At beginning of year RM	Additions RM	Disposals RM	At end of year RM
Costs				
Freehold land	22,837,318	-	(22,837,318)	-
Buildings	709,041	-	(709,041)	-
	23,546,359	-	(23,546,359)	-
	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Accumulated depreciation				
Freehold land	-	-	-	-
Buildings	127,280	27,390	(154,670)	-
	127,280	27,390	(154,670)	-

31.12.2019 - NIL**31.12.2020 - NIL**

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**6. Investment Properties (Cont'd)**

6.1 The movements of investment properties during the financial years are as follows (Cont'd):-

	Carrying amounts as at			
	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Carrying amounts				
Freehold land	22,837,318	-	-	-
Buildings	581,761	-	-	-
Shophouses	-	-	-	-
	<u>23,419,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fair value	<u>26,670,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

6.2 The fair value of investment properties of the Group was categorised as Level 2 in the fair value hierarchy and the fair value was determined by external independent property valuers based on observable market price.

6.3 The carrying amounts of investment properties of the Group which have been charged to financial institutions in consideration for credit facilities granted as disclosed in Note 16 are as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Freehold land	22,474,359	-	-	-
Buildings	320,720	-	-	-
	<u>22,795,079</u>	<u>-</u>	<u>-</u>	<u>-</u>

6.4 The amounts of rental income and operating expenses recognised in the profit or loss during the respective financial years in relation to the investment properties are as follows :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Rental income	529,850	518,400	-	-
Depreciation	30,717	27,390	-	-
Insurance	20,720	24,440	-	-
Quit rent and assessment	10,826	42,506	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**7. Intangible Assets****Computer software acquired**

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Costs / Carrying amount				
At beginning of year	-	-	-	191,146
Additions	-	-	191,146	117,449
At end of year	-	-	191,146	308,595

The computer software was made available for use in January 2021 and accordingly amortisation will commence from that date. The acquisition costs, including all directly attributable costs incurred in preparing the software for its intended use, are to be amortised on the straight-line basis to administrative expenses over the asset's estimated useful life of 5 years.

8. Investment in a Subsidiary

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Unquoted shares, at cost	2	-	-	-

8.1 Details of the Subsidiary

Details of the subsidiary which is incorporated in Malaysia are as follows :-

Name of company	Principal activity	Effective interest in equity			
		Audited 31.12.2017 %	Audited 31.12.2018 %	Audited 31.12.2019 %	Audited 31.12.2020 %
CMT Properties Sdn Bhd (formerly known as Yenher Properties Sdn Bhd)	Investment holding	100	-	-	-

8.2 Disposal of Subsidiary

On 14 December 2018, the subsidiary was disposed of for a cash consideration of RM840 resulting in a gain on disposal of investment of RM838. The subsidiary was disposed to certain Directors of the Group namely Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye.

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Accountants' Report(Cont'd)

9. Inventories

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
At cost				
Raw materials	17,195,479	17,562,400	16,842,294	16,728,976
Finished goods	4,188,946	4,191,063	5,635,439	5,454,032
Distribution goods	5,401,242	6,815,845	6,335,007	5,854,906
Goods in-transit	4,836,314	1,440,686	1,429,211	2,986,698
	<u>31,621,981</u>	<u>30,009,994</u>	<u>30,241,951</u>	<u>31,024,612</u>
	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Recognised in profit or loss				
Inventories recognised as an expense	126,753,974	131,054,780	133,729,623	149,599,040

10. Trade and Other Receivables

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Trade receivables (Note 10.1)	52,220,670	45,300,943	54,420,384	54,229,606
Other receivables (Note 10.2)	3,480,039	1,239,447	3,231,267	3,631,294
	<u>55,700,709</u>	<u>46,540,390</u>	<u>57,651,651</u>	<u>57,860,900</u>
Deposits (Note 10.3)	240,190	2,076,109	1,850,386	2,142,787
Prepayments	24,334	25,542	125,701	302,627
Goods and Services Tax claimable	-	84,347	17,056	-
	<u>55,965,233</u>	<u>48,726,388</u>	<u>59,644,794</u>	<u>60,306,314</u>

10.1 Trade Receivables

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Third parties	41,218,504	40,581,037	46,732,423	48,730,376
Related parties (Note 10.1(a))	12,877,211	8,097,509	8,944,618	6,545,163
	<u>54,095,715</u>	<u>48,678,546</u>	<u>55,677,041</u>	<u>55,275,539</u>
Allowance for impairment losses	(1,875,045)	(3,377,603)	(1,256,657)	(1,045,933)
	<u>52,220,670</u>	<u>45,300,943</u>	<u>54,420,384</u>	<u>54,229,606</u>

(a) Related parties refer to companies in which certain Directors or a person connected to certain Directors of the Group have substantial financial interests.

The indebtednesses are interest-free, unsecured and are to be settled in accordance with normal credit terms.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**10. Trade and Other Receivables (Cont'd)****10.1 Trade Receivables (Cont'd)**

- (b) The Group's normal credit periods of trade receivables throughout the financial years presented range from 30 to 120 days. Other credit periods are assessed and approved on a case by case basis.
- (c) The Group's exposure to credit risk and allowances for impairment losses on trade receivables are summarised below :-

31.12.2017 - Presented in accordance with MFRS 139

	Gross carrying amount RM	Individual impairment RM	Net carrying amount RM
Not past due	35,252,026	-	35,252,026
1 to 30 days past due	6,279,727	-	6,279,727
31 to 60 days past due	4,658,227	-	4,658,227
61 to 90 days past due	2,303,788	-	2,303,788
91 to 120 days past due	1,466,778	-	1,466,778
More than 120 days past due	4,135,169	(1,875,045)	2,260,124
	18,843,689	(1,875,045)	16,968,644
	54,095,715	(1,875,045)	52,220,670

31.12.2018 - Presented in accordance with MFRS 9

	Gross carrying amount RM	Loss allowances RM	Net carrying amount RM
Not credit impaired			
Not past due	32,022,885	(148,530)	31,874,355
1 to 30 days past due	8,283,806	(177,988)	8,105,818
31 to 60 days past due	2,733,762	(140,197)	2,593,565
61 to 90 days past due	1,168,518	(126,225)	1,042,293
91 to 120 days past due	736,754	(99,083)	637,671
121 to 210 days past due	892,075	(394,650)	497,425
	13,814,915	(938,143)	12,876,772
	45,837,800	(1,086,673)	44,751,127
Credit impaired			
More than 210 days	827,380	(277,564)	549,816
Individually impaired	2,013,366	(2,013,366)	-
	2,840,746	(2,290,930)	549,816
	48,678,546	(3,377,603)	45,300,943

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**10. Trade and Other Receivables (Cont'd)****10.1 Trade Receivables (Cont'd)**

- (c) The Group's exposure to credit risk and allowances for impairment losses on trade receivables are summarised below (Cont'd) :-

31.12.2019 - Presented in accordance with MFRS 9

	Gross carrying amount RM	Loss allowances RM	Net carrying amount RM
Not credit impaired			
Not past due	34,745,969	(145,303)	34,600,666
1 to 30 days past due	7,631,632	(123,736)	7,507,896
31 to 60 days past due	5,603,627	(172,903)	5,430,724
61 to 90 days past due	3,030,138	(124,980)	2,905,158
91 to 120 days past due	2,253,700	(98,464)	2,155,236
121 to 210 days past due	1,304,610	(169,586)	1,135,024
	19,823,707	(689,669)	19,134,038
	54,569,676	(834,972)	53,734,704
Credit impaired			
More than 210 days	773,287	(87,607)	685,680
Individually impaired	334,078	(334,078)	-
	1,107,365	(421,685)	685,680
	55,677,041	(1,256,657)	54,420,384

31.12.2020 - Presented in accordance with MFRS 9

	Gross carrying amount RM	Loss allowances RM	Net carrying amount RM
Not credit impaired			
Not past due	38,753,564	(73,754)	38,679,810
1 to 30 days past due	7,470,028	(53,510)	7,416,518
31 to 60 days past due	3,236,556	(37,410)	3,199,146
61 to 90 days past due	1,976,407	(26,956)	1,949,451
91 to 120 days past due	801,369	(25,033)	776,336
121 to 210 days past due	1,436,777	(109,821)	1,326,956
	14,921,137	(252,730)	14,668,407
	53,674,701	(326,484)	53,348,217
Credit impaired			
More than 210 days	936,909	(69,161)	867,748
Individually impaired	663,929	(650,288)	13,641
	1,600,838	(719,449)	881,389
	55,275,539	(1,045,933)	54,229,606

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**10. Trade and Other Receivables (Cont'd)****10.1 Trade Receivables (Cont'd)**

- (d) The movements in the Group's allowances for impairment losses on trade receivables during the financial years covered by this report are as follows :-

31.12.2017 - Presented in accordance with MFRS 139

	Individually impaired RM
Balance at 1 January 2017	(1,479,494)
Addition	(1,740,752)
Reversal	102,404
Write-off	1,242,797
Balance at 31 December 2017	<u>(1,875,045)</u>

31.12.2018 - Presented in accordance with MFRS 9

	Lifetime expected credit losses RM	Credit impaired RM	Total RM
Balance at 31 December 2017 under MFRS 139	-	-	(1,875,045)
Adjustment on initial application of MFRS 9 (Note 3.1(b))	-	-	(1,719,887)
Balance at 1 January 2018 under MFRS 9	(1,719,887)	(1,875,045)	(3,594,932)
Write-off	-	137,368	137,368
Net gain/(loss) on remeasurement of loss allowances	633,214	(553,253)	79,961
Balance at 31 December 2018	<u>(1,086,673)</u>	<u>(2,290,930)</u>	<u>(3,377,603)</u>

31.12.2019 - Presented in accordance with MFRS 9

	Lifetime expected credit losses RM	Credit impaired RM	Total RM
Balance at 1 January 2019	(1,086,673)	(2,290,930)	(3,377,603)
Write-off	-	699,073	699,073
Net gain on remeasurement of loss allowances	251,701	1,170,172	1,421,873
Balance at 31 December 2019	<u>(834,972)</u>	<u>(421,685)</u>	<u>(1,256,657)</u>

12. ACCOUNTANTS' REPORT (Cont'd)

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Accountants' Report(Cont'd)**10. Trade and Other Receivables (Cont'd)****10.1 Trade Receivables (Cont'd)**

- (d) The movements in the Group's allowances for impairment losses on trade receivables during the financial years covered by this report are as follows (Cont'd) :-

31.12.2020 - Presented in accordance with MFRS 9

	Lifetime expected credit losses	Credit impaired	Total
	RM	RM	RM
Balance at 1 January 2020	(834,972)	(421,685)	(1,256,657)
Net gain/(loss) on remeasurement of loss allowances	508,488	(297,764)	210,724
Balance at 31 December 2020	(326,484)	(719,449)	(1,045,933)

- (e) The Group's trade receivables are denominated in the following currencies :-

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
	RM	RM	RM	RM
United States Dollar	2,706,433	2,180,290	2,804,801	2,934,650
Ringgit Malaysia	49,514,237	43,120,653	51,615,583	51,294,956
	<u>52,220,670</u>	<u>45,300,943</u>	<u>54,420,384</u>	<u>54,229,606</u>

10.2 Other Receivables

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
	RM	RM	RM	RM
Third parties	3,333,433	1,239,447	3,231,267	3,631,294
Director (Note 10.2(a))	146,606	-	-	-
	<u>3,480,039</u>	<u>1,239,447</u>	<u>3,231,267</u>	<u>3,631,294</u>

- (a) The indebtedness with a Director was interest-free, unsecured and was repayable on demand.

- (b) The Group's other receivables are denominated in the following currencies :-

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
	RM	RM	RM	RM
United States Dollar	-	-	245,550	325,584
Ringgit Malaysia	3,480,039	1,239,447	2,985,717	3,305,710
	<u>3,480,039</u>	<u>1,239,447</u>	<u>3,231,267</u>	<u>3,631,294</u>

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**10. Trade and Other Receivables (Cont'd)****10.3 Deposits**

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Third parties	240,190	2,000,109	1,774,386	2,066,787
Related party	-	76,000	76,000	76,000
	<u>240,190</u>	<u>2,076,109</u>	<u>1,850,386</u>	<u>2,142,787</u>

Related party refers to a company in which certain Directors of the Group have substantial financial interests.

The indebtedness is interest-free, unsecured and is to be settled in accordance with normal credit terms.

Deposits paid to third parties include the following :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Deposits paid to supplier for purchase of machinery	-	1,646,696	1,646,696	1,646,696

11. Short-term Deposits, Cash and Bank Balances

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Short-term deposits with licensed banks	1,405,084	2,905,084	14,109,793	9,839,553
Cash and bank balances	6,086,816	10,930,837	6,216,997	16,395,389
As presented in the statements of financial position	7,491,900	13,835,921	20,326,790	26,234,942
Less : Short-term deposits pledged as security	(1,405,084)	(1,905,084)	(1,542,553)	(1,539,553)
Cash and cash equivalents - as presented in the statements of cash flows	<u>6,086,816</u>	<u>11,930,837</u>	<u>18,784,237</u>	<u>24,695,389</u>

Short-term deposits with licensed banks pledged as security for banking facilities granted to the Group are not available for general use and hence are excluded from cash and cash equivalents.

The effective interest rates of the Group's short-term deposits with licensed banks as at the end of the respective financial years are as follows :-

	Effective interest rates
31.12.2017	ranged from 3.10% to 3.15% per annum
31.12.2018	ranged from 3.05% to 3.35% per annum
31.12.2019	ranged from 3.15% to 3.58% per annum
31.12.2020	ranged from 1.45% to 3.36% per annum

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**11. Short-term Deposits, Cash and Bank Balances (Cont'd)**

The Group's short-term deposits, cash and bank balances are denominated in the following currencies :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Singapore Dollar	25	25	25	25
New Taiwan Dollar	-	-	-	109,011
Euro	6,478	353,756	52,820	22,943
United States Dollar	256,787	676,876	551,349	632,379
Ringgit Malaysia	7,228,610	12,805,264	19,722,596	25,470,584
	<u>7,491,900</u>	<u>13,835,921</u>	<u>20,326,790</u>	<u>26,234,942</u>

12. Share Capital and Invested Equity**12.1 Share Capital**

The movements in share capital during the financial years presented in this report are as follows :-

	Issued and fully paid-up ordinary shares			
	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
Number of shares				
At beginning of year	-	-	-	-
Issued on incorporation of the Company on 9 March 2020	-	-	-	2
Issued for acquisition of a subsidiary (Note 32.1)	-	-	-	235,568,998
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,569,000</u>
Value (RM)				
At beginning of year	-	-	-	-
Issued on incorporation of the Company on 9 March 2020	-	-	-	2
Issued for acquisition of a subsidiary (Note 32.1)	-	-	-	117,784,499
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,784,501</u>

All of the issued ordinary shares of the Company do not have par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the shareholders' meetings of the Company.

As disclosed in Note 32.1, on 28 August 2020, the Company issued 235,568,998 new ordinary shares at an issue price of RM0.50 per share for the satisfaction of consideration payable for the acquisition of Yenher Agro amounting to RM117,784,499. All the new ordinary shares issued during the financial year ended 31 December 2020 rank pari passu in all respects with the existing ordinary shares of the Company.

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Accountants' Report(Cont'd)**12. Share Capital and Invested Equity (Cont'd)****12.2 Invested Equity**

For the purpose of the combined financial statements, the invested equity at the end of the respective financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 is the aggregate of the share capital of Yenher Agro and Yenher Biotech.

The movements of the invested equity during the financial years presented in this report are as follows :-

	Issued and fully paid-up ordinary shares			
	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
At beginning of year	2,000,100	2,250,000	2,250,000	2,250,000
Issued during the year	249,900	-	-	-
Reversed against the purchase consideration for the acquisitions of Yenher Agro and Yenher Biotech on the application of merger accounting (Note 32.1)	-	-	-	(2,250,000)
At end of year	2,250,000	2,250,000	2,250,000	-

13. Merger Deficit

The merger deficit arose from the difference between the purchase consideration and the issued share capital of the subsidiaries acquired upon consolidation using the principles of merger accounting in respect of business combinations under common control (Note 32.1).

14. Revaluation Reserve

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
At beginning of year	-	-	-	8,412,396
Revaluation surplus during the year	-	-	9,674,666	1,053,410
Transfer to retained profits	-	-	-	(15,752)
Deferred tax effect on current year revaluation surplus (Note 15)	-	-	(1,262,270)	(112,818)
At end of year	-	-	8,412,396	9,337,236

Revaluation reserve represents net of tax surplus from revaluation of land and buildings included under property, plant and equipment (Note 5.1). As disclosed in Note 2.2.2, with effect from 31 December 2019, the Group has changed its accounting policy on subsequent measurement of land and buildings from the cost model to revaluation model and this change in accounting policy has been applied prospectively from 31 December 2019. Accordingly, there is no revaluation reserve for 31 December 2017 and 31 December 2018.

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Accountants' Report(Cont'd)**15. Deferred Tax Liabilities**

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
At beginning of year :				
- As previously stated	143,000	230,000	15,000	1,159,695
- Effects on adoption of MFRS 9 (Note 3.1)	-	(411,000)	-	-
- As restated	143,000	(181,000)	15,000	1,159,695
Recognised in profit or loss (Note 20)	87,000	196,000	(117,575)	177,538
Recognised in other comprehensive income (Note 14)	-	-	1,262,270	112,818
At end of year	230,000	15,000	1,159,695	1,450,051

- 15.1 The components and movements of deferred tax liabilities and deferred tax assets, prior to offsetting, during the financial years presented in this report are as follows :-

31.12.2017 - Audited

	As at 01.01.2017 RM	Recognised in profit or loss RM	As at 31.12.2017 RM
Deferred tax liabilities			
Excess of capital allowances over depreciation	213,000	41,000	254,000
Deferred tax assets			
Other deductible temporary differences	(70,000)	46,000	(24,000)
	143,000	87,000	230,000

31.12.2018 - Audited

	As at 01.01.2018 (As previously stated) RM	Effects on adoption of MFRS 9 (Note 3.1) RM	As at 01.01.2018 (Restated) RM	Recognised in profit or loss RM	As at 31.12.2018 RM
Deferred tax liabilities					
Excess of capital allowances over depreciation	254,000	-	254,000	89,805	343,805
Other taxable temporary differences	-	-	-	2,000	2,000
	254,000	-	254,000	91,805	345,805
Deferred tax assets					
Unutilised capital allowances	-	-	-	(4,805)	(4,805)
Other deductible temporary differences	(24,000)	(411,000)	(435,000)	109,000	(326,000)
	(24,000)	(411,000)	(435,000)	104,195	(330,805)
	230,000	(411,000)	(181,000)	196,000	15,000

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**15. Deferred Tax Liabilities (Cont'd)**

15.1 The components and movements of deferred tax liabilities and deferred tax assets, prior to offsetting, during the financial years presented in this report are as follows (Cont'd) :-

31.12.2019 - Audited

	As at 01.01.2019 (As previously stated) RM	Effects on adoption of MFRS 16 (Note 3.3) RM	As at 01.01.2019 (Restated) RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	As at 31.12.2019 RM
Deferred tax liabilities						
Excess of capital allowances over depreciation	343,805	-	343,805	(11,935)	-	331,870
Revaluation of land and buildings	-	-	-	(126,483)	1,262,270	1,135,787
Right-of-use assets	-	751,470	751,470	(200,391)	-	551,079
Other taxable temporary differences	2,000	-	2,000	(1,191)	-	809
	<u>345,805</u>	<u>751,470</u>	<u>1,097,275</u>	<u>(340,000)</u>	<u>1,262,270</u>	<u>2,019,545</u>
Deferred tax assets						
Unutilised capital allowances	(4,805)	-	(4,805)	(57,912)	-	(62,717)
Lease liabilities	-	(751,470)	(751,470)	187,703	-	(563,767)
Other deductible temporary differences	(326,000)	-	(326,000)	92,634	-	(233,366)
	<u>(330,805)</u>	<u>(751,470)</u>	<u>(1,082,275)</u>	<u>222,425</u>	<u>-</u>	<u>(859,850)</u>
	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>(117,575)</u>	<u>1,262,270</u>	<u>1,159,695</u>

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**15. Deferred Tax Liabilities (Cont'd)**

15.1 The components and movements of deferred tax liabilities and deferred tax assets, prior to offsetting, during the financial years presented in this report are as follows (Cont'd) :-

31.12.2020 - Audited

	As at 01.01.2020 RM	Recognised in profit or loss RM	Recognised in other comprehensive income RM	As at 31.12.2020 RM
Deferred tax liabilities				
Excess of capital allowances over depreciation	331,870	50,649	-	382,519
Revaluation of land and buildings	1,135,787	121,508	112,818	1,370,113
Right-of-use assets	551,079	(200,392)	-	350,687
Other taxable temporary differences	809	(809)	-	-
	2,019,545	(29,044)	112,818	2,103,319
Deferred tax assets				
Unutilised capital allowances	(62,717)	62,717	-	-
Unabsorbed tax losses	-	(52,814)	-	(52,814)
Lease liabilities	(563,767)	196,679	-	(367,088)
Other deductible temporary differences	(233,366)	-	-	(233,366)
	(859,850)	206,582	-	(653,268)
	1,159,695	177,538	112,818	1,450,051

15.2 As at the end of the respective financial years, the amounts of unutilised capital allowances and unabsorbed tax losses for which deferred tax assets have not been recognised in the financial statements presented are as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Unutilised capital allowances	-	10,296	34,721	-
Unabsorbed tax losses	-	105,052	229,715	140,771
	-	115,348	264,436	140,771

16. Bank Borrowings (Secured)

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Non-current liabilities				
Term loans (Note 16.1)	12,006,330	5,167,762	4,751,445	-
Current liabilities				
Term loans (Note 16.1)	2,032,558	597,588	480,003	-
Bankers' acceptances (Note 16.2)	3,932,000	-	-	-
	5,964,558	597,588	480,003	-
	17,970,888	5,765,350	5,231,448	-

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**16. Bank Borrowings (Secured) (Cont'd)****16.1 Term Loans**

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Term loan I - repayable by way of 144 monthly instalments commencing from December 2012 which was fully settled during the financial year ended 31 December 2018	7,016,289	-	-	-
Term loan II - repayable by way of 144 monthly instalments commencing from December 2012 which was fully settled during the financial year ended 31 December 2018	645,918	-	-	-
Term loan III - repayable by way of 120 monthly instalments commencing from November 2016	6,376,681	5,765,350	5,231,448	-
	14,038,888	5,765,350	5,231,448	-

The term loans are repayable as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Current liabilities - Within 1 year	2,032,558	597,588	480,003	-
Non-current liabilities :				
- within 2 to 5 years	6,482,394	2,684,735	3,053,380	-
- more than 5 years	5,523,936	2,483,027	1,698,065	-
	12,006,330	5,167,762	4,751,445	-
Total term loans repayable	14,038,888	5,765,350	5,231,448	-

The term loans are secured by way of legal charges over certain properties of the Group and are jointly and severally guaranteed by certain Directors of the Group.

The effective interest rates of term loans as at the end of the respective financial years are as follows :-

	Audited 31.12.2017 per annum	Audited 31.12.2018 per annum	Audited 31.12.2019 per annum	Audited 31.12.2020 per annum
Term loan I	4.55%	-	-	-
Term loan II	2.50%	-	-	-
Term loan III	4.45%	4.70%	7.70%	-

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

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Accountants' Report(Cont'd)**16. Bank Borrowings (Secured) (Cont'd)****16.2 Bankers' Acceptances**

The bankers' acceptances are secured by way of legal charges over certain properties of the Group and its short-term deposits (Note 11) and are jointly and severally guaranteed by certain Directors of the Group.

The effective interest rate of bankers' acceptances as at the end of the respective financial years are as follows :-

	Audited 31.12.2017 per annum	Audited 31.12.2018 per annum	Audited 31.12.2019 per annum	Audited 31.12.2020 per annum
Bankers' acceptances	3.59%	-	-	-

17. Trade and Other Payables

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Trade payables (Note 17.1)	14,610,194	13,830,869	13,372,043	11,260,492
Other payables and accruals (Note 17.2)	33,343,808	7,834,595	7,699,086	9,983,716
	<u>47,954,002</u>	<u>21,665,464</u>	<u>21,071,129</u>	<u>21,244,208</u>

17.1 Trade Payables

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Third parties	14,473,921	13,606,305	13,281,760	11,029,148
Related parties (Note 17.1(a))	136,273	224,564	90,283	231,344
	<u>14,610,194</u>	<u>13,830,869</u>	<u>13,372,043</u>	<u>11,260,492</u>

- (a) Related parties refer to companies in which certain Directors or a person connected to certain Directors of the Group have substantial financial interests.

The indebtednesses are interest-free, unsecured and are to be settled in accordance with normal credit terms.

- (b) The normal credit periods of the Group's trade payables for the respective financial years presented are as follows :-

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
Credit periods of trade payables	30 to 60 days	7 to 90 days	7 to 90 days	7 to 90 days

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**17. Trade and Other Payables (Cont'd)****17.1 Trade Payables (Cont'd)**

(c) The Group's trade payables are denominated in the following currencies :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Euro	1,358,501	1,185,220	1,973,079	908,670
United States Dollar	6,269,573	5,057,072	2,960,677	1,797,580
Ringgit Malaysia	6,982,120	7,588,577	8,438,287	8,554,242
	<u>14,610,194</u>	<u>13,830,869</u>	<u>13,372,043</u>	<u>11,260,492</u>

17.2 Other Payables and Accruals

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Third parties	10,424,060	7,833,395	7,695,587	9,983,716
Related parties (Note 17.2(a))	-	1,200	3,499	-
Directors	22,919,748	-	-	-
	<u>33,343,808</u>	<u>7,834,595</u>	<u>7,699,086</u>	<u>9,983,716</u>

(a) Related parties refer to companies in which certain Directors or a person connected to certain Directors of the Group have substantial financial interests.

The indebtednesses including the indebtednesses with Directors are interest-free, unsecured and are repayable on demand.

(b) The Group's other payables are denominated in the following currencies :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
United States Dollar	-	-	103,868	-
Ringgit Malaysia	33,343,808	7,834,595	7,595,218	9,983,716
	<u>33,343,808</u>	<u>7,834,595</u>	<u>7,699,086</u>	<u>9,983,716</u>

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**18. Revenue**

The Group's revenue from sales of goods is recognised at a point in time and is derived from the following business activities :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Manufacturing	83,122,098	86,774,363	98,291,309	112,944,382
Distribution	94,257,659	94,334,921	80,769,910	89,690,555
	<u>177,379,757</u>	<u>181,109,284</u>	<u>179,061,219</u>	<u>202,634,937</u>

Disaggregation of revenue by geographical locations is disclosed in Note 29.2.

19. Profit before Taxation

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
This is stated after charging :-				
Auditors' remuneration :				
- Annual statutory audit				
<i>Current year</i>	54,600	59,300	61,800	44,000
<i>Under/(Over) provided in prior year</i>	3,000	-	(2,500)	(5,000)
- Interim audit	-	-	-	33,000
- Non-audit fees				
<i>Current year</i>	-	4,500	2,000	-
<i>Under provided in prior year</i>	-	-	-	1,000
Bad debts written off	26,856	76,076	-	-
Depreciation of investment properties	30,717	27,390	-	-
Depreciation of property, plant and equipment	1,177,258	867,279	869,284	950,166
Depreciation of right-of-use assets	-	-	847,371	855,929
Directors' remuneration :				
- Fees	2,400,000	2,400,000	1,200,000	3,000,000
- Salaries and other remuneration	2,540,716	3,035,348	4,559,697	5,866,998
Expenses relating to short-term leases	-	-	156,100	150,990
Impairment losses on property, plant and equipment	1,046,406	-	-	-
Interest expenses :				
- Lease liabilities	-	-	129,902	92,505
- Others	863,401	435,640	335,857	104,002

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**19. Profit before Taxation (Cont'd)**

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
This is stated after charging (Cont'd) :-				
Loss on foreign exchange :				
- Realised	-	97,868	-	285,461
- Unrealised	103,853	-	20,580	127,430
Loss on disposal of property, plant and equipment	-	-	-	2,979
Net impairment losses on trade receivables	1,638,348	-	-	-
Pre-operating expenses	-	18,289	-	-
Property, plant and equipment written off	-	10,627	20,317	-
Refundable deposits written off	-	-	4,000	-
Rental of premises	603,600	973,200	-	-
Loss on revaluation of property, plant and equipment	-	-	527,005	-
and crediting :-				
Gain on foreign exchange :				
- Realised	159,670	-	139,544	-
- Unrealised	-	8,789	-	-
Gain on disposal of a subsidiary	-	838	-	-
Gain on disposal of investment properties	614,699	3,278,311	-	-
Gain on disposal of other investment	1,983	-	-	-
Gain on disposal of property, plant and equipment	49,489	3,822,594	49,999	-
Interest income	10,733	76,347	488,625	200,700
Net reversal of impairment losses on trade receivables	-	79,961	1,421,873	210,724
Rental income	535,850	518,400	-	-
Reversal of loss on revaluation of property, plant and equipment	-	-	-	5,814
Wage subsidy	-	-	-	27,000

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**20. Taxation**

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Current year Malaysian income tax	6,896,000	6,953,000	6,550,000	7,222,000
Deferred tax expense/(income) resulting from origination and reversal of temporary differences	3,000	198,000	191,794	30,594
	6,899,000	7,151,000	6,741,794	7,252,594
(Over)/Under provided in prior year :				
- Income tax	(99,836)	(295,281)	(123,713)	(137,967)
- Deferred tax	84,000	(2,000)	(309,369)	146,944
- Real Property Gains Tax	-	35,420	269,737	-
	6,883,164	6,889,139	6,578,449	7,261,571

- 20.1 The general income tax rate in Malaysia throughout the financial years under review is 24% of taxable income. In respect of companies with issued capital not exceeding RM2,500,000, the income tax rates are as follows :-

Year of assessment	Chargeable income	Income tax rates
2017 and 2018	On the first RM500,000	18%
	On subsequent chargeable income	Between 20% and 24%, depending on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment
2019	On the first RM500,000	17%
	On subsequent chargeable income	24%
2020	On the first RM600,000 and having an annual gross income from business sources of not more than RM50,000,000	17%
	On subsequent chargeable income	24%

Since a subsidiary, namely Yenher Agro's annual gross income from business sources has exceeded RM50,000,000 during the financial year 2020, it does not qualify for the concessionary income tax rate of 17%.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**20. Taxation (Cont'd)**

20.2 A reconciliation of tax expense applicable to the profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group is as follows :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Profit before taxation	25,921,538	34,174,451	26,323,687	29,658,122
Taxation at the statutory tax rate of 24%	6,221,169	8,201,868	6,317,685	7,117,949
Tax savings on profit taxable at reduced/ scale rates	(30,000)	(30,000)	(35,000)	-
	6,191,169	8,171,868	6,282,685	7,117,949
Tax effects in respect of :-				
Income not subject to tax	(132,000)	(1,861,229)	(30,523)	(122,621)
Deemed interest income for tax purposes	1,000	-	-	-
Expenses not deductible for tax purposes	849,831	795,961	453,852	299,300
Current year deferred tax assets not recognised	-	44,400	35,780	-
Difference in tax rate	(4,000)	-	-	-
Tax savings arising from utilisation of previously unrecognised deferred tax assets	(7,000)	-	-	(42,034)
(Over)/Under provision in prior year :				
- Income tax	(99,836)	(295,281)	(123,713)	(137,967)
- Deferred tax	84,000	(2,000)	(309,369)	146,944
- Real Property Gains Tax	-	35,420	269,737	-
Total tax expense	6,883,164	6,889,139	6,578,449	7,261,571

20.3 Subject to the agreement with the Inland Revenue Board, as at the end of the financial years under review, the Group has the following estimated unutilised capital allowances and unabsorbed tax losses which are available for set-off against future taxable income :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Unutilised capital allowances	-	30,318	296,044	-
Unabsorbed tax losses	-	105,052	229,715	140,771
	-	135,370	525,759	140,771

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**20. Taxation (Cont'd)**

- 20.4 A subsidiary, namely Yenher Biotech has been granted with BioNexus ("BNX") status by the Malaysian Bioeconomy Development Corporation Sdn Bhd ("MBDC") on 8 September 2017 which exempts 100% of statutory income of the subsidiary from Malaysian income tax for a period of 5 years from the first year Yenher Biotech derives statutory income.

On 22 May 2020, the Inland Revenue Board has issued the Public Ruling No. 1/2020 (the "PR") which introduced the substantial activities requirement that must be fulfilled commencing from 16 October 2017 by a BNX status company in order to be eligible for the tax exemption incentive. The substantial activities requirement is however not applicable to Yenher Biotech until 30 June 2021. To enable Yenher Biotech to continue to be eligible for the tax exemption from 1 July 2021 onwards, Yenher Biotech had submitted an application to MBDC on 10 December 2020. The application has been approved on 31 May 2021.

21. Earnings per Share**21.1 Basic**

The basic earnings per share is calculated based on the Group's profit for the financial years attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial years as shown below :-

	Audited 01.01.2017 to 31.12.2017	Audited 01.01.2018 to 31.12.2018	Audited 01.01.2019 to 31.12.2019	Audited 01.01.2020 to 31.12.2020
Profit for the year attributable to owners of the Company (RM)	19,038,374	27,285,312	19,745,238	22,396,551
Weighted average number of ordinary shares outstanding during financial year	235,569,000 ⁽¹⁾	235,569,000 ⁽¹⁾	235,569,000 ⁽¹⁾	235,569,000 ⁽¹⁾
Earnings per share (Sen)	8.08	11.58	8.38	9.51

- ⁽¹⁾ The weighted average number of ordinary shares is based on the total number of ordinary shares issued after the completion of the acquisition of Yenher Agro as disclosed in Note 32.1. For the purpose of calculating the earnings per share for the financial years ended 31 December 2017 to 31 December 2020, the same weighted average number ordinary shares has been used as if the Group has been in existence since the beginning of the earliest period presented.

21.2 Diluted

The diluted earnings per share is equal to the basic earnings per share as there are no dilutive potential ordinary shares outstanding as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**22. Dividends**

Dividends declared by Yenher Agro are as follows :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Single tier interim dividend of RM10 per ordinary share in respect of the financial year ended 31 December 2017	20,000,000	-	-	-
Single tier interim dividend of RM12.50 per ordinary share in respect of the financial year ended 31 December 2018	-	25,000,000	-	-
Single tier interim dividend of RM4.95 per ordinary share in respect of the financial year ended 31 December 2019	-	-	9,900,000	-
	<u>20,000,000</u>	<u>25,000,000</u>	<u>9,900,000</u>	<u>-</u>

23. Staff Costs and Employees Information

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Staff costs comprised :-				
Salaries, bonus, overtime, commission, allowances and incentives	8,482,177	9,082,961	11,307,459	13,092,499
Amount contributed under defined contribution plan – Employees Provident Fund	1,036,827	1,284,032	1,579,563	1,656,525
Others	368,121	511,821	560,758	485,849
	<u>9,887,125</u>	<u>10,878,814</u>	<u>13,447,780</u>	<u>15,234,873</u>

The number of persons employed by the Group as at end of the respective financial years are as follows :-

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
Directors	3	3	4	4
Employees	106	117	134	135
	<u>109</u>	<u>120</u>	<u>138</u>	<u>139</u>

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Accountants' Report(Cont'd)**24. Notes to Statements of Cash Flows****Liabilities arising from financing activities**

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, during the financial years presented in the statements of cash flows are analysed in the tables below.

	As at 01.01.2017 RM	Net cash flows RM	As at 31.12.2017 RM
31.12.2017 - Audited			
Term loans	16,072,072	(2,033,184)	14,038,888
Bankers' acceptances	7,049,000	(3,117,000)	3,932,000
	<u>23,121,072</u>	<u>(5,150,184)</u>	<u>17,970,888</u>

	As at 01.01.2018 RM	Net cash flows RM	As at 31.12.2018 RM
31.12.2018 - Audited			
Term loans	14,038,888	(8,273,538)	5,765,350
Bankers' acceptances	3,932,000	(3,932,000)	-
	<u>17,970,888</u>	<u>(12,205,538)</u>	<u>5,765,350</u>

	As at 01.01.2019 (As previously stated) RM	Effects on adoption of MFRS 16 (Note 3.3) RM	As at 01.01.2019 (Restated) RM	Net cash flows RM	As at 31.12.2019 RM
31.12.2019 - Audited					
Term loans	5,765,350	-	5,765,350	(533,902)	5,231,448
Lease liabilities	-	3,131,125	3,131,125	(782,098)	2,349,027
	<u>5,765,350</u>	<u>3,131,125</u>	<u>8,896,475</u>	<u>(1,316,000)</u>	<u>7,580,475</u>

	As at 01.01.2020 RM	Net cash flows RM	As at 31.12.2020 RM
31.12.2020 - Audited			
Term loans	5,231,448	(5,231,448)	-
Lease liabilities	2,349,027	(819,495)	1,529,532
	<u>7,580,475</u>	<u>(6,050,943)</u>	<u>1,529,532</u>

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Accountants' Report(Cont'd)**25. Contingent Liabilities**

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Secured				
Financial guarantee favouring a third party for supply of utilities (secured together with bankers' acceptances facility - Note 16.2)	-	32,000	35,000	35,000
Unsecured				
Corporate guarantees given to licensed banks for credit facilities granted to companies in which certain Directors of the Group have substantial financial interests	17,920,790	17,492,738	12,042,000	-

26. Capital Commitments

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Authorised and contracted capital expenditure not provided for in the financial statements :				
- Acquisition of property, plant and equipment	-	10,159,184	10,110,900	9,647,405
- Acquisition of intangible assets	-	-	121,600	-
	-	10,159,184	10,232,500	9,647,405
Authorised but not contracted for :				
- Construction of a new factory building	-	-	-	32,000,000

27. Leases(a) Presented in accordance with MFRS 117 *Leases*

Non-cancellable operating lease commitments were payable as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM
Within 1 year	-	951,000
Within 2 to 5 years	-	1,617,000
	-	2,568,000

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Accountants' Report(Cont'd)**27. Leases (Cont'd)**(b) Presented in accordance with MFRS 16 *Leases*

Total cash outflows for leases for the financial years are as follows :-

	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Cash outflows for leases		
Payments of lease liabilities (Note 24)	782,098	819,495
Payments relating to short-term leases	156,100	150,990
Interest paid in relation to lease liabilities	129,902	92,505
Total cash outflows for the year	1,068,100	1,062,990

28. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the common control of another party.

Other than those already disclosed elsewhere in these financial statements, the transactions carried out with related parties during the financial years presented in this report and balances at end of the respective financial years are disclosed below.

28.1 The transactions with related parties

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Transactions with companies in which certain Directors of the Group have substantial financial interests :				
- Rental expenses	(560,400)	(916,200)	-	-
- Payments for leases	-	-	(954,000)	(960,000)
- Disposal of investment properties	905,000	26,670,000	-	-
- Disposal of property, plant and equipment	-	16,000,000	-	-

Transactions with companies in which a person connected to certain Directors of the Group has substantial financial interests :

- Sales of goods	34,668,747	30,500,644	23,477,388	20,947,456
- Sales of motor vehicle	39,623	-	-	-
- Purchases of goods	(5,309,316)	(2,807,075)	(4,568,771)	(1,804,529)
- Rental income	486,000	493,000	-	-
- Rendering of services	(47,468)	(11,603)	(165,833)	(587,988)

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Accountants' Report(Cont'd)**28. Related Party Transactions (Cont'd)****28.1 The transactions with related parties (Cont'd)**

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Transactions with certain Directors of the Group :				
- Rental expenses	-	(15,000)	-	-
- Payments for short-term leases	-	-	(18,000)	(18,000)
- Disposal of a subsidiary (Note 8.2)	-	840	-	-

28.2 Year-end outstanding balances with related parties

The year-end outstanding balances with the related parties and their terms and conditions are disclosed in Notes 10 and 17. Impairment losses recognised in respect of the amount due by the related parties for the respective financial years are as follows :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Net addition/(reversal) of impairment losses	-	15,170	52,492	(66,835)

28.3 Transaction with other related parties

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Employment benefits provided to an individual related to a Director of the Group :				
- Short-term employee benefits	215,444	666,000	850,000	-
- Contributions to Employees Provident Fund	41,040	126,540	161,500	-
- Others	829	923	770	-
	257,313	793,463	1,012,270	-

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Accountants' Report(Cont'd)**28. Related Party Transactions (Cont'd)****28.4 Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group are the Directors and their remuneration for the financial years presented are as follows :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Short-term employee benefits	2,133,945	2,462,143	3,830,774	4,929,954
Contributions to Employees Provident Fund	405,942	572,337	727,846	935,213
Directors' fees	2,400,000	2,400,000	1,200,000	3,000,000
Others	829	868	1,077	1,831
	<u>4,940,716</u>	<u>5,435,348</u>	<u>5,759,697</u>	<u>8,866,998</u>
Benefits-in-kind	-	74,823	74,823	68,625
	<u>4,940,716</u>	<u>5,510,171</u>	<u>5,834,520</u>	<u>8,935,623</u>

The year-end outstanding balances in relation to key management personnel compensation are as follows :-

	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Included under other payables and accruals	<u>4,078,520</u>	<u>3,628,472</u>	<u>4,027,859</u>	<u>5,974,890</u>

29. Operating Segments**29.1 Reportable segment**

The Group's operations comprise mainly of manufacturing, supplying and marketing of health and nutrition products for livestock and companion animals which collectively are considered as one business segment. Accordingly, the operating revenue and results of this segment are reflected in the Group's statements of profit or loss and other comprehensive income. The segment assets and liabilities are as presented in the Group's statements of financial position.

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Accountants' Report(Cont'd)**29. Operating Segments (Cont'd)****29.2 Geographical information**

In determining geographical segments of the Group, "Revenue" is based on the geographical location of customers and "Non-current Assets" are based on the geographical location of the assets. The non-current assets do not include financial instruments and deferred tax assets.

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Revenue from :				
- Malaysian customers	160,470,012	161,349,490	163,505,173	181,910,583
- Overseas customers	16,909,745	19,759,794	15,556,046	20,724,354
	<u>177,379,757</u>	<u>181,109,284</u>	<u>179,061,219</u>	<u>202,634,937</u>
	Audited 31.12.2017 RM	Audited 31.12.2018 RM	Audited 31.12.2019 RM	Audited 31.12.2020 RM
Non-current assets located in Malaysia	59,062,490	23,136,822	35,885,662	36,645,487

29.3 Major customers

Revenue from transactions with major customers who individually accounted for 10 percent or more of the Group's revenue are summarised below :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
Customer A	23,265,119	21,143,907	-	-

There was no single customer which contributed more than 10% of the Group's total revenue for the financial years ended 31 December 2019 and 31 December 2020.

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include trade and other receivables, refundable deposits, short-term deposits with licensed banks, cash and bank balances.

Financial liabilities of the Group include trade and other payables as well as bank borrowings.

30.1 Categories of Financial Instruments

As explained in Note 3.1, the Group adopted MFRS 9 *Financial Instruments* beginning from 1 January 2018 without restating prior periods in accordance with the transitional provisions of the Standard. The financial instruments information presented for the financial year ended 31 December 2017 in these financial statements do not reflect the requirements of MFRS 9 but rather those of MFRS 139.

The Group's financial instruments as at the end of the financial years presented are categorised as follows :-

- (a) Loans and receivables ("L&R")
- (b) Financial assets measured at amortised cost ("FAAC")
- (c) Financial liabilities measured at amortised cost ("FLAC")

	Audited 31.12.2017 L&R RM	Audited 31.12.2018 FAAC RM	Audited 31.12.2019 FAAC RM	Audited 31.12.2020 FAAC RM
Financial assets				
Trade and other receivables	55,700,709	46,540,390	57,651,651	57,860,900
Refundable deposits	240,190	429,413 [#]	203,690 [#]	496,091 [#]
Short-term deposits, cash and bank balances	7,491,900	13,835,921	20,326,790	26,234,942
	<u>63,432,799</u>	<u>60,805,724</u>	<u>78,182,131</u>	<u>84,591,933</u>

[#] Exclude deposit paid for purchase of machinery (Note 10.3)

	Audited 31.12.2017 FLAC RM	Audited 31.12.2018 FLAC RM	Audited 31.12.2019 FLAC RM	Audited 31.12.2020 FLAC RM
Financial liabilities				
Trade and other payables	47,954,002	21,665,464	21,071,129	21,244,208
Bank borrowings	17,970,888	5,765,350	5,231,448	-
	<u>65,924,890</u>	<u>27,430,814</u>	<u>26,302,577</u>	<u>21,244,208</u>

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management**

The Group's financial instruments are subject to a variety of financial risks including credit risk, liquidity and cash flow risks as well as market risk.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(a) Credit risk**Risk management**

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade and other receivables, refundable deposits, short-term deposits placed with licensed banks and bank balances. The Group's exposure to credit risk includes financial guarantees provided to licensed banks for credit facilities of related parties as disclosed in Note 25.

Credit risk is addressed by the application of credit evaluation and close monitoring procedures by the management.

It is inherent in the Group's business to make individually large sales to its customers that may lead to a significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

The Group's short-term deposits and bank balances are only placed with licensed banks and the management consider the risk of material loss in the event of non-performance by the financial counterparty to be unlikely.

The Group's maximum exposure to credit risk as at the end of each reporting period is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group provides unsecured corporate guarantees (financial guarantee contracts) to licensed banks for credit facilities granted to related parties. The Group monitors on an on-going basis the results of the related parties and their ability to fulfil the financial obligations. The Group's maximum exposure to credit risk arising from the corporate guarantees is represented by the amount of corporate guarantees provided as disclosed in Note 25. The fair values of the financial liabilities in respect of these corporate guarantees had not been recognised in the Group's financial statements as the fair values on initial recognition were not material. As at 31 December 2020, the Group did not have such exposure as the corporate guarantees have been fully discharged during the said financial year.

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(a) Credit risk (Cont'd)****Credit risk concentration profile**

As at the end of the respective reporting periods, the Group has significant concentration of credit risk arising from the exposure to the amounts due from the following major customers :-

	Audited 31.12.2017	Audited 31.12.2018	Audited 31.12.2019	Audited 31.12.2020
Number of major customers	10	7	10	12
Percentage of exposure of total trade receivables	54%	41%	48%	45%

The amount due and repayment from these customers are closely monitored by the management to ensure that the credit limits and terms agreed with the customers are complied with.

Measurement of expected credit loss allowances

The Group has three types of financial assets which are subject to the expected credit losses ("ECLs") impairment model and they are :-

- Trade receivables;
- Other receivables and refundable deposits; and
- Short-term deposits and bank balances.

In addition to these debt instruments, the Group has provided corporate guarantees as disclosed in Note 25 that are subject to the ECLs impairment model.

Short-term deposits and bank balances have a low credit risk as they are placed with reputable banks with high quality external credit ratings. Consequently, no allowance for impairment loss has been provided for in the financial statements.

In respect of the corporate guarantees provided to licensed banks for credit facilities granted to the related parties, as at the end of the financial years under review, there was no indication that the related parties would default on their repayment. Accordingly, no loss allowance was recognised in the financial statements.

Trade receivables using the simplified approach

The Group applies the MFRS 9 simplified approach in measuring ECLs which estimates a lifetime expected credit loss allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of its customers in relation to the billings and invoices issued to customers over a period of 2 years prior to the end of each reporting period and the corresponding historical credit loss experienced within that period.

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(a) Credit risk (Cont'd)****Measurement of expected credit loss allowances (Cont'd)*****Trade receivables using the simplified approach (Cont'd)***

The historical loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle their debts. The Group has identified the Gross Domestic Product ("GDP") as a relevant factor and accordingly adjusts the expected loss rates based on expected changes in the factor.

Where the credit risk of a debtor has increased significantly and past due more than 210 days, its ECLs are assessed individually by considering historical payment trends and financial strength of the debtor.

The gross carrying amounts of credit impaired trade receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor is having significant financial difficulty and does not have sufficient cash flows to repay its debts. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The Group's exposure to credit risk and allowance on ECLs for trade receivables are disclosed in Note 10.1.

Trade receivables that are individually determined to be impaired at each reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial years under review.

Other receivables and refundable deposits

Impairment of other receivables and refundable deposits is recognised on the general approach within MFRS 9 using the forward-looking ECLs impairment model. The methodology used to determine the amount of impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial assets.

Based on the management's assessment, the probability of default on other receivables and refundable deposits are low and hence, no loss allowance has been recognised in the financial statements.

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(b) Liquidity and cash flow risks**

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

Maturity analysis

The maturity profile of the Group's financial liabilities, lease liabilities and financial guarantee contracts as at the end of each reporting period based on the contractual undiscounted cash flows is as follows :-

	Maturity profile				Effective interest rate per annum %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM	Total RM	
31.12.2017 - Audited					
Trade and other payables	47,954,002	-	-	47,954,002	-
Term loans	2,669,472	10,677,888	6,781,228	20,128,588	2.50 to 4.55
Bankers' acceptances	3,932,000	-	-	3,932,000	3.59
Financial guarantee contracts	17,920,790	-	-	17,920,790	-
31.12.2018 - Audited					
Trade and other payables	21,665,464	-	-	21,665,464	-
Term loans	868,560	3,474,240	2,483,027	6,825,827	4.70
Financial guarantee contracts	17,492,738	-	-	17,492,738	-
31.12.2019 - Audited					
Trade and other payables	21,071,129	-	-	21,071,129	-
Term loans	868,560	4,342,800	1,788,600	6,999,960	7.70
Lease liabilities	912,000	1,596,000	-	2,508,000	4.70
Financial guarantee contracts	12,042,000	-	-	12,042,000	-
31.12.2020 - Audited					
Trade and other payables	21,244,208	-	-	21,244,208	-
Lease liabilities	912,000	684,000	-	1,596,000	4.70

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(c) Market risk**

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group's main market risk exposures are currency and interest rate fluctuations which are discussed under the respective risk headings.

(d) Currency risk

The Group operates internationally and is exposed to foreign currency risk arising from transactions denominated in currencies other than the functional currency of the Group, i.e. Ringgit Malaysia. The foreign currencies giving rise to this risk are primarily United States Dollar ("USD"), European Union Euro ("EURO"), New Taiwan Dollar ("NTD") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is maintained at an acceptable level.

The Group does not speculate in foreign currency derivatives.

Exposure to currency risk

The foreign currency exposure profile of the Group's financial instruments as at the end of each of the reporting period is as follows :-

	Denominated in foreign currency				Total RM
	USD RM	EURO RM	NTD RM	SGD RM	
31.12.2017 - Audited					
Trade receivables	2,706,433	-	-	-	2,706,433
Short-term deposits, cash and bank balances	256,787	6,478	-	25	263,290
Trade payables	(6,269,573)	(1,358,501)	-	-	(7,628,074)
	(3,306,353)	(1,352,023)	-	25	(4,658,351)
31.12.2018 - Audited					
Trade receivables	2,180,290	-	-	-	2,180,290
Short-term deposits, cash and bank balances	676,876	353,756	-	25	1,030,657
Trade payables	(5,057,072)	(1,185,220)	-	-	(6,242,292)
	(2,199,906)	(831,464)	-	25	(3,031,345)

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(d) Currency risk (Cont'd)*****Exposure to currency risk (Cont'd)***

The foreign currency exposure profile of the Group's financial instruments as at the end of each of the reporting period is as follows (Cont'd) :-

	Denominated in foreign currency				Total RM
	USD RM	EURO RM	NTD RM	SGD RM	
31.12.2019 - Audited					
Trade receivables	2,804,801	-	-	-	2,804,801
Other receivables	245,550	-	-	-	245,550
Short-term deposits, cash and bank balances	551,349	52,820	-	25	604,194
Trade payables	(2,960,677)	(1,973,079)	-	-	(4,933,756)
Other payables and accruals	(103,868)	-	-	-	(103,868)
	<u>537,155</u>	<u>(1,920,259)</u>	<u>-</u>	<u>25</u>	<u>(1,383,079)</u>
31.12.2020 - Audited					
Trade receivables	2,934,650	-	-	-	2,934,650
Other receivables	325,584	-	-	-	325,584
Short-term deposits, cash and bank balances	632,379	22,943	109,011	25	764,358
Trade payables	(1,797,580)	(908,670)	-	-	(2,706,250)
	<u>2,095,033</u>	<u>(885,727)</u>	<u>109,011</u>	<u>25</u>	<u>1,318,342</u>

Currency risk sensitivity analysis

A 10 percent strengthening or weakening of the foreign currency against the functional currency of the Group at the end of each reporting period would have increased or decreased profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
USD	(330,635)	(219,991)	53,716	209,503
EURO	(135,202)	(83,146)	(192,026)	(88,573)
NTD	-	-	-	10,901
SGD	3	3	3	3

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Accountants' Report(Cont'd)**30. Financial Instruments and Financial Risk Management (Cont'd)****30.2 Financial Risk Management (Cont'd)****(e) Interest rate risk**

The Group has interest rate risk in respect of its short-term deposits placed with licensed banks and bank borrowings.

The Group's short-term deposits placed with licensed banks and bankers' acceptances are subject to interest based on fixed rates while term loans are subject to interest based on floating rates.

Market interest rates movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing instruments are structured or reduced.

Interest rate risk sensitivity analysis

As the Group short-term deposits with licensed banks and bankers' acceptances are based on fixed rates, a change in interest rates at the end of the reporting periods presented would not affect profit or loss or equity.

In respect of the floating rate term loans, a change in interest rate by +/- 100 basis points ("bps") at the end of the respective financial years presented would have the following impact on the Group's profit or loss :-

	Audited 01.01.2017 to 31.12.2017 RM	Audited 01.01.2018 to 31.12.2018 RM	Audited 01.01.2019 to 31.12.2019 RM	Audited 01.01.2020 to 31.12.2020 RM
+100 bps	(140,389)	(57,654)	(52,314)	-
-100 bps	140,389	57,654	52,314	-

30.3 Fair Value of Financial Instruments

- The carrying amounts of term loans are reasonable approximation of their fair values as they are priced to market interest rates.
- The carrying amounts of the Group's other financial assets and financial liabilities are reasonable approximation of their fair values due to their short-term nature.
- The fair values on initial recognition of financial liabilities in respect of unsecured corporate guarantees provided to licensed banks for credit facilities granted to related parties had not been recognised in the Group's financial statements as such fair values were not material as the borrowing rates imposed by the licensed banks were not significantly different from those without such guarantees.

There were no transfers in between fair value levels during the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**31. Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In the management of capital risk, the Group takes into consideration the net debt equity ratio as well as the Group's working capital requirement. As at end of each reporting period, the Group has excess cash and cash equivalents over its borrowings.

There were no changes in the Group's approach to capital management throughout the financial years under review.

32. Significant Events During the Financial Year Ended 31 December 2020**32.1 Acquisitions of subsidiaries**

During the financial year ended 31 December 2020, the Company acquired the following subsidiaries :-

- (a) On 28 August 2020, the Company entered into a conditional share sale agreement ("SSA") with the previous shareholders of Yenher Agro for the acquisition of the entire equity interest in Yenher Agro of RM2,000,000 comprising 2,000,000 ordinary shares in Yenher Agro for a purchase consideration of RM117,784,499 which was wholly satisfied by the issuance of 235,568,998 new ordinary shares of the Company at an issue price of RM0.50 each to the previous shareholders of Yenher Agro.
- (b) On the same date, the Company entered into another SSA with the previous shareholders of Yenher Biotech for the acquisition of the entire equity interest in Yenher Biotech of RM250,000 comprising 250,000 ordinary shares in Yenher Biotech for a purchase consideration of RM1.00 which was satisfied by cash.

The acquisitions of Yenher Agro and Yenher Biotech (collectively referred to as the "acquisitions") represent common control combinations and for the purpose of the preparation of the financial statements of the Group for the financial year ended 31 December 2020, these subsidiaries are consolidated under the principles of merger accounting as disclosed under accounting policy Note 2.6.

The acquisitions give rise to a net merger deficit as shown below :-

	Acquisitions of		
	Yenher Agro RM	Yenher Biotech RM	Total/ Net effects RM
Purchase consideration for the acquisitions satisfied by :			
- issue of shares by the Company (Note 12.1)	117,784,499	-	117,784,499
- cash	-	1	1
	117,784,499	1	117,784,500
Less : Issued share capital of the subsidiaries acquired	2,000,000	250,000	2,250,000
Net merger deficit (Note 13)	115,784,499	(249,999)	115,534,500

12. ACCOUNTANTS' REPORT (Cont'd)**Yenher Holdings Berhad**

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Accountants' Report(Cont'd)**32. Significant Events During the Financial Year Ended 31 December 2020 (Cont'd)****32.2 Coronavirus Disease 2019 ("COVID-19")**

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 as a global pandemic. Subsequently, the Government of Malaysia issued a movement control order which was enforced on 18 March 2020 to restrict certain business activities and travel within and outside of the country in an effort to curb the spread of the disease. As at the date of issuance of this report, the movement control order is still in effect with modifications made by the Government during the period based on its assessment.

Since the beginning of the movement control order, the Group was allowed to continue its business operations with a 50% workforce capacity which has since been restored to full capacity in end April 2020 as the Group's involvement in the food chain supply is considered as an essential service. Overall, the COVID-19 outbreak and the resulting various movement control orders during the financial year ended 31 December 2020 did not result in any significant disruptions to the operations of the Group. Based on the Group's assessment, there is no significant impact on the material judgements or assumptions used in the preparation of the Group's consolidated financial statements for the financial year ended 31 December 2020. Since the pandemic is still on-going, the Group will continuously monitor the COVID-19 situation as it unfolds and will assess and revise, where appropriate, its estimates and assumptions used in the preparation of the Group's financial statements.

33. Significant Subsequent Events**33.1 First and final single tier dividend paid by Yenher Agro**

On 20 April 2021, Yenher Agro paid a first and final single tier dividend in respect of the financial year ended 31 December 2020 of RM5.80 per share amounting to RM11,600,000 to the Company. The dividend payment was approved by the Company at an annual general meeting of Yenher Agro which was held on 8 April 2021.

33.2 Interim single tier dividend paid by the Company

On 30 April 2021, the Directors of the Company declared an interim single tier dividend of approximately RM4.58 sen per share amounting to RM10,800,000 in respect of the financial year ending 31 December 2021. The dividend was subsequently paid on 3 May 2021.

34. Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Boards of Directors on 4 June 2021.

12. ACCOUNTANTS' REPORT (Cont'd)

Yenher Holdings Berhad

Registration No. : 202001008388 (1364708-X)

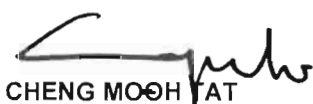
Incorporated in Malaysia

Accountants' Report(Cont'd)

Statement By Directors

We, CHENG MOOH TAT and CHENG MOOH KHENG, being two of the Directors of YENHER HOLDINGS BERHAD, state that, in the opinion of the Directors, the accompanying financial statements of the Group as set out on pages 4 to 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity as issued by the Securities Commission Malaysia, so as to give a true and fair view of the financial positions of the Group as at 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020 and of their financial performances and cash flows for the financial years ended on those dates.

Signed in accordance with a resolution of the Board of Directors,



CHENG MOOH TAT



CHENG MOOH KHENG

Pulau Pinang

Date : 04 JUN 2021

13. ADDITIONAL INFORMATION**13.1 EXTRACT OF OUR CONSTITUTION**

The following provisions are reproduced from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable laws. The words and expressions appearing in the following provisions shall have the same meaning used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meanings
benefits	This term, when used in relation to benefits payable or to be given to directors, means any benefit referred to in Section 230(1) of CA.
Board	The Company's board of directors.
Bursa Securities	Bursa Malaysia Securities Berhad.
CA	Companies Act 2016 (Act 777).
CMSA	Capital Markets and Services Act 2007 (Act 671).
Company	Yenher Holdings Berhad (Registration No. 202001008388 (1364708-X)).
Constitution	This constitution of the Company, including, any changes made to it.
Deposited Security	This term means a security, as used in Section 2 of SICDA, of the Company, as stands to the credit of a securities account of a Depositor. It covers a security which is in suspense.
Deposited Share or Depository Shares	A share which is a Deposited Security.
Depositor	A holder of a securities account.
Depository	This term means Bursa Malaysia Depository Sdn. Bhd., the depository of the Company's shares prescribed under Section 14 of SICDA. This term can also mean another depository acting as such a depository, approved to be a central depository under SICDA. Successors-in-title and permitted assigns are also included in this term.
director	Director of the Company.
DR	Rules of the Depository. It covers the Procedural Manuals (as meant in those rules).
electronic form	This term covers documents or information sent or supplied by electronic means or by any other means while in electronic form (such as by e-mail, text message, fax or sending a compact disc by post). It also covers any electronic form referred to in Section 612(1) of CA.
electronic means	A document or information is sent or supplied by electronic means if it is sent initially, and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means.

13. ADDITIONAL INFORMATION *(Cont'd)*

Words	Meanings
existing shares	Shares in issue at the relevant time.
General Meeting	A meeting of shareholders held in accordance with the Constitution. This includes any General Meeting held as the Company's Annual General Meeting.
hard copy	This term covers documents or information sent or supplied in paper copy or similar form which can be read. It also covers, anyhow, any hard copy referred to in Section 612(1) of CA.
Laws	CA, SICDA, and all regulations, DR, practice notes, practice directives and guidelines made under them.
listed security or listed securities	A security or securities of the Company admitted to the Official List.
LR	Main Market Listing Requirements of Bursa Securities. For the purpose of this Constitution, it also covers any practice notes or directives, guidance notes or other directions issued by Bursa Securities and any amendment that may be made from time to time in relation to these Listing Requirements.
Main Market	Main Market of Bursa Securities or any other market of Bursa Securities on which the Company is listed at the relevant time.
month	Calendar month.
Non-Depository Shares	This term is used to mean shares which are not Deposited Shares.
Official List	A list specifying all securities listed on the Main Market.
pay	This term, when used in relation to the payment of commission, means a payment of commission in Section 80 of CA. For other times, when used elsewhere, this term can cover any kind of reward or payment for services.
person or people	These terms cover corporate bodies and unincorporated bodies, established anywhere. They do not, however, cover unincorporated bodies, when used in relation to transfers or registration of shareholders which involve Deposited Shares and these bodies are not allowed or recognised under SICDA or DR.
Registered Office	The Company's registered office.
Registrar	The Company's registrar.
rights	This term, when used in relation to the rights of a share means, the rights attached to the share, when issued, or afterwards.
ROD	A record of depositors or holders of securities of the Company kept by the Depository under SICDA and DR.
ROM	Register of members of the Company kept under CA.
securities	The meaning of this term is as meant by Section 2 of CMSA.

13. ADDITIONAL INFORMATION (Cont'd)

Words	Meanings
securities account	This is an account which the Depository establishes for the Depositor under SICDA and DR. It is to record the deposit, withdrawal and dealing of securities.
shareholders	Holders of the Company's shares. Where those shares are deposited with the Depository under SICDA and DR, it must be a person whose name appears on the ROD as the holder of such shares and treated as a member of the Company under Section 35 of SICDA. This is subject to SICDFOR and the Constitution. This term does not also include, the Depository in its capacity as a bare trustee or nominee company. Where those shares are not deposited and do not need to be deposited under SICDA, it must be a person whose name appears in the ROM.
SICDA	Securities Industry (Central Depositories) Act 1991 (Act 453).
SICDFOR	Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996.
written or in writing	In writing or in any way representing or copying words legibly so that they are permanent. It includes, anything in electronic form. It may also be partly in one form and partly in another. Where used in relation to notices of meeting, it must be in hard copy or electronic form in the way allowed by Sections 319 and 320 of CA, subject to LR. Where used in another context, it must be in a form allowed or not prohibited by CA or LR.

13.1.1 Remuneration of our DirectorsClause 175

The fees and benefits payable to the directors shall be subject to annual shareholders' approval at the Annual General Meeting of the Company and shall (unless such resolution otherwise provides) be divisible among the directors as they may agree provided always that:

- (a) fees payable to non-executive directors shall be a fixed sum and not by a commission on or percentage of turnover or profits;
- (b) any fee paid to an alternate director shall be agreed between himself and the director nominating him and shall be paid out of the remuneration of the latter; and
- (c) fees and benefits payable to directors shall not be increased except pursuant to an ordinary resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Salaries and other emoluments payable to executive directors shall from time to time be determined by the Board and need not be determined by the shareholders at a General Meeting but such salaries and emoluments shall not include a commission on or percentage of turnover.

13. ADDITIONAL INFORMATION *(Cont'd)*

Clause 176

The Board can also repay to a director for all expenses incurred in relation to the following:

- (a) attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or
- (b) any other way in connection with the Company's business.

Clause 177

The Board can award extra fees to a director who:

- (a) holds an executive position;
- (b) acts as a chairman or deputy chairman; or
- (c) serves on a Board committee or Board at the request of the Board.

Clause 178

If by arrangement with the directors, any director shall perform or render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being willing shall be called upon:

- (a) to perform extra services;
- (b) to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company; or
- (c) in giving special attention to the business of the Company as a member of a committee of the Board,

the Company may remunerate such director a special remuneration in addition to his directors' fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

Clause 179

Subject to LR, the Board can decide whether to provide:

- (a) pensions;
- (b) annual payments; or
- (c) other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or persons connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.

13. ADDITIONAL INFORMATION *(Cont'd)*Clause 180

The Company can only provide pensions and other similar benefits to:

- (a) people who are or were directors; and
- (b) relations or dependents of, or persons connected to, those directors or former directors.

The receipt of a benefit of any kind given in accordance with this Clause does not prevent a person from being or becoming a director of the Company.

Clause 181

Shareholders must approve the matters in Clauses 175 to 179 as far as the Laws required in relation to directors' fees and benefits.

13.1.2 Voting and borrowing powers of our DirectorsClause 197

A director cannot vote on a resolution in regard to a contract in which the director (or a person connected with the director) has, directly or indirectly, an interest. If such director does vote, such vote will not be counted.

Clause 198

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

Clause 199

A director is not interested in a contract where Sections 221(2) or (3) of CA say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to LR.

Clause 200

This Clause applies if the Board is considering proposals to appoint two (2) or more directors to hold positions in the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of such appointment. These proposals can be tabled separately for each of the proposed directors. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution.

Clause 201

If a question is raised at a meeting on whether a director (other than the chairman of the meeting) has any interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling on the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question is raised on the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution on the chairman is conclusive, unless the nature or extent of the chairman's interests has not been fairly disclosed to the Board.

13. ADDITIONAL INFORMATION *(Cont'd)*Clause 223

To the extent that CA, LR and Constitution allow, the Board can exercise all the powers of the Company to:

- (a) borrow money;
- (b) mortgage or charge all or any part of the Company's undertakings, businesses, properties and assets (present and future);
- (c) issue debentures and other securities; and
- (d) give security (including (without limitation) guarantees, indemnities, mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.

13.1.3 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 21

The Company can issue new shares and attach any right and restriction to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

Clause 24

If the Company's share capital is split into different classes of share, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must then be passed at a separate meeting of the holders of that class of shares, which is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent.

Clause 25

Unless required by the Laws, the parts of the Constitution which relate to General Meeting apply to a class meeting, but with these adjustments:

- (a) a holder of shares who is present in person or by proxy can demand a poll;
- (b) on a poll, the holders of shares will have one (1) vote for every share of the class which they hold; and
- (c) the vote will be by poll if LR requires this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

13. ADDITIONAL INFORMATION *(Cont'd)*

A special resolution of the holders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within two (2) months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 26

Clauses 24 and 25 also apply if:

- (a) special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause; and
- (b) the new preference shares being issued are ranked equally with the existing preference shares. However, these Clauses do not apply if the terms of issue of existing preference shares or the Constitution allows those preference shares to be issued.

Clause 27

Unless the terms of the existing shares say otherwise, the special rights of existing shares are not regarded as varied or withdrawn if:

- (a) new shares are created or issued which rank equally with or after any existing shares in payment of dividends or sharing in profits or assets of the Company;
- (b) the Company purchases its own shares (this includes purchases of any of these existing shares);
- (c) the Company redeems redeemable preference shares (this includes redeeming any of these existing shares); or
- (d) preference shares are issued which rank equally with or in priority to existing preference shares.

Clause 37

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of CA, whether with the confirmation of the Court or a solvency statement.

Clause 38

The shareholders can pass a special resolution to alter the Company's share capital in accordance with Section 84 of CA.

13. ADDITIONAL INFORMATION (Cont'd)Clause 39

If any shares are consolidated or divided, the Board may deal with any fractions of shares arising thereto. If the Board decides to sell any fractions of shares, they must sell for the best price they can reasonably obtain and distribute the net sale proceeds among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as it deems fit at its absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and LR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 40

The shareholders can also pass special resolutions to convert any paid-up share into stock and reconvert any stock into paid-up share in accordance with Section 86 of CA.

13.1.4 Transfer of securitiesClause 50

Transfers of any listed security or class of listed security shall be by way of book entry by the Depository in accordance with DR. The Company shall not register and effect any transfer of the listed securities although Sections 105, 106 and 110 of CA may state otherwise. This does not, however, apply to a transfer of securities to the Depository or from the Depository to Depositors under Section 148(2) of CA and any exemption that may be made from compliance with Section 148(1) of CA.

Clause 51

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under DR in respect of such securities,

the Company shall, upon request of a securities holder, allow the securities held by that holder to be transmitted from the register of holders maintained by the Registrar in the other stock exchange's jurisdiction, to the register of holders maintained by the Registrar in Malaysia and vice versa provided that there must be no change in the ownership of such securities.

Clause 52

Transfers of Non-Depository Shares must be in any form which CA requires. If CA does not require a specific form, the transfer must be in the usual standard form, or another form approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.

Clause 53

The Depository may refuse to transfer any Deposited Shares which does not comply with SICDA and DR. A shareholder can transfer some or all of their Non-Depository Shares unless the Constitution says otherwise.

13. ADDITIONAL INFORMATION *(Cont'd)*Clause 54

The transfer for Non-Depository Shares must be delivered to the Registered Office or some other place which the Board decides. The transfer must have with it:

- (a) the share certificate for shares to be transferred;
- (b) any other evidence which the Board asks for to prove that the person wanting to make or receive the transfer is entitled to do this; and
- (c) if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.

Clause 55

A transfer delivered under Clause 54:

- (a) cannot be in favour of more than four (4) joint holders; and
- (b) must be properly stamped to show payment of any applicable stamp duty.

Clause 56

The Board can refuse to register such a transfer delivered:

- (a) where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;
- (b) where the transfer is unlawful under Malaysian law; or
- (c) the transfer relates to partly paid shares where a call has been made and is unpaid.

Clause 57

If the Board decides not to register a transfer of a share delivered under Clause 54, it must comply with Section 106 of CA.

Clause 58

If the Company registers a transfer delivered under Clause 54, it can keep the transfer. A transfer cannot be used to transfer more than one (1) class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring Non-Depository Shares or registering changes relating to the ownership of any such shares.

Clause 59

The person making a transfer of Non-Depository Shares will continue be treated as the shareholder until the name of the person to whom a share is being transferred to is entered into the ROM for that share.

13. ADDITIONAL INFORMATION (Cont'd)**13.2 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS**

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her/its Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his/her/its Shares to the Ministry of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be our shareholder and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

13.3 SHARE CAPITAL

- (i) As at the date of this Prospectus, we have only one (1) class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) The details of the share capital of our Company and our subsidiaries together with their respective changes for the past four (4) FYEs 31 December 2017 to 2020 and up to LPD are disclosed in Sections 5.1.2 and 5.3 of this Prospectus respectively.
- (iii) As at the date of this Prospectus, none of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.
- (iv) As at the date of this Prospectus, neither our Company nor our subsidiaries have any outstanding warrant, option, convertible security or uncalled capital in respect of our shares.
- (v) No securities will be allotted, issued or offered on the basis of this Prospectus later than six (6) months after the date of this Prospectus.

13.4 EXCHANGE CONTROLS

All corporations in Malaysia are required to adopt a single-tier system. As such, all dividends distributed by Malaysian corporations under this system are not taxable. Furthermore, the Malaysian Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian corporations. There is also no Malaysian capital gains tax arising from the disposal of listed shares.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

13. ADDITIONAL INFORMATION (Cont'd)**13.5 MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any material contract (not being contract in the ordinary course of business) during the past four (4) FYEs 31 December 2017 to 2020 and up to the date of this Prospectus:

- (i) Yenher Agro had on 1 December 2017, entered into a sale and purchase agreement with Yenher Properties Sdn Bhd (now known as CMT Properties Sdn Bhd) ("**CMT**") for the disposal of the following properties to CMT for the following cash consideration:

No.	Details of property	RM
1.	A commercial building bearing assessment address of No. 73, Jalan Besar Valdor, Taman Revena, 14200 Sungai Jawi, Pulau Pinang erected on all that piece of freehold land known as Lot 3456 situated in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under Geran Mukim (" GM ") 656 and measuring approximately 130 square meters (" s.m. ") in area	390,000
2.	Two (2) commercial shop lots bearing assessment address of PMT 22 & 24, Lorong Keruing 2, Kawasan Perniagaan Simpang Ampat, 14100 Simpang Ampat, Pulau Pinang erected on all that pieces of freehold land known as Lots 3970 and 3971 situated in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 1081 and GM 1082 and each measuring approximately 130 s.m. in area	515,000
Total		905,000

The disposal of the said properties was completed on 5 January 2018;

- (ii) Yenher Agro had on 19 November 2018, entered into a sale and purchase agreement with CMT for the disposal of the following properties to CMT for the following cash consideration:

No.	Details of property	RM
1.	A feedmill and poultry farm bearing assessment address of No. 1598, Jalan Bukit Tambun, 14100 Simpang Ampat, Pulau Pinang erected on all that pieces of freehold land known as Lots 863 and 864 situated in Mukim 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under Geran 3755 and 3756 and each measuring approximately 22,243 s.m. in area	26,000,000
2.	A residential house bearing assessment address of No. 2, Jalan Bukit Minyak 1, Taman Bukit Minyak Indah, 14000 Bukit Mertajam, Pulau Pinang erected on all that piece of freehold land known as Lot 3992 situated in Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang and held under Geran 151643 and measuring approximately 281 s.m. in area	670,000
3.	A commercial shop lot bearing assessment address of No. 16, Jalan Bukit Tambun, Taman Kasawari, 14100 Simpang Ampat, Pulau Pinang erected on all that piece of freehold land known as Lot 4091 situated in Mukim 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 1923 and measuring approximately 130 s.m. in area	450,000
4.	A freehold land known as Lot 3588 situated in Mukim 14, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under Geran 134477 and measuring approximately 0.9948 hectare (" ha ") in area	3,450,000

13. ADDITIONAL INFORMATION (Cont'd)

No.	Details of property	RM
5.	A freehold land known as Lot 1852 situated in Mukim 14, Daerah Seberang Perai Tengah, Negeri Pulau Pinang and held under Geran 157413 and measuring approximately 0.997 ha in area	2,700,000
6.	A freehold land known as Lot 1691 situated in Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 667 and measuring approximately 1.316 ha in area	2,100,000
7.	A freehold land known as Lot 306 situated in Mukim 02, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 44 and measuring approximately 3,568.8158 s.m. in area	960,538
8.	A freehold land known as Lot 309 situated in Mukim 02, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 46 and measuring approximately 2,746.7994 s.m. in area	739,462
9.	A freehold land known as Lot 373 situated in Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 489 and measuring approximately 473.4822 s.m. in area	70,692
10.	A freehold land known as Lot 1183 situated in Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 881 and measuring approximately 14,414.9011 s.m. in area	2,152,181
11.	A freehold land known as Lot 1184 situated in Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 608 and measuring approximately 5,319.0785 s.m. in area	794,152
12.	A freehold land known as Lot 1185 situated in Mukim 07, Daerah Seberang Perai Selatan, Negeri Pulau Pinang and held under GM 591 and measuring approximately 17,330.2838 s.m. in area	2,582,975
Total		42,670,000

The disposal of the said properties was completed on 3 December 2018;

- (iii) Our Company had on 28 August 2020, entered into a conditional share sale agreement with Cheng Mooh Tat, Cheng Mooh Kheng, Cheng Mooh Chye, Yeoh Ngong Koke and Boon Jenn Woei to acquire the entire equity interest in Yenher Agro comprising 2,000,000 ordinary shares for a purchase consideration of RM117,784,499 which was wholly satisfied via the issuance of 235,568,998 new Shares at an issue price of RM0.50 per Share. The said acquisition was completed on 28 August 2020;
- (iv) Our Company had on 28 August 2020, entered into a conditional share sale agreement with Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye to acquire the entire equity interest in Yenher Biotech comprising 250,000 ordinary shares for a purchase consideration of RM1.00, which was wholly satisfied in cash. The said acquisition was completed on 28 August 2020; and
- (v) Our Company had on 2 June 2021, entered into the Retail Underwriting Agreement with the Sole Underwriter for the underwriting of 30,000,000 Issue Shares under the Retail Offering, in accordance with the terms and conditions as set out in the Retail Underwriting Agreement. Further details of the Retail Underwriting Agreement are set out in Section 3.9 of this Prospectus.

13. ADDITIONAL INFORMATION (Cont'd)**13.6 MATERIAL LITIGATION**

As at LPD, our Group is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may materially and adversely affect the business or financial position of our Group.

13.7 PUBLIC TAKE-OVER

None of the following has occurred during the last financial year up to LPD:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other company's shares.

13.8 CONSENTS

- (i) Our Sole Principal Adviser, Sole Underwriter, Sole Placement Agent, Company Secretaries, Legal Adviser, Share Registrar and Issuing House have given their respective written consents for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear before the issue of this Prospectus, and such consents have not subsequently been withdrawn.
- (ii) The Auditors and Reporting Accountants have given their written consent for the inclusion in this Prospectus of their name, Accountants' Report, Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.
- (iii) The IMR has given its written consent for the inclusion in this Prospectus of its name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

13.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at No. 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang, Malaysia during normal office hours for a period of six (6) months from the date of this Prospectus:

- (i) our Constitution;
- (ii) our audited financial statements for the period from our incorporation up to 31 December 2020;
- (iii) the audited financial statements of each of our subsidiaries for the FYEs 31 December 2017, 2018, 2019 and 2020;
- (iv) the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 as included in Section 11.8 of this Prospectus;

13. ADDITIONAL INFORMATION *(Cont'd)*

- (v) the Accountants' Report as included in Section 12 of this Prospectus;
- (vi) the IMR Report as included in Section 7 of this Prospectus;
- (vii) the material contracts referred to in Section 13.5 of this Prospectus; and
- (viii) the letters of consent referred to in Section 13.8 of this Prospectus.

13.10 RESPONSIBILITY STATEMENTS

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

RHB Investment Bank, being our Sole Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

14.1 OPENING AND CLOSING OF APPLICATION

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION: 10.00 A.M., 22 JUNE 2021

CLOSING OF THE APPLICATION: 5.00 P.M., 1 JULY 2021

If there is any change to the time or date for the closing of the applications for our IPO Shares, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

Application must accord with the terms of our Prospectus and our Constitution. You agree to be bound by our Constitution.

14.2.1 Application for our IPO Shares under the Retail Offering

Types of Application and category of investors	Application method
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

The submission of an Application Form does not mean that your Application will succeed.

14.2.2 Application for our IPO Shares under the Institutional Offering

Types of Application	Application method
Applications by:	
(i) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions
(ii) Other Malaysian institutional and selected investors	Our Sole Placement Agent will contact the selected investors directly. They should follow the Sole Placement Agent's instructions

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)***14.3 ELIGIBILITY****14.3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid or nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for **each category** from each applicant will be considered and **APPLICATION MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit the Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)***14.3.3 Application by the Eligible Persons**

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The FULL amount payable is RM0.95 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 609**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
Level 11, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 1 July 2021 or by such other time and date specified in any change to the time or date for the closing of the applications for our IPO Shares.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**14.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Applications.

Electronic Share Applications may be made through the ATMs of these Participating Financial Institutions and their branches namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

14.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an Internet financial services website of these Internet Participating Financial Institutions namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the Internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)***14.8 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 3.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Retail Underwriting Agreement.

14.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

14.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Consequently, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No share certificates will be issued to you and you shall not be entitled to withdraw any deposited security held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between five (5) to 10 Market Days (during office hours only) after the final ballot day.

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ANNEXURE A: OUR MATERIAL PROPERTIES**A.1 MATERIAL PROPERTIES OWNED BY OUR GROUP**

As at LPD, the details of the material properties owned by our Group, all of which Yenher Agro is the registered owner, are as follows:

No.	Title identification / Postal address or locality / Tenure	Description of property / Existing or proposed use / Category of land use	Date of issuance of CCC* or CF*	Land area / Built-up area	Major restriction in interest / encumbrances / condition	Audited NBV as at 31 December 2020 (RM'000)
1.	<u>Title identification:</u> Lot Nos. 7622 to 7625 held under HSD Nos. 24798, 24800, 24803 and 24804 respectively, all in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang <u>Postal address:</u> No. 1628, Jalan IKS Simpang Ampat 1 Taman IKS Simpang Ampat 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang <u>Tenure:</u> Freehold	<u>Description:</u> A double-storey detached office building annexed with a single-storey warehouse <u>Existing use:</u> Head office and warehouse of our Group <u>Category of land use:</u> Nil	<u>Original building:</u> 29 September 2003 <u>Extension of building:</u> 23 November 2020	<u>Land area:</u> 27,782 sq ft <u>Built-up area:</u> 21,652 sq ft	This property is charged to RHB Bank Berhad vide presentation nos. 0799SC2003022323 and 0799SC2003022324 created on 17 September 2003.	3,482

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ANNEXURE A: OUR MATERIAL PROPERTIES (Cont'd)

No.	Title identification / Postal address or locality / Tenure	Description of property / Existing or proposed use / Category of land use	Date of issuance of CCC* or CF*	Land area / Built-up area	Major restriction in interest / encumbrances / condition	Audited NBV as at 31 December 2020 (RM'000)
2.	<u>Title identification:</u> Lot Nos. 7616 to 7621 held under HSD Nos. 24786, 24788, 24790, 24792, 24794 and 24797 respectively, all in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang <u>Postal address:</u> No. 1684, Jalan IKS Simpang Ampat 1 Taman IKS Simpang Ampat 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang <u>Tenure:</u> Freehold	<u>Description:</u> A single-storey detached factory with a double-storey office building <u>Existing use:</u> Office of our Group and manufacturing plant for our Group's premises, complete feed and formulated products <u>Category of land use:</u> Nil	12 June 2009	<u>Land area:</u> 42,776 sq ft <u>Built-up area:</u> 31,635 sq ft	This property is charged to RHB Bank Berhad vide presentation no. 0799SC2007011098 created on 8 May 2007.	4,975

ANNEXURE A: OUR MATERIAL PROPERTIES (Cont'd)

No.	Title identification / Postal address or locality / Tenure	Description of property / Existing or proposed use / Category of land use	Date of issuance of CCC* or CF*	Land area / Built-up area	Major restriction in interest / encumbrances / condition	Audited NBV as at 31 December 2020 (RM'000)
3.	<u>Title identification:</u> Lot No. 20111 held under GRN 165939 in Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang <u>Locality:</u> Valdor Industrial Estate, Sungai Bakap, Seberang Perai Selatan, Negeri Pulau Pinang <u>Tenure:</u> Freehold	<u>Description:</u> Vacant land <u>Proposed use:</u> A three (3)-storey office building annexed with two (2) single-storey factory buildings and a single-storey canteen. This property will house our new head office, manufacturing plant, warehouse and R&D center ⁽¹⁾ <u>Category of land use:</u> Nil	N/A	<u>Land area:</u> 464,786 sq ft <u>Built-up area:</u> N/A	This land is charged to Maybank Islamic Bank Berhad vide presentation nos. 0799SC2016026810 and 0779SC2016026811 created on 9 September 2016, and Maybank Banking Berhad vide presentation no. 0799SC2019004692 created on 27 February 2019.	21,000

ANNEXURE A: OUR MATERIAL PROPERTIES (Cont'd)

No.	Title identification / Postal address or locality / Tenure	Description of property / Existing or proposed use / Category of land use	Date of issuance of CCC* or CF*	Land area / Built-up area	Major restriction in interest / encumbrances / condition	Audited NBV as at 31 December 2020 (RM'000)
4.	<u>Title identification:</u> Lot 2398 Block 233 of Kuching North Land District, Jalan Batu Kitang, Sarawak <u>Postal address:</u> 2(S/L38), Lot 2398 BLK 233 KNLD Batu Kitang Light Industrial Park Batu 7½, Jalan Batu Kitang 93250 Kuching Sarawak <u>Tenure:</u> Leasehold for a period of 60 years, expiring on 1 November 2072	<u>Description:</u> A double-storey detached industrial building <u>Existing use:</u> Administration and sale office as well as warehouse of our Group <u>Category of land use:</u> Suburban land	1 July 2015	<u>Land area:</u> 15,661 sq ft <u>Built-up area:</u> 5,070 sq ft	This land is to be used only as a one and a half (1½)-storey detached building in the following manner: (i) Ground floor: Industrial; and (ii) First floor: Office, store and watchman's quarters.	1,633
Total audited NBV :						31,090

Notes:

* 'CCC' denotes certificate of completion and compliance while 'CF' denotes certificate of fitness for occupation.

- (1) We obtained the layout plan approval for the construction of this new manufacturing plant from Majlis Bandaraya Seberang Perai on 17 July 2020 for a validity period from 16 July 2020 to 15 July 2021. We also obtained the permit for land filling and earthworks from Jabatan Kerja Raya Pulau Pinang and Majlis Bandaraya Seberang Perai on 8 December 2020 and 1 March 2021 respectively. In this regard, we began land clearing and filling works on 8 March 2021 which mark the commencement of the first stage of the construction of this new manufacturing plant. For further information on the construction of this new manufacturing plant, please refer to Sections 3.7.1 and 6.6.1 of this Prospectus.

None of the properties disclosed above is in breach of any land use condition or current regulatory requirements, land rules, building regulations or environment issues which may materially affect our operations and the utilisation of the said properties.

ANNEXURE A: OUR MATERIAL PROPERTIES (Cont'd)**A.2 MATERIAL PROPERTIES RENTED BY OUR GROUP**

As at LPD, the details of the material properties rented by our Group are as follows:

No.	Name of the landlord / tenant	Title identification / Postal address	Description of property / Existing or proposed use	Date of issuance of CCC* or CF*	Land area / Built-up area	Tenure / Date of expiry	Monthly rental (RM'000)
1.	Welcome Potential Sdn Bhd ⁽¹⁾ / Yenher Agro and Yenher Biotech	<u>Title identification:</u> Lot Nos. 7562 to 7570 held under HSD Nos. 18838 to 18846; Lot Nos. 7577 to 7578 held under HSD Nos. 18856 to 18857; Lot Nos. 7579 to 7581 held under HSD Nos. 18859 to 18861; Lot Nos. 7582 to 7583 held under HSD Nos. 18863 to 18864; Lot No. 7584 held under HSD No. 18866 and Lot No. 7585 held under HSD No. 18868; all in Mukim 15, Daerah Seberang Perai Selatan, Negeri Pulau Pinang <u>Postal address:</u> No. 1, Lorong IKS Simpang Ampat E Taman IKS Simpang Ampat 14100 Simpang Ampat Seberang Perai Selatan Pulau Pinang	<u>Description:</u> A double-storey office building with warehouse <u>Existing use:</u> Manufacturing plant for our Group's biotech animal feed ingredients, warehouse and R&D center of our Group	30 July 2001	<u>Land area:</u> 110,588 sq ft <u>Built-up area:</u> 69,750 sq ft	The tenancy agreement with Yenher Agro is for a period of three (3) years from 1 October 2018 to 30 September 2021 The tenancy agreement with Yenher Biotech is for a period of three (3) years from 1 July 2019 to 30 June 2022 Refer to note (2) below.	76 4

ANNEXURE A: OUR MATERIAL PROPERTIES *(Cont'd)*

Notes:

- * 'CCC' denotes certificate of completion and compliance while 'CF' denotes certificate of fitness for occupation.
- (1) Welcome Potential Sdn Bhd is a company owned by Cheng Mooh Tat, Cheng Mooh Kheng and Cheng Mooh Chye, who are our major shareholders and Promoters. They are also the directors of Welcome Potential Sdn Bhd. Cheng Mooh Tat and Cheng Mooh Kheng are also our Group Managing Director and Executive Director respectively.
- (2) Please refer to note (5) of Section 9.1.1 of this Prospectus for further information on the salient terms of these tenancy agreements.

The property disclosed above is not in breach of any land use condition or current regulatory requirements, land rules, building regulations or environmental issues which may materially affect our operations and the utilisation of the said property.

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ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS

Details of our major licences, permits and approvals for our operations as at LPD together with the main conditions attached therein and the corresponding status of compliance as at LPD are as follows:

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
1.	Yenher Agro	Majlis Bandaraya Seberang Perai ("MBSP")	Business licence for factory manufacturing of animal feed	61513687937	19 August 2014 / (31 December 2021)	Nil.	N/A
2.	Yenher Agro	MBSP	Business licence for preparation and trading of animal feed	61511417158	4 July 2005 / (31 December 2021)	Nil.	N/A
3.	Yenher Biotech	MBSP	Business licence for factory manufacturing of animal feed ingredients	61513892439	22 November 2018 / (31 December 2021)	Nil.	N/A
4.	Yenher Biotech	MBSP	Business licence for factory processing of animal feed ingredients	61513929904	22 June 2019 / (31 December 2021)	Nil.	N/A
5.	Yenher Agro	Kerajaan Negeri Sarawak	Business licence to sell animal feed and medicines	1046755	4 February 2021 / (14 April 2022)	Nil.	N/A
6.	Yenher Agro	MITI / Malaysian Investment Development Authority ("MIDA")	Manufacturing licence for animal feed	A019583 (Serial No. A033965)	25 April 2014 / (valid until and unless revoked or surrendered)	(i) The manufacturing site located at No. 1684, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang is subject to the approval from the State Authority and the Department of Environment ("DOE"). (ii) MITI and MIDA must be notified of any disposal of shares in Yenher Agro.	In compliance In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
						(iii) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.	In compliance
						(iv) The company shall implement projects as approved and comply with the other laws and regulations in Malaysia.	In compliance
7.	Yenher Agro	MITI / MIDA	Manufacturing licence for animal feed supplements	A019583 (Serial No. A036385)	12 September 2018 / (valid until and unless revoked or surrendered)	(i) The manufacturing site located at No. 1684, Jalan IKS Simpang Ampat 1, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang is subject to the approval from the State Authority and the DOE.	In compliance
						(ii) MITI and MIDA must be notified of any disposal of shares in Yenher Agro.	In compliance
						(iii) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.	In compliance
						(iv) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00 by 2020.	In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
						(v) Total full-time permanent workforce shall comprise at least 80% Malaysians by 31 December 2022. In addition, employment of foreign workers including outsourced workers shall be subject to current policies.	To be complied
8.	Cheng Mooh Tat of Yenher Agro ⁽¹⁾	Ministry of Agriculture and Food Industries (formerly known as Ministry of Agriculture and Agro-Based Industry) ("MOA")	Certificate of registration of manufacturer of animal feed or feed additives	AMH(G)(01)-2017/0037/2020 (07)-1	21 December 2020 / (18 December 2021)	This certificate is not transferable.	In compliance
9.	Cheng Mooh Tat of Yenher Agro ⁽¹⁾	MOA	Certificate of registration of seller of animal feed or feed additives	AMH(G)(02)-2017/0075/2020 (07)-1	21 December 2020 / (18 December 2021)	This certificate is not transferable.	In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
10.	Cheng Mooh Tat of Yenher Agro ⁽²⁾	MOA	Certificate to import animal feed or feed additives	AMH(B)(C)-2016/0081/2021	1 January 2021 / (31 December 2021)	The importation of animal feed or feed additives shall go through: • Kompleks Sultan Abu Bakar; • Dermaga Ayer Dalam; • LTAB Bayan Lepas (kargo); • North Butterworth Container Terminal (NBCT); • Pelabuhan Klang Barat; • Pelabuhan Klang/Pelabuhan Klang Utara; • Pelabuhan Pasir Gudang; • Pelabuhan Tanjung Pelepas; • Tanjung Puteri; • Bukit Kayu Hitam; • Padang Besar; or • KLIA (kargo)	In compliance
11.	Cheng Mooh Tat of Yenher Biotech ⁽¹⁾	MOA	Certificate of registration of manufacturer of animal feed or feed additives	AMH(G)(01)-2019/0026/2020 (07)	18 December 2020 / (18 December 2021)	This certificate is not transferable.	In compliance
12.	Cheng Mooh Tat of Yenher Biotech ⁽¹⁾	MOA	Certificate of registration of seller of animal feed or feed additives	AMH(G)(02)-2019/0061/2020 (07)	18 December 2020 / (18 December 2021)	This certificate is not transferable.	In compliance
13.	Cheng Mooh Tat of Yenher Biotech ⁽²⁾	MOA	Certificate to import animal feed or feed additives	AMH(B)(C)-2020/0135/2021	1 January 2021 / (31 December 2021)	The importation of animal feed or feed additives shall go through: • Kompleks Sultan Abu Bakar; • Dermaga Ayer Dalam; • LTAB Bayan Lepas (kargo); • North Butterworth Container Terminal (NBCT); • Pelabuhan Klang Barat; or • Pelabuhan Klang/Pelabuhan Klang Utara.	In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
14.	Yenher Agro	MOA	Wholesale licence under the Control of Padi and Rice Act 1994 and Control of Padi and Rice (Licencing of Wholesalers and Retailers) Regulations 1996	C6237	5 March 2020/ (4 March 2023)	(i) Maximum permitted storage for rice is 100 metric tonnes. (ii) The rice shall be kept at the store located at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.	In compliance In compliance
15.	Yenher Agro	MOA	Export licence under the Control of Padi and Rice Act 1994 and Control of Padi and Rice (Licencing of Importers and Exporters) Regulations 1994 for glutinous rice flour, vermicelli, bran and downstream products (collectively " Rice Products ")	B2140	14 Mei 2021/ (13 May 2022)	(i) Maximum permitted storage for Rice Products is 100 metric tonnes. (ii) The Rice Products shall be kept at the store located at No. 1, Lorong IKS Simpang Ampat E, Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.	In compliance In compliance
16.	Yenher Agro	Drug Control Authority under the Ministry of Health, Malaysia (" MoH ")	Licence to import registered products including scheduled poison	MALLI20210004 A	1 January 2021 / (31 December 2021)	(i) A copy of the invoice and analytical certificate for each batch of the imported items shall be submitted to the authority upon receipt of each consignment. (ii) To comply with the Control of Drugs and Cosmetic Regulations 1984 and any good manufacturing practice and/or good distribution practice as required by the drug control authority.	In compliance In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

[illegible]

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
20.	Yenher Biotech	Malaysian Bioeconomy Development Corporation Sdn Bhd	BioNexus status	BNX350019	Refer to Note (5)	(i) The company must only carry out the following qualifying activities: <i>“commercialisation of animal feed ingredients via fermentation process and to undertake its related R&D activities (“Qualifying Activities”).</i> (ii) The company must carry out the Qualifying Activities at Taman IKS Simpang Ampat, 14100 Simpang Ampat, Seberang Perai Selatan, Pulau Pinang. (iii) The company must commence its Qualifying Activities within one (1) year from 8 September 2017. (iv) The company must invest at least 3% of its annual revenue in R&D. (v) The company must employ at least 30% of knowledge workers as part of its total workforce. (iv) Business transactions between associated entities must be carried out in accordance with the Transfer Pricing Guidelines 2012.	In compliance In compliance In compliance In compliance In compliance

ANNEXURE B: OUR MAJOR LICENCES, PERMITS AND APPROVALS *(Cont'd)*

No.	Licencee	Approving authority / issuer	Description of licence / permit / approval	Licence / permit / registration no.	Effective date / (Expiry date)	Major conditions imposed	Status of compliance
21.	Yenher Agro	Ministry of Agriculture and Rural Sciences of the PRC	Registered licence which certifies that through test and examination, 'Yenmix®' Broiler Starter (broiler starter premix) is certified as safe and effective premix and is registered by the PRC	(2018) External Feeding No. 476	1 October 2018 / (31 October 2023)	Nil.	N/A

Notes:

- (1) Pursuant to the Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012, this licence shall be held by an individual.
- (2) Pursuant to the Feed Act 2009, this licence shall be held by an individual.
- (3) Pursuant to the Registration of Pharmacists Act 1951, this licence shall be held by an individual pharmacist.
- (4) Pursuant to the Poisons Act 1952, this licence shall be held by an individual pharmacist. Ng Yen Ping is our pharmacist who is delegated by our Group to handle the poisons.
- (5) Yenher Biotech had on 8 September 2017 obtained BioNexus status from Malaysian Bioeconomy Development Corporation Sdn Bhd. Subject to the fulfilment of the conditions imposed by the relevant authorities, Yenher Biotech is exempted from paying, among others, income tax for a period of five (5) years commencing from the financial year when it derives its first statutory income. For information purposes, Yenher Biotech derived its first statutory income for the year of assessment 2020.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF YENHER HOLDINGS BERHAD DATED 22 JUNE 2021 ("PROSPECTUS")

Unless otherwise defined, all words and expressions used herein shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

1. OPENING AND CLOSING OF APPLICATION

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION: 10.00 A.M., 22 JUNE 2021

CLOSING OF THE APPLICATION: 5.00 P.M., 1 JULY 2021

If there is any change to the time or date for the closing of the applications for our IPO Shares, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia.

Late Applications will not be accepted.

2. METHODS OF APPLICATION

Application must accord with the terms of our Prospectus and our Constitution. You agree to be bound by our Constitution.

2.1 Application for our IPO Shares under the Retail Offering

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

The submission of an Application Form does not mean that your Application will succeed.

2.2 Application for our IPO Shares under the Institutional Offering

<u>Types of Application</u>	<u>Application method</u>
Applications by:	
(i) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions
(ii) Other Malaysian institutional and selected investors	Our Sole Placement Agent will contact the selected investors directly. They should follow the Sole Placement Agent's instructions

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Bumiputera investors approved by the MITI and other selected investors may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

3. ELIGIBILITY**3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 below. The CDS Account must be in your own name. Invalid or nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for **each category** from each applicant will be considered and **APPLICATION MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit the Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

3.3 Application by the Eligible Persons

Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said documents and where relevant, in our Prospectus.

4. PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

Each application for our IPO Shares must be made using the correct type of Application Form. The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The Malaysian Public must follow the following procedures in making their applications through the **White** Application Form.

- (i) Obtain the relevant Application Form together with the Official “A” and “B” envelopes and our Prospectus.

The **White** Application Forms together with our Prospectus, can be obtained subject to availability from RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association, the Issuing House and our Company.

- (ii) In accordance with Section 232(2) of the CMSA, the White Application Form is accompanied by our Prospectus. You are advised to read and understand our Prospectus before making your Application.
- (iii) Complete the White Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed therein and in our Prospectus, including:
 - (a) ensuring that your personal particulars submitted in your Application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any change to your personal particulars as the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository;
 - (b) stating your CDS Account number in the space provided in the White Application Form. Invalid or nominee or third party CDS Accounts will **not** be accepted;
 - (c) stating the details of your payment in the appropriate boxes provided in the White Application Form; and
 - (d) stating the number of IPO Shares applied. Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iv) Prepare the appropriate form of payment in RM for the FULL amount payable based on the IPO Price of RM0.95 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 609**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Only banker's draft or cashier's order drawn on a bank in Kuala Lumpur, Money or Postal Orders (for applicants from Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted.

We will not accept Applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the White Application Form.

- (v) Insert the White Application Form together with payment and a legible photocopy of your identification document (NRIC or any official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) for individual applicant; or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable)) into the Official “A” envelope and seal it. You must write your name and address on the outside of the Official “A” and “B” envelopes.

Affix an RM1.50 stamp on the Official “A” envelope and insert the Official “A” envelope into the Official “B” envelope.

The name and address written must be identical to your name and address as in your NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) for individual applicant; or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable).

- (vi) The completed White Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
Level 11, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

so as to arrive not later than 5.00 p.m. on 1 July 2021 or by such other time and date specified in any change to the time or date for the closing of the applications for our IPO Shares. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

5. APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**5.1 Participating Financial Institutions**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public through the ATMs of the following Participating Financial Institutions and their branches. The following processing fee for each Electronic Share Application will be charged by the respective Participating Financial Institutions (unless waived) as follows:

Participating Financial Institutions	Charges
Affin Bank Berhad	Free
Alliance Bank Malaysia Berhad	RM1.00
AmBank (M) Berhad	RM1.00
CIMB Bank Berhad	RM2.50
Malayan Banking Berhad	RM1.00
Public Bank Berhad	RM2.00
RHB Bank Berhad	RM2.50

Please note that these processing fees may be varied or waived from time to time at the discretion of the respective Participating Financial Institutions. Please contact the relevant Participating Financial Institutions for further enquiries.

5.2 Procedures for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR ELECTRONIC SHARE APPLICATIONS SET OUT BELOW AND AT THE RESPECTIVE ATMS CAREFULLY PRIOR TO MAKING AN ELECTRONIC SHARE APPLICATION.

If you encounter any problem in your Application, you may refer to the respective Participating Financial Institutions.

You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

You are to submit at least the following information through the ATM, where the instructions on the ATM screen require you to do so:

- Personal Identification Number (“**PIN**”);
- MIH Share Issue Account No. 609;
- Your CDS Account number;
- Number of IPO Shares applied for and the RM amount to be debited from the account; and
- Confirmation of several mandatory statements as set out in Section 5.3 below.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip (“**Transaction Record**”), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

5.3 Terms and conditions for Electronic Share Application

You must have a CDS Account to be eligible to use the Electronic Share Application. Invalid, nominee or third party CDS Accounts will not be accepted.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in relation to and subject to the terms of our Prospectus and our Constitution.
- (ii) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
 - (a) You are at least 18 years old as at the date of the application for our IPO Shares;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;
 - (d) The Electronic Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public; and
 - (e) You give consent to the disclosure by the relevant Participating Financial Institution and/or Bursa Depository, as the case may be, of your information, your Electronic Share Application or your account with the Participating Financial Institution and Bursa Depository, to the Issuing House and other relevant authorities.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, it is considered that you have confirmed each of the above statements as well as given consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Services Act 2013 and Section 45 of SICDA) to the disclosure by the relevant Participating Financial Institutions and/or Bursa Depository, as the case may be, of your information to the Issuing House or any relevant authority.

- (iii) You confirm that you are not applying for our IPO Shares offered to the Malaysian Public as a nominee of any other person and your Electronic Share Application is made in your own name, as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our IPO Shares offered to the Malaysian Public.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time of making your Electronic Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Electronic Share Application will not be deemed complete. Any Electronic Share Application which does not conform strictly to the instructions set out in our Prospectus or any instruction displayed on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.
- (v) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate a lesser number of such IPO Shares or not to allot or allocate any IPO Share to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation of the number of IPO Shares applied for (by your action of pressing the designated keys or buttons on the ATM keyboard) shall be deemed to signify, and shall be treated as:
 - (a) your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Electronic Share Application is successful or successful in part, as the case may be; and
 - (b) your agreement to be bound by our Constitution.
- (vi) The Issuing House, on the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (vii) You request and authorise us:
 - (a) to credit our IPO Shares allotted or allocated to you into your CDS Account; and
 - (b) to issue share certificate(s) representing such IPO Shares or jumbo certificates which represent, among others, such IPO Shares, allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (viii) You acknowledge that your Electronic Share Application is subject to risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control or the control of the Issuing House, Bursa Depository or the Participating Financial Institution, and irrevocably agree that if:
- (a) our Company or the Issuing House does not receive your Electronic Share Application and/or payment; or
 - (b) any data relating to your Electronic Share Application is wholly or partially lost, corrupted or otherwise not accessible, or not transmitted or communicated to our Company or the Issuing House,
- you will be deemed not to have made an Electronic Share Application and you will not make any claim whatsoever against our Company, the Issuing House and/or the relevant Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (ix) All of your particulars in the records of the relevant Participating Financial Institution at the time of making your Electronic Share Application shall be deemed to be true and correct, and our Company, the Issuing House and the relevant Participating Financial Institution and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information, shall be entitled to rely on the accuracy thereof.
- (x) You must ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in your address, failing which the notification letter on successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (xi) By making and completing an Electronic Share Application, you agree that:
- (a) in consideration of us agreeing to allow and accept the application for our IPO Shares through the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - (b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delay, failure or inaccuracy in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our or the control of any of them;
 - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and other documents required for the issue or transfer of our IPO Shares allotted or allocated to you; and

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and/or the Electronic Share Application and/or any term of our Prospectus, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xii) The Issuing House, acting on the authority of our Board, reserves the right to reject Applications which do not conform to these instructions.

6. APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**6.1 Internet Participating Financial Institutions**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

The following processing fee for each Internet Share Application will be charged by the respective Internet Participating Financial Institutions (unless waived) as follows:

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution	Website address	Fees charged
Affin Bank Berhad	www.affinOnline.com	Free
Alliance Bank Malaysia Berhad	www.allianceonline.com.my	RM1.00
CGS-CIMB Securities Sdn Bhd	www.eipocimb.com	RM2.00 for payment through CIMB Bank Berhad or Malayan Banking Berhad
CIMB Bank Berhad	www.cimbclicks.com.my	RM2.00 for applicants with CDS Accounts held with CGS-CIMB Securities Sdn Bhd and RM2.50 for applicants with CDS Accounts with other ADAs
Malayan Banking Berhad	www.maybank2u.com.my	RM1.00
Public Bank Berhad	www.pbebank.com	RM2.00
RHB Bank Berhad	www.rhbgroup.com	RM2.50

Please note that these fees may be varied or waived from time to time at the discretion of the respective Internet Participating Financial Institutions. Please contact the relevant Internet Participating Financial Institutions for further enquiries.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR INTERNET SHARE APPLICATIONS SET OUT BELOW AND AT THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If you encounter any problem in your Application, you may refer to the respective Internet Participating Financial Institutions.

6.2 Terms and conditions for Internet Share Application

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

The Internet Share Application shall be made on and subject to the following terms and conditions:

(i) You can make an Internet Share Application if you fulfill all of the following:

- (a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the Application if you are making the Application instead of a CDS Account registered in the joint account holder's name;
- (b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have your user identification ("User ID") and Personal Identification Numbers ("PIN")/password for the relevant Internet financial services facilities; and
- (c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at the Internet financial services website of other Internet Participating Financial Institutions.

(ii) The Internet Share Application shall be made in relation to and subject to the terms of our Prospectus and our Constitution.

(iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:

- (a) You are at least 18 years old as at the date of the application for our IPO Shares;
- (b) You are a Malaysian citizen residing in Malaysia;
- (c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;
- (d) The Internet Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public;
- (e) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (f) You give consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Service Act 2013 and Section 45 of SICDA) to the disclosure by the relevant Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to the Issuing House, the Authorised Financial Institution and other relevant authorities;
 - (g) You are not applying for our IPO Shares offered to the Malaysian Public as a nominee of any other person and your Internet Share Application is made in your own name, as the beneficial owner and subject to the risks referred to in our Prospectus; and
 - (h) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have paid for our IPO Shares through the website of the Authorised Financial Institution and completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of our Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you will be deemed to have confirmed the truth of the statements set out in Section 6.2(iii) above. The Confirmation Screen is only a record of the completed transaction with an Internet Participating Financial Institution and not a record of the receipt of the Internet Share Application or any data relating to such an Internet Share Application by our Company or the Issuing House. The Confirmation Screen is for your record and should not be submitted with any Application Form.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (v) You must have sufficient funds in your account with the relevant Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in our Prospectus or any instruction displayed on the screens of the Internet financial services website through which the Internet Share Application is made, will be rejected.

- (vi) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Internet Share Application. In the event that we decide to allot or allocate lesser number of such IPO Shares or not to allot or allocate any IPO Share to you, you agree to accept any such decision as final.

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify, and shall be treated as:

- (a) your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - (b) your agreement to be bound by our Constitution.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. **A PERSON WHO SUBMITS MULTIPLE INTERNET SHARE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.** Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (viii) An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for reference and record purposes. Late Internet Share Applications will not be accepted.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) You acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, and other events beyond our control or the control of the Issuing House, Bursa Depository, the Internet Participating Financial Institution or the Authorised Financial Institution and irrevocably agree that if:
 - (a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and
 - (b) any data relating to your Internet Share Application or the tape or any other devices containing such data and/or payment is wholly or partly lost, corrupted, destroyed or otherwise not accessible, and for any reason whatsoever,

you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution for our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (x) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of making your Internet Share Application shall be deemed to be true and correct, and our Company, the Issuing House, the relevant Internet Participating Financial Institutions, the Authorised Financial Institution and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information, shall be entitled to rely on the accuracy thereof.
- (xi) You must ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application will be rejected. You must inform Bursa Depository promptly of any change in your address, failing which the notification letter on successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.

7. AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your Application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), by:
 - (a) ordinary post through the self-addressed and stamped Official "A" envelope which you have provided to the Issuing House;
 - (b) crediting into your bank account for the purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository; or
 - (c) ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

8. OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 3.3.3 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Retail Underwriting Agreement.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

9. UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

10. SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. Consequently, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No share certificates will be issued to you and you shall not be entitled to withdraw any deposited security held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

11. ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs as set out in Section 12 below or the Issuing House at the telephone no. +603-7890 4700 between five (5) to 10 Market Days (during office hours only) after the final ballot day.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**12. LIST OF ADAS**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name	Address and telephone number	Broker code
<u>KUALA LUMPUR</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel. No. : 03-7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel. No. : 03-2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A, Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel. No. : 03-9130 8803	068-021
ALLIANCE INVESTMENT BANK BERHAD	Level 17, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No. : 03-2604 3333	076-001
AMINVESTMENT BANK BERHAD	8-9, 11-18, 21-25th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No. : 03-2031 0102	086-001
BIMB SECURITIES SDN BHD	TG 32 Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No. : 03-2691 8887/2613 1600	024-001
CGS-CIMB SECURITIES SDN BHD	3rd Floor, Lot 1511 & 1512 Jalan Mutiara Timur Satu Taman Mutiara Cheras 56100 Kuala Lumpur Tel. No. : 03-9132 7424/7428/7429	065-001
FA SECURITIES SDN BHD	A-10-1 & A-10-17 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel. No. : 03-2288 1676	021-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3 Jalan Kia Peng 50450 Kuala Lumpur Tel. No. : 03-2168 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD	Mezzanine Floor Level 3A, Block B, Hp Towers No. 12, Jalan Gelenggang 60000 Kuala Lumpur Tel. No. : 03-2080 8777	066-002
HONG LEONG INVESTMENT BANK BERHAD	Level 27 & 28, Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Tel. No. : 03-2083 1800	066-008
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel. No. : 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8, Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel. No. : 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel. No. : 03-9056 2921/9056 2922	054-007
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel. No. : 03-2171 0228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 17, Kenanga Tower 237 Jalan Tun Razak 50400 Kuala Lumpur Tel. No. : 03-2172 2888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel. No. : 03-4297 8806	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel. No. : 03-2089 2888	073-001
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 and 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. No. : 03-2282 1820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel. No. : 03-7983 9890	057-004
MALACCA SECURITIES SDN BHD	No 76-1, Jalan Wangsa Maju Delima 6 Pusat Bandar Wangsa Maju (KLSC) Setapak 53300 Kuala Lumpur Tel. No. : 03-4144 2565	012-001
MALACCA SECURITIES SDN BHD	B-M-10, Block B Plaza Arkadia Jalan Intisari Perdana Desa Park City 52200 Kuala Lumpur Tel. No. : 03-2733 9782	012-001
MALACCA SECURITIES SDN BHD	B01-A-13A Level 13A, Menara 2 No. 3, Jalan Bangsar KL ECO City 59200 Kuala Lumpur Tel. No. : 03-2201 2100	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel. No. : 03-2297 8888	098-001
MAYBANK INVESTMENT BANK BERHAD	27, 31 to 33 Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel. No. : 03-2059 1888	098-007

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel. No. : 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11, 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No. : 03-2173 8888	026-001
PM SECURITIES SDN BHD	11th Floor, KH Tower No. 8, Lorong P. Ramlee 50250 Kuala Lumpur Tel. No. : 03-2054 8000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel. No. : 03-2268 3000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower 3 RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel. No. : 03-9280 2233/2354	087-001
RHB INVESTMENT BANK BERHAD	No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel. No. : 03-6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel. No. : 03-4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel. No. : 03-9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel. No. : 03-2072 1277	058-003

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
UOB KAY HIAN SECURITIES (M) SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel. No. : 03-6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel. No. : 03-2147 1888	078-010
<u>SELANGOR DARUL EHSAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B 3A1, East Wing 3Ath Floor Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel. No. : 03-5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4th Floor, Wisma Meru 1 Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel. No. : 03-3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	No.79-1, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel. No. : 03-3322 1999	068-023
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7710 6613	086-001
CGS-CIMB SECURITIES SDN BHD	Level G & Level 1, Tropicana City Office Tower No. 3, Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7717 3388	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, 135 & 137 Jalan Sultan Abdul Samad 42700 Banting Selangor Darul Ehsan Tel. No. : 03-3181 1337/1346	065-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	No. A-07-01 & A-07-02 Empire Office Tower Empire Subang Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel. No. : 03-5631 7934/7892	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor (No. 26-2) Lorong Batu Nilam 4B Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel. No. : 03-3325 7105/7106	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor (No. 11A) Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel. No. : 03-5891 6852	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 26A(F), 26A(M) & 26A(B) Jalan SJ6, Taman Selayang Jaya 68100 Batu Caves Selangor Darul Ehsan Tel. No. : 03-6137 1680	065-001
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel. No. : 03-8736 1118	079-001
JF APEX SECURITIES BERHAD	16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7620 1118	079-002
KENANGA INVESTMENT BANK BERHAD	No. 55C, 2nd Floor Jalan USJ 10/1F 47610 UEP Subang Jaya Selangor Darul Ehsan Tel. No. : 03-8024 1773	073-001
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7725 9095	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel. No. : 03-5621 2118	073-001
KENANGA INVESTMENT BANK BERHAD	35 (Ground, 1st & 2nd Floor) Jalan Tiara 3, Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel. No. : 03-3348 8080	073-001
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel. No. : 03-5636 1533	012-001
MALACCA SECURITIES SDN BHD	No. 54M, Mezzanine Floor Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7876 1533	012-001
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiar Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7718 8888	098-004
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square No. 68, Jalan Batai Laut 4 Taman Intan, 41300 Klang Selangor Darul Ehsan Tel. No. : 03-3050 8888	098-003
PM SECURITIES SDN BHD	1st Floor, 157- A, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel. No. : 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel. No. : 03-3341 5300	064-007
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7873 6366	087-011

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel. No. : 03-8736 3378	087-045
RHB INVESTMENT BANK BERHAD	First Floor, 10 & 11 Jalan Maxwell 48000 Rawang Selangor Darul Ehsan Tel. No. : 03-6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel. No. : 03-3343 9180	087-048
RHB INVESTMENT BANK BERHAD	Unit 1B, 2B & 3B Jalan USJ 10/1J USJ 10, 47610 UEP Subang Jaya Selangor Darul Ehsan Tel. No. : 03-8022 1888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22, 40000 Shah Alam Selangor Darul Ehsan Tel. No. : 03-5192 0202	096-001
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint, PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7732 3862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel. No. : 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA 1A Jalan SS20/1, Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel. No. : 03-7729 5713	058-007

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
<u>MELAKA</u>		
CGS-CIMB SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel. No. : 06-289 8800	065-006
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel. No. : 06-337 1533	012-001
KENANGA INVESTMENT BANK BERHAD	71 (Ground, A&B) & 73 (Ground, A&B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No. : 06-288 1720	073-001
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel. No. : 06-337 2550	073-001
MERCURY SECURITIES SDN BHD	81, 81A & 81B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No. : 06-292 1898	093-003
PM SECURITIES SDN BHD	No 6-1, Jalan Lagenda 2 Taman 1 Lagenda 75400 Melaka Tel. No. : 06-288 0050	064-006
RHB INVESTMENT BANK BERHAD	579, 580 & 581, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No. : 06-282 5211	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No. : 06-286 2618	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel. No. : 06-335 2511	078-014

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
<u>PERAK DARUL RIDZUAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen Ground Floor, 1, 2 & 3 34000 Taiping Perak Darul Ridzuan Tel. No. : 05-806 6688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2nd & 3rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-255 9988	068-015
CGS-CIMB SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-208 8688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-253 0888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 4th Floor No. 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-242 2828	073-022
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel. No. : 05-693 9828	073-031
M & A SECURITIES SDN BHD	5th, 6th Floor and Unit 8A, M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel. No. : 05-241 9800	057-001
MALACCA SECURITIES SDN BHD	No 3, 1st Floor, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-254 1533/254 1577	012-013

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel. No. : 05-245 3400	098-002
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel. No. : 05-623 6498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel. No. : 05-692 1228	087-016
RHB INVESTMENT BANK BERHAD	Unit E-2-2A, E-3-2A, E-4-2A & E-5-2A SOHO Ipoh 2, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel. No. : 05-241 5100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel. No. : 05-808 8229	087-034
RHB INVESTMENT BANK BERHAD	No 1&3, 1st Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel. No. : 05-717 0888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel. No. : 05-253 1313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30300 Ipoh Perak Darul Ridzuan Tel. No. : 05-241 1290	078-002

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
<u>PULAU PINANG</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel. No. : 04-263 6996	068-001
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel. No. : 04-537 2882	068-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Berkath 21, Beach Street 10300 Penang Tel. No. : 04-261 1688	076-015
AMINVESTMENT BANK BERHAD	3rd Floor, Menara Liang Court 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel. No. : 04-226 1818	086-001
CGS-CIMB SECURITIES SDN BHD	Level 2, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel. No. : 04-238 5900	065-001
INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 (Unit 1) & Level 3 No. 56, Cantontment Road 10250 Pulau Pinang Tel. No. : 04-226 8288	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel. No. : 04-228 9118	079-005
KENANGA INVESTMENT BANK BERHAD	7th, 8th & 16th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel. No. : 04-228 3355	073-023
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel. No. : 04-390 5669	012-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
MALACCA SECURITIES SDN BHD	No 17, 1st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel. No. : 04-642 1533	012-001
MALACCA SECURITIES SDB BHD	28, Lorong Tangling Indah 3 Taman Tangling Indah 14100 Simpang Ampat Pulau Pinang Tel. No. : 04-506 0967	012-001
MAYBANK INVESTMENT BANK BERHAD	Ground Floor, Bangunan KWSP No. 38, Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Tel. No. : 04-219 6888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang Tel. No. : 04-332 2123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2, Lebuh Pantai 10300 Pulau Pinang Tel. No. : 04-263 9118	093-004
MERCURY SECURITIES SDN BHD	D'Piazza Mall 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel. No. : 04-640 0822	093-006
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350 Pulau Pinang Tel. No. : 04-227 3000	064-004
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel. No. : 04-390 0022	087-005
RHB INVESTMENT BANK BERHAD	64-D Ground Floor-3rd Floor & 5th-8th Floor Lebuh Bishop 10200 Pulau Pinang Tel. No. : 04-263 4222	087-033

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	1st Floor No. 15-1-5, 15-1-6, 15-2-5, 15-2-6 & 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel. No. : 04-640 4888	087-042
TA SECURITIES HOLDINGS BERHAD	3rd Floor, Bangunan Heng Guan No. 171, Jalan Burmah 10050 Pulau Pinang Tel. No. : 04-227 2339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1st Floor, Bangunan Heng Guan 171, Jalan Burmah 10050 Pulau Pinang Tel. No. : 04-229 9318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel. No. : 04-554 1388	078-003
<u>PAHANG DARUL MAKMUR</u>		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1st Floor B400, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel. No. : 09-566 0800	076-002
CGS-CIMB SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. 27, Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel. No. : 09-505 7800	065-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel. No. : 09-517 1698	073-001
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel. No. : 09-222 0993	012-001
RHB INVESTMENT BANK BERHAD	No. 12 Ground Floor, 1st and 2nd Floor Jalan Putra Square 1 Putra Square 25300 Pahang Darul Makmur Tel. No. : 09-517 3811	087-007

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel. No. : 09-491 4913	087-041
<u>KELANTAN DARUL NAIM</u>		
CGS-CIMB SECURITIES SDN BHD	Level 4 Wisma TCH (formerly known as Wisma Square Point) Jalan Pengkalan Chepa 15400 Kota Bharu Kelantan Darul Naim Tel. No. : 09-741 9050/9051/9052/9053	065-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel. No. : 09-743 0077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel. No. : 09-743 2288/3388	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel. No. : 09-747 3906	078-004
<u>TERENGGANU DARUL IMAN</u>		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel. No. : 09-631 7922	076-009
RHB INVESTMENT BANK BERHAD	1st Floor, 59 Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel. No. : 09-626 1816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel. No. : 09-622 4766	078-016

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
<u>KEDAH DARUL AMAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	No.70 & 70A, Jalan Mawar 1 Taman Pekan Baru 08000 Sg Petani Kedah Darul Aman Tel. No. : 04-425 6666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel. No. : 04-731 7088/8270	076-004
CGS-CIMB SECURITIES SDN BHD	2nd Floor, No. 102 Kompleks Persiaran Sultan Abdul Hamid Jalan Pegawai 05050 Alor Setar Kedah Darul Aman Tel. No. : 04-777 4400/4401	065-001
MALACCA SECURITIES SDN BHD	No. 9 First Floor Kompleks Perniagaan LITC Jalan Putra Mergong 05150 Alor Setar Kedah Darul Aman Tel. No. : 04-735 0888	012-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel. No. : 04-720 9888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel. No. : 04-732 2111	078-007
<u>NEGERI SEMBILAN DARUL KHUSUS</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	No. 29G, Jalan S2 B16, Pusat Dagangan Seremban 2, 70300 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-603 7408	068-007

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
AFFIN HWANG INVESTMENT BANK BERHAD	6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel. No. : 06-455 3188	068-013
CGS-CIMB SECURITIES SDN BHD	1st Floor, No 21, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel. No. : 06-455 3166/3266	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor, Lot 3110 Jalan Besar, Lukut 71010 Port Dickson Negeri Sembilan Darul Khusus Tel. No. : 06-651 5385	065-001
CGS-CIMB SECURITIES SDN BHD	Level 2 Wisma Dewan Perniagaan Melayu Negeri Sembilan Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-761 4651	065-001
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-765 5998	073-001
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-766 9555	098-005
PM SECURITIES SDN BHD	1st-3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-762 3131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel. No. : 06-764 1641	087-024

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
<u>JOHOR DARUL TAKZIM</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel. No. : 07-222 2692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel. No. : 07-771 7922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel. No. : 07-434 2282	086-001
AMINVESTMENT BANK BERHAD	18th Floor, Metropolis Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel. No. : 07-334 3699	086-001
CGS-CIMB SECURITIES SDN BHD	No 73, Ground Floor No 73A & 79A, First Floor Jalan Kuning Dua, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No. : 07-340 5888	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 384A Jalan Simbang, Taman Perling 81200 Johor Bahru Johor Darul Takzim Tel. No. : 07-232 9673	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor, 113 & 114 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel. No. : 07-931 1509/1523	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, 101 Jalan Gambir 8 Bandar Baru Bukit Gambir 84800 Muar Johor Darul Takzim Tel. No. : 06-976 4559/4560	065-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	1st Floor No. 8A Jalan Dedap 20 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel. No. : 07-353 7669/7959	065-001
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel. No. : 07-223 1211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No. : 07-333 3600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel. No. : 07-933 3515	073-001
KENANGA INVESTMENT BANK BERHAD	33 & 35 (A&B), Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel. No. : 07-777 1161	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel. No. : 06-978 2292	073-001
KENANGA INVESTMENT BANK BERHAD	57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel. No. : 06-953 1222	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel. No. : 07-467 8885	073-001
KENANGA INVESTMENT BANK BERHAD	916, Ground Floor Jalan Bakek 82000, Pontian Johor Darul Takzim Tel. No. : 07-686 1121	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No. : 07-338 1233	057-003
MALACCA SECURITIES SDN BHD	No. 74, Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No. : 07-335 1533	012-001
MALACCA SECURITIES SDN BHD	1735-B, Jalan Sri Putri 4 Taman Putri Kulai 81000 Kulaijaya Johor Darul Takzim Tel. No. : 07-663 8877	012-001
MALACCA SECURITIES SDN BHD	Lot 880, 3 ½ Mile Jalan Salleh 84000 Muar Johor Darul Takzim Tel. No. : 06-953 6948	012-001
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No. : 07-331 6992	093-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel. No. : 07-433 3608	064-008
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel. No. : 07-278 8821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel. No. : 07-438 0288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel. No. : 06-953 8262	087-025

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel. No. : 07-557 7628	087-029
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel. No. : 07-932 1543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel. No. : 07-776 9655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel. No. : 07-662 6288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor, Nos. 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel. No. : 07-352 2293	087-043
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel. No. : 07-943 5278	058-009
TA SECURITIES HOLDINGS BERHAD	15, Jalan Molek 1/5A Taman Molek 81000 Johor Bahru Tel. No. : 07-364 7388	058-011
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel. No. : 07-333 2000	078-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel. No. : 07-663 5651	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	70 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel. No. : 07-351 3218	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	171 Ground Floor Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel. No. : 07-512 1633	078-008
<u>SARAWAK</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel. No. : 082-34 1999	068-005
AMINVESTMENT BANK BERHAD	1st , 2nd, & 3rd Floor, No. 162, 164, 166 & 168 Jalan Abell 93100 Kuching Sarawak Tel. No. : 082-24 4791	086-001
CGS-CIMB SECURITIES SDN BHD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel. No. : 084-36 7700	065-001
CGS-CIMB SECURITIES SDN BHD	Level 1 (North), Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel. No. : 082-35 8688	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 1866, Jalan MS 2/5 Marina Square 2 Marina Parkcity 98000 Miri Sarawak Tel. No. : 085-43 5577	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel. No. : 082-33 8000	073-001
KENANGA INVESTMENT BANK BERHAD	11-12, Ground & 1st Floor Lorong Kampung Datu 3 96000 Sibu Sarawak Tel. No. : 084-31 3855	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel. No. : 086-33 7588	073-001
MERCURY SECURITIES SDN BHD	1st Floor 16, Jalan Getah 96100 Sarikei Sarawak Tel. No. : 084-65 6281	093-001
RHB INVESTMENT BANK BERHAD	Tingkat Bawah dan Tingkat 1 No. 221, Parkcity Commerce Square Phase III Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel. No. : 086-31 7678	087-008
RHB INVESTMENT BANK BERHAD	2nd Floor, Lot 1268 & Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel. No. : 085-42 2788	087-012
RHB INVESTMENT BANK BERHAD	No. 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel. No. : 084-32 9100	087-008
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 221, Parkcity Commerce Square Phase III Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel. No. : 086-31 1770	087-053

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibul Sarawak Tel. No. : 084-31 9998	058-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 1265, 1st Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel. No. : 085-32 4128	078-017
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No 16, Lorong Intan 6 96000 Sibul Sarawak Tel. No. : 084-25 2737	078-018
<u>SABAH</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel. No. : 088-31 1688	068-008
CGS-CIMB SECURITIES SDN BHD	1st & 2nd Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel. No. : 088-32 8878	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, Lot 12 Block A3, Phase 2 Utama Place Mile 6, Northern Road Sandakan Sabah Tel. No. : 089-21 5578	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel. No. : 088-23 6188	073-032
KENANGA INVESTMENT BANK BERHAD	1st Floor, Lot 40 (corner) Taman Nasalim, Phase 7A, Batu 5 Jalan Lintas Utara 90000 Sandakan Sabah Tel. No. : 089-46 4801	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Lot 66-0 (TB 15611-0) Ground Floor, Kubota Road 91000 Tawau Sabah Tel. No. : 089-70 4892	073 – 001
RHB INVESTMENT BANK BERHAD	2nd Floor 81 & 83, Jalan Gaya 88000 Kota Kinabalu Sabah Tel. No. : 088-26 9788	087-010
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel. No. : 088-23 4090	078-011