
APPENDIX I – SALIENT TERMS OF THE SSA

The salient terms and conditions of the SSA are as follows:

1. Conditions Precedent

The SSA shall be conditional upon each of the following conditions precedent being obtained, procured and/or fulfilled by the Company and/or the Vendors within 4 months from the execution of the SSA ("**Conditional Period**"), as the case may be (each a "**Condition Precedent**" and collectively "**Conditions Precedent**"):

- (a) the Company being satisfied with the legal, financial and/or business due diligence findings on Reszon;
- (b) the written approvals of Bursa Securities for the listing and quotation for the Consideration Shares on the Main Market of Bursa Securities;
- (c) the approval of the shareholders of the Company at an extraordinary general meeting to be convened upon execution of the SSA;
- (d) the entry into of a management service agreement between Reszon and Law Eng Lim subject to the terms and conditions to be mutually agreed upon between the parties; and
- (e) such other prior written waivers, consents or approvals as may be agreed between the Company and the Vendors that the waivers, consents or approvals is required by any Party from any third party or governmental, regulatory body or competent authority having jurisdiction over any part of the transactions contemplated under the SSA to the effect that if such waivers, consents and approvals are not obtained, the sale and purchase of the Sale Shares herein will be rendered null and void by law.

The SSA will become unconditional on the day upon which the last Condition Precedent is fulfilled or is deemed to be fulfilled or is waived in accordance with the provisions of the SSA ("**Unconditional Date**").

2. Completion

Within 1 month after the Unconditional Date or such further period as the parties may mutually agree ("**Completion Period**") and provided always that:

- (a) no event of default has occurred or would occur as a result of the completion of the SSA;
- (b) there has been no material adverse change in the financial position of Reszon since the date of the SSA, other than a change affecting or likely to affect all companies carrying on business in similar countries in which Reszon carries on business;
- (c) all debts/advances owing by or to the Vendors, the directors of Reszon any and/or any person connected with them as at the Unconditional Date are settled;
- (d) all amounts due and owing to Reszon's secretary and auditor as at the relevant dates are settled;
- (e) each of the representations and warranties set out in the SSA remains accurate as if given on that date by reference (i.e. the Completion Date) to the facts and circumstances then existing;
- (f) the Vendors have not breached any material undertakings, representations, warranties and covenants under the SSA; and

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- (g) no Governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA illegal or restraining or prohibiting consummation of such transactions

then subject to the provisions of the SSA, the Vendors shall deliver or cause to be delivered the following to the Company:

- (a) a valid and registrable form of transfer of securities in respect of the Sale Shares duly executed by the Vendors in favour of the Company or the Company's wholly-owned subsidiary;
- (b) the relevant duly sealed original share certificates relating to the Sale Shares (if applicable);
- (c) the common seal, statutory books, books of account and documents of record of Reszon shall be readily accessible by the Company;
- (d) directors' resolution of Reszon approving the transfer of the Sale Shares to the Company or the Company's wholly-owned subsidiary; and
- (e) directors' resolution of Reszon approving the appointment of a maximum of 2 directors nominated by the Company to the board of directors of Reszon;

Whereas the Company shall deliver or cause to be delivered to the Vendors a certified true copy of the Company's directors' resolution, and if required, the shareholders' resolution, authorising the Company to execute the SSA and to effect the transactions contemplated in the SSA whereupon the date where all the above conditions for completion have been fulfilled or waived shall be known as the "Completion Date".

3. Mode of payment

The Parties agree that the Purchase Consideration shall be payable to the Vendors in the following time, proportions and manner:

- (a) Within 30 days from the date of the SSA, the Company shall pay to the Vendors a refundable earnest deposit in the sum of RM9,000,000.00 by way of cash payment to such bank account nominated by the Vendors in writing ("**Earnest Deposit**"). The Vendors agree that the Earnest Deposit shall be refundable to the Company free from interest in the event the Conditions Precedents are not fulfilled within the Conditional Period. Upon the Completion Date, the Parties agree that the Earnest Deposit shall be deemed as part payment towards the FYE 2022 H1 Payment.
- (b) Upon completion of the SSA, all Consideration Shares shall be deposited with a stakeholder and will be transferred to the Vendors' Central Depository System account in the manner stated below. Kindly refer to Appendix II of this Circular for the Escrow Agreement.
- (c) Within 14 days from the Completion Date, the Company shall make initial payments to the Vendors in the manner below:
 - (i) Such number of Consideration Shares amounting to RM9,000,000.00 ("**Initial Shares Payment**");

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- (ii) Subject to the Company's review of Reszon's unaudited financial result for first half ("H1") of FYE 2022, the Vendors shall be entitled to receive such amount of Cash Consideration proportional to the percentage of the FYE 2022 Profit Guarantee attained for H1 of FYE 2022 up to a maximum of 50% of the FYE 2022 Profit Guarantee ("**H1 Cash Payment**") provided always that the H1 Cash Payment shall be capped at RM4,500,000.00 after taking into account the Earnest Deposit;
 - (iii) Subject to the Company's review of Reszon's H1 unaudited financial of FYE 2022, the Vendors shall be entitled to receive such amount of Consideration Shares in value proportional to the percentage of the FYE 2022 Profit Guarantee attained for H1 of FYE 2022 up to a maximum of 50% of the FYE 2022 Profit Guarantee ("**H1 Share Payment**") provided always that the H1 Share Payment shall be capped at RM22,500,000.00 after taking into account the Initial Shares Payment; and
 - (iv) The aggregate amount of H1 Cash Payment and H1 Share Payment (including the Earnest Deposit and Initial Shares Payment) (collectively, "**FYE 2022 H1 Payment**") payable to the Vendors shall not exceed RM45,000,000.00. In the event Reszon's H1 PAT for FYE 2022 shall be more than RM25,000,000.00, the Company shall be entitled to defer any payment in excess of RM45,000,000.00 ("**H1 Deferred Payment**") to the FYE 2022 H2 Payment upon taking into account the Company's H2 PAT for FYE 2022.
- (d) Subject to the release of Reszon's audited financial statements for FYE 2022 and Reszon's collection of 90% of its trade receivables for FYE 2022, the Company shall make intermediate payments to the Vendors based on the FYE 2022 Profit Guarantee attained by Reszon during the second half ("**H2**") of FYE 2022 up to a maximum of 50% of the FYE 2022 Profit Guarantee in the manner below:
- (i) Upon the Company's review of Reszon's audited financial statement for FYE 2022 and trade receivables within 14 days from its release, the Vendors shall be entitled to receive such amount of Cash Consideration proportional to the percentage of the FYE 2022 Profit Guarantee attained for H2 of FYE 2022 up to a maximum of 50% of the FYE 2022 Profit Guarantee together with any H1 Deferred Payment (collectively, "**H2 Cash Payment**") provided always that the H2 Cash Payment shall be capped at RM13,500,000.00;
 - (ii) Upon the Company's review of Reszon's audited financial statement for FYE 2022 and trade receivables within 14 days from its release, the Vendors shall be entitled to receive such amount of Consideration Shares in value proportional to the percentage of the FYE 2022 Profit Guarantee attained for H2 of FYE 2022 up to a maximum of 50% of the FYE 2022 Profit Guarantee together with any H1 Deferred Payment (collectively, "**H2 Share Payment**") provided always that the H2 Share Payment shall be capped at RM31,500,000.00;
 - (iii) The aggregate amount of H2 Cash Payment and H2 Share Payment (including the H1 Deferred Payment, if any) (collectively, "**FYE 2022 H2 Payment**") payable to the Vendors shall not exceed RM45,000,000.00. In the event Reszon's H2 PAT for FYE 2022 shall be more than RM25,000,000.00, the Company shall be entitled to defer any payment in excess of RM45,000,000.00 to the FYE 2023 Payment upon taking into account Reszon's PAT for FYE 2023 ("**FYE 2022 Deferred Payment**"); and
 - (iv) In the event of downward adjustment to Reszon's H1 PAT in FYE 2022 based on Reszon's audited financial statements for FYE 2022, the Company shall be entitled to recoup any overpayment of the FYE 2022 H1 Payment from the Vendors ("**FYE 2022 H1 Overpayment**") by way of deduction from the FYE 2022 H2 Payment and/or deduction from the FYE 2023 Payment.

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- (e) Subject to the release of the audited financial statements for FYE 2023 and the Reszon's collection of 90% of its trade receivables for FYE 2023, the Company shall within 14 days pay to the Vendors such amount of Cash Consideration and Consideration Shares in value proportional to the percentage of the FYE 2023 Profit Guarantee attained by Reszon by taking into account any FYE 2022 Deferred Payment or FYE 2022 H1 Overpayment calculated in the manner below ("**FYE 2023 Payment**"):

$$[(A / B) \times C] + D - E$$

whereby,

A = Reszon's PAT for FYE 2023

B = RM50,000,000.00 or the FYE 2023 Profit Guarantee

C = RM90,000,000.00

D = FYE 2022 Deferred Payment (if any)

E = FYE 2022 H1 Overpayment (if any)

Provided always that the aggregate amount of FYE 2022 H1 Payment, the FYE 2022 H2 Payment and the FYE 2023 Payment payable to the Vendors shall not exceed the Purchase Consideration. In the event Reszon's cumulative PAT for FYE 2022 and FYE 2023 shall be more than RM100,000,000.00, the Vendors shall be entitled to receive the Performance Bonus in accordance with Section 5 hereunder.

- (f) Subject to the completion of payment by the Company in accordance with paragraphs 3 (a), (c), (d) and (e) above, the Vendors shall not be entitled to any Purchase Consideration which remains unpaid ("**Unpaid Purchase Consideration**") calculated in the manner below:

$$A - (B + C + D)$$

whereby,

A = Purchase Consideration

B = FYE 2022 H1 Payment

C = FYE 2022 H2 Payment

D = FYE 2023 Payment

Whereupon the Company shall be at liberty to deal with any Cash Consideration and Consideration Shares which form the Unpaid Purchase Consideration.

4. Profit Guarantee

- (a) The Vendors jointly and severally hereby guarantee that Reszon shall attain PAT of not less than RM50,000,000.00 for FYE 2022 ("**FYE 2022 Profit Guarantee**") and PAT of not less than RM50,000,000.00 for FYE 2023 ("FYE 2023 Profit Guarantee"). The FYE 2022 Profit Guarantee and the FYE 2023 Profit Guarantee shall collectively be known as the "Profit Guarantee" whereby the attainment of the Profit Guarantee shall, unless extended due to a Force Majeure Event, be subjected always to:
- (i) the collection of Reszon's trade receivables arising from an exclusive supply agreement fully in cash or letter of credit; and
 - (ii) the collection of Reszon's other trade receivables in cash for the corresponding financial year end within reasonable credit terms.
- (b) In the event that Reszon attains PAT of RM50,000,000.00 for FYE 2022 and PAT of RM50,000,000.00 FYE 2023 respectively, as evidenced by the audited financial statements for FYE 2022 and FYE 2023 to be signed off by the auditor of Reszon and presented to the board of directors of Reszon, the Profit Guarantee is deemed to be satisfied by the Vendors whereupon the Company shall not have any more claims against the Vendors in relation to the Profit Guarantee and the Vendors shall be entitled to the full Purchase Consideration.
- (c) In the event that Reszon fails to attain the FYE 2022 Profit Guarantee or the FYE 2023 Profit Guarantee, the Vendors shall not be entitled to the full amount of the Purchase Consideration which shall then be adjusted in accordance with Section 2.1.3(d) above and the Company shall not have any more claims against the Vendors in relation to the Profit Guarantee after such adjustment to the Purchase Consideration.

5. Performance bonus

In the event that Reszon's cumulative PAT for FYE 2022 and FYE 2023 exceeds RM100,000,000.00, the Vendors shall be entitled to receive a one-off cash incentive payable by Reszon or the Company in accordance with the following terms and conditions:

- (a) The Vendors shall be entitled to receive the Performance Bonus in such amount proportional in percentage to the PG Surplus attained by Reszon. Such PG Surplus attained by Reszon shall be capped at RM30,000,000.00. For the avoidance of doubt, the Vendors shall not be entitled to additional cash incentives beyond or other than the Performance Bonus in the event Reszon's cumulative PAT for FYE 2022 and FYE 2023 exceeds RM130,000,000.00;
- (b) The Performance Bonus shall be capped at RM45,000,000.00⁽ⁱ⁾ and shall be payable in proportional in percentage to the PG Surplus attained by Reszon;

Note:

- (i) *The maximum Performance Bonus of RM45,000,000 was determined based on commercial decision agreed upon between the Company and the Vendors after taking into consideration the objective of the Performance Bonus which align the interest of the Vendors and the Company.*
- (c) Within 14 Business Days from the date of which Reszon's audited financial statements for FYE 2022 and FYE 2023 are duly signed off by the auditors of Reszon and on the condition that Reszon shall have collected 90% of the trade receivables contributing to the Profit Guarantee and the PG Surplus declared under Reszon's audited financial statements for FYE 2022 and FYE 2023, the Vendors shall be entitled to received such amount of the Performance Bonus proportional in percentage to the PG Surplus attained by Reszon, calculated based on the following formula:

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$(A / B) \times C$

whereby,

A = Reszon's actual PG Surplus (to be capped at a maximum of RM30,000,000.00)

B = RM30,000,000.00 or capped amount of the PG Surplus

C = RM45,000,000.00 or capped amount of the Performance Bonus

- (d) The Parties agree that payment of the Performance Bonus must not be detrimental towards Reszon's and/or the Company's financial position. In the event Reszon's board of directors is of the opinion that payment of the Performance Bonus may adversely affect Reszon's and/or the Company's working capital, the Vendors agree that payment of the Performance Bonus shall be deferred to a later date⁽ⁱ⁾ to be decided by Reszon's board of directors or adjusted in such manner to be mutually agreed upon by the parties.

Note:

- (i) *The duration for such deferment has not been fixed at this juncture. The management of the Company does not envisage any impact on the Group's financial position arising from this arrangement.*

6. Termination

- (a) On the occurrence of any of the following default events (each an "**Event of Default**") stated hereunder and provided that the Event of Default occurs before the Completion Date, the non-defaulting Party ("**Non-Defaulting Party**") may give notice in writing to the defaulting Party ("**Defaulting Party**"), specifying the default or breach of the Defaulting Party and requiring the Defaulting Party to remedy the said default or breach within 14 Business Days from the receipt of such notice or such extended period as may be allowed by the Non-Defaulting Party:
- (i) Breach: breach of any material or fundamental terms or conditions of the SSA or a failure to perform or observe any material or fundamental undertaking or obligation expressed in the SSA;
 - (ii) Receiver: a receiver, manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party;
 - (iii) Arrangements: the Defaulting Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, the Defaulting Party's creditors or any class of them;
 - (iv) Winding-Up: an application, petition or order is made for the winding-up or dissolution of the Defaulting Party, or a resolution is passed or any steps taken to pass a resolution for the winding-up or dissolution of the Defaulting Party, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the Non-Defaulting Party; or
 - (v) Misrepresentation: any material representation, warranty or statement made by the Defaulting Party in the SSA and is found to be incorrect.
- (b) If the Defaulting Party fails to remedy the relevant default or breach within the said 14 Business Days or such extended period as may be allowed by the Non-Defaulting Party

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after being given notice by the Non-Defaulting Party to rectify such breach, the Non-Defaulting Party may elect to terminate the SSA and claim damages.

- (i) In the event of termination due to the default or breach of the Company of the SSA, the Vendors shall have the option of giving the Company a written notice of termination electing to terminate the SSA or to sue for specific performance of the SSA. In the event the Vendors elects to terminate the SSA, provided that the Vendors have complied with all their obligations under the SSA, the Earnest Deposit paid by the Company towards the Purchase Consideration shall be forfeited by the Vendors whereupon the Vendors shall have no further claim against the Company.
 - (ii) In the event of termination due to the default or breach of the Vendors of the SSA, the Company shall have the option of giving the Vendors a written notice of termination, electing to terminate the SSA or to sue for specific performance of the SSA. In the event the Company elects to terminate the SSA, provided that the Company has complied with all its obligations under the SSA, the Vendors shall (i) refund the Earnest Deposit paid by the Company to the Company within fourteen (14) days from the date this Agreement is terminated, and (ii) reimburse the Company all reasonable costs and expenses incurred by the Company in relation to the SSA up to the date of the Company's election to terminate the SSA.
- (c) Notwithstanding any other provision in the SSA, the parties agree that, at any time after the Unconditional Date up to the Completion Date, either party shall be entitled to serve a 14 days advance notice in writing on the other parties electing to terminate the SSA.
- (i) If the Company serves a 14 days advance notice in writing on the Vendors electing to terminate the SSA through no breach of the SSA by the Vendors, provided that the Vendors have complied with all their obligations under the SSA, the Earnest Deposit paid by the Company towards the Purchase Consideration shall be forfeited by the Vendors whereupon the Vendors shall have no further claims against the Company; or
 - (ii) If the Vendors serve a 14 days advance notice in writing on the Company electing to terminate the SSA through no breach of the SSA by the Company, provided that the Company has complied with all its obligations under the SSA, the Vendors shall (i) refund the Earnest Deposit paid by the Company to the Company within fourteen (14) days from the date this Agreement is terminated, and (ii) reimburse the Company for all reasonable costs and expenses incurred by the Company in relation to the SSA up to the date of the Vendor's election to terminate the SSA,

thereafter, the SSA shall come to an end and become null and void and be of no further effect and neither party shall have any claim whatsoever against the other under or in respect of the SSA (save for the return and/or destruction of any documents belonging to the Vendors).

APPENDIX II – SALIENT TERMS OF THE ESCROW AGREEMENT

The salient terms and conditions of the Escrow Agreement are as follows:

1. APPOINTMENT OF ESCROW AGENT

- (a) The Vendors and the Company jointly appoint Messrs. Teh & Lee, a firm of advocates and solicitors established under the Malaysian Legal Profession Act, 1976 and having their business address at A-3-3 & A-3-4, Northpoint Offices, Mid Valley City, No.1 Medan Syed Putra Utara, 59200 Kuala Lumpur ("**Escrow Agent**") as stakeholder to hold the Consideration Shares, and the Escrow Agent accepts the appointment subject always to the rules and rulings by the Malaysian Bar pertaining to the practice, conduct and etiquette of an advocate and solicitor as stakeholder.
- (b) The Escrow Agreement shall come into force on the date of its execution ("**Escrow Commencement Date**") and shall continue until and unless it is terminated.

2. ESCROW ACCOUNT

- (a) Within 4 months from the date of the Escrow Agreement, the Escrow Agent shall cause to open a nominee securities account with a licensed financier registered under the Financial Services Act 2013, namely M&A Securities Sdn. Bhd. (Company No. 197301001503 (15017-H)) ("**Escrow Account**"). The Company and the Vendors agree that the Escrow Agent shall hold the Consideration Shares in the Escrow Account as stakeholder while pending the Company's instructions for the Consideration Shares to be transferred to the Vendors' designated CDS account as payment towards the purchase consideration contemplated under the SSA. Any transaction of the Escrow Account shall be approved by at least 1 partner of the Escrow Agent whom shall be named as the signatory of the Escrow Account.
- (b) Upon opening of the Escrow Account and subject to the satisfaction of the terms and conditions under the SSA, the Company shall issue and deposit the Consideration Shares into the Escrow Account. Thereafter, the Escrow Agent shall deal with the Consideration Shares strictly in accordance with the terms and conditions of the SSA and the Escrow Agreement.
- (c) Until and unless the Consideration Shares are transferred to the Vendors' designated CDS account in accordance with the terms and conditions of the SSA and the Escrow Agreement, the parties irrevocably agree that-
 - (i) all cash dividends and distributions payable in respect of the Consideration Shares in the Escrow Account;
 - (ii) other or additional securities (other than cash) paid or distributed by way of dividend, distribution or otherwise in respect of the Consideration Shares in the Escrow Account;
 - (iii) all other or additional securities payable or distributable in respect of the Consideration Shares in the Escrow Account by way of merger, consolidation, conveyance of assets, liquidation, exchange of stock, stock-split, spin-off, split-up, reclassification, combination of shares or similar re-arrangement; and
 - (iv) all other property payable or distributable by way of dividend or distribution in respect of the Consideration Shares in the Escrow Account.

(collectively, the "**Accrued Benefits**") shall be held by the Escrow Agent as stakeholder. Upon fulfilment of the terms and conditions provided in the SSA, the Vendors shall be entitled to receive such quantum of Accrued Benefits proportional to the Consideration Shares to be transferred by the Escrow Agent to the Vendors under the Escrow Agreement.

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- (d) The Escrow Agent shall abstain from exercising all voting and other consensual rights pertaining to the Consideration Shares in the Escrow Account.
- (e) The Escrow Agent shall not be obliged to enquire on and/or obtain the best or more favourable transaction cost, fee and charges, if at all, in respect of the Consideration Shares to be held by the Escrow Agent unless otherwise mutually agreed upon by the parties.

3. FUNCTIONS AND OBLIGATIONS OF THE ESCROW AGENT

- (a) Throughout the Escrow Agent's appointment as a stakeholder and subject always to the Company's settlement of any transaction cost, fee and charges levied by the relevant bank for such transfer (if any and such other fees or expenses due to the Escrow Agent), the Escrow Agent shall:
 - (i) hold or procure to be held to the Consideration Shares in the Escrow Account;
 - (ii) on receipt from the Company of a written confirmation as to a dividend declared on the Consideration Shares or a statement that any dividend is to be paid on the Consideration Shares, together with a statement of the total amount payable by way of dividend and the date of payment, cause such dividend to be deposited in the Escrow Agent's bank account to be held as stakeholder whereupon the fulfilment of the terms and conditions provided in the SSA, the Vendors shall be entitled to receive such quantum of dividend proportional to the Consideration Shares to be transferred by the Escrow Agent to the Vendors under the Escrow Agreement;
 - (iii) keep or cause to be kept such records and statements as may be necessary to give a complete record of all assets and documents as referred to in the Escrow Agreement held and transactions carried out by it on behalf of the parties;
 - (iv) may in performing its duties and discretions hereunder with written instructions of the Company or the Vendors (which shall not be unreasonably withheld), as the case may be, appoint sub-custodians, nominees, agents or other delegates permitted by law to perform in whole or in part its duties or discretions (including in such appointment powers of sub-delegation) herein and on the basis that assets held on its own account or for the account of third parties are separately identifiable;
 - (v) within 14 days upon receipt of written instructions from the Company (and countersigned by the Vendors) that such number of Consideration Shares forming part of the purchase consideration as contemplated under the SSA being payable to the Vendors upon fulfilment of terms and conditions in the SSA, transfer or cause to be transferred such number of the Consideration Shares and Accrued Benefit to the Vendors' designated CDS account and/or bank account (if applicable); and
 - (vi) subject always to the Company's payment of purchase consideration to the Vendors strictly in accordance with terms and conditions of the SSA, the Escrow Agent shall deal with any remaining Consideration Shares in the Escrow Account together with the Accrued Benefits thereof (collectively, the "**Undistributed Shares**") in accordance with the Company's instruction including but not limited to sell, transfer or dispose of the Undistributed Shares and either by dealings at any broker's board or by public or private sale or in such manner as the Company may deem fit without prior notice to the Vendors. For the avoidance of doubt, the Vendors shall not be entitled to the Undistributed Shares.

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- (b) The Parties hereby acknowledge that upon the due performance by the Escrow Agent of the matters set out in paragraph 3(a) above, the Escrow Agent shall have fully discharged its obligations in accordance with the terms of the Escrow Agreement.
- (c) If so required by the Escrow Agent, the Company and the Vendors shall provide written instruction to the Escrow Agent in connection with the operation of the Escrow Account or transfer of the Consideration Shares.

4. STAKEHOLDER'S FEES

- (a) In consideration of its acting as stakeholder hereof, the Escrow Agent shall be entitled to be paid as follows:
 - (i) RM1,300.00 per month, excluding sale and services tax, from the Escrow Commencement Date ("**Stakeholder's Fee**");
 - (ii) reimbursement of all costs, fees and expenses reasonably incurred by the Escrow Agent including administrative charges in connection with it acting as a stakeholder including without limitation to transaction and delivery costs and bank charges which may be incurred by the Escrow Agent.
- (b) The Company shall be responsible for the payment of the Stakeholder's Fees, together with the service tax payable thereon, and reimbursement of any fees or expenses due to the Escrow Agent. The Stakeholder's Fee shall be paid to the Escrow Agent monthly in advance against production by the Escrow Agent of invoices issued by it.
- (c) The Escrow Agent shall be entitled to the payment by the Company of its remuneration (if any) for services rendered hereof prior to termination.

5. DISPUTE RESOLUTION

- (a) In the event of any ambiguity in or inconsistency between any of the obligations of the Escrow Agent or any instructions received by the Escrow Agent under the Escrow Agreement, the Escrow Agent may at its absolute discretion apply to a court of competent jurisdiction for directions by that court as to the manner in which the Escrow Agent's obligations under the Escrow Agreement may be discharged. The Escrow Agent shall act in accordance with these court directions.
- (b) All reasonable costs and expenses incurred by the Escrow Agent in relation to or in connection with dispute resolution, including the costs of engaging legal counsel and the costs of procuring legal advice shall be borne by the Company and/or the Vendors in such quantum and proportion as may be decided by the Court failing which the Company agrees to reimburse the Escrow Agent and its officers, agents and employees for all such costs and expenses incurred.
- (c) The Escrow Agent shall be entitled to hold the Consideration Shares pending directions from the Court and the settlement of all reasonable costs and expenses that may be incurred by the Escrow Agent in connection with dispute resolution and prior to dealing with the Consideration Shares in accordance with any directions from the Court.
- (d) The Escrow Agent may rely on a copy of the relevant order duly sealed or certified by an officer of that Court.
- (e) The provisions of the Escrow Agreement shall not limit the rights and remedies of any party against any other party in respect of any breach of any term contained in any other agreement between the parties.

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6. LIABILITY AND INDEMNITY

- (a) The Escrow Agent undertakes to perform only such duties as are expressly set forth in the Escrow Agreement and no duties shall be implied. It is further agreed that the Escrow Agent:
 - (i) shall have no liability under and no duty to inquire as to the provisions of any agreement other than the SSA and the Escrow Agreement;
 - (ii) may rely upon and shall not be liable for acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have signed or presented by the authorized representatives of the Vendors or the Company;
 - (iii) shall be under no duty to inquire into or investigate the authenticity, correctness, validity, accuracy or content of any such document nor that the circumstances giving rise or entitling the Vendors and/or the Company to issue such documents are in existence;
 - (iv) shall have no duty to solicit any payments which may be due to it or the Consideration Shares; and
 - (vi) shall not be liable for any action taken or omitted by it in good faith.
- (b) In the event the Escrow Agent carries out the instruction given by the Company or the Vendors in accordance with the Escrow Agreement, the instructing party shall indemnify, defend and save harmless the Escrow Agent and its officers, agents and employees from:
 - (i) all loss, liability, cost, damage or expense which the Escrow Agent may sustain or incur in any way, either directly or indirectly, arising out of or in connection with:
 - (aa) the Escrow Agent's execution and performance of this Agreement (including but without limitation to any costs associated with seeking directions from a court of competent jurisdiction), except in the case of any indemnities to the extent that such loss, liability, cost, damage or expense is due to the negligence or willful misconduct of the Escrow Agent; or
 - (bb) the Escrow Agent's following any instruction or other directions from the Vendors and/or the Company, except to the extent that its following of any such instruction or directions is expressly forbidden by the terms hereof;
 - (ii) all claims, demand, action, fines, penalties and legal proceedings whatsoever made against or charged or imposed upon the Escrow Agent by the government or any other authority or any person, firm or corporation whatsoever arising from or in connection with any act or omission done or omitted to be done by the Escrow Agent, unless caused by the negligence and/or malicious intent of the Escrow Agent;
 - (iii) the parties acknowledge that the foregoing indemnities shall survive the resignation or removal of the Escrow Agent or the termination of the Escrow Agreement.

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7. PERIOD OF APPOINTMENT

- (a) Notwithstanding the Escrow Commencement Date, the obligations of the Escrow Agent as a stakeholder shall only take effect upon the transfer of the Consideration Shares into the Escrow Account and shall terminate upon:
 - (i) the discharge of the Escrow Agent's obligations under paragraph 3(a) above which shall not be later than 14 days after:
 - (aa) the transfer of all the Consideration Shares from the Escrow Account into the Vendors' designated CDS account as purchase consideration subject to the fulfilment of the terms and conditions provided in the SSA; or
 - (bb) the Escrow Agent finishes dealing with any Undistributed Shares in accordance with the Company's instruction; or
 - (ii) the earlier termination of the Escrow Agent's appointment as provided hereunder.

8. TERMINATION OF APPOINTMENT

- (a) The Escrow Agent may resign at any time by giving not less than 30 days' prior written notice to each party. Both the Vendors and the Company shall jointly be responsible to appoint a successor to the Escrow Agent before the expiry of the 30 days' period.
- (b) The Escrow Agent shall forthwith, on the joint written instruction of the Vendors and the Company, pay or cause to be paid the Consideration Shares to the successor appointed by the Vendors and the Company.
- (c) In the event that the Vendors and the Company have not appointed a successor by the expiry of the said 30 days, the Escrow Agent shall transfer or cause to be transferred the Consideration Shares in accordance with the Vendors' and Company's joint written instruction and if none, the Escrow Agent shall be entitled to seek directions pursuant to paragraph 5 above.
- (d) All costs and expenses (if any) incurred by the Escrow Agent in relation to or in connection with this paragraph in respect of engaging legal counsel shall be borne by the Company and/or the Vendors in such quantum and proportion as may be decided by the Court failing which the Company agrees to reimburse the Escrow Agent and its officers, agents and employees for all such costs and expenses incurred.
- (e) The Escrow Agent's appointment will not be determined by the appointment of a liquidator to any of the parties.

APPENDIX III – BACKGROUND INFORMATION OF RESZON

1. HISTORY AND BUSINESS ACTIVITIES

Reszon is a private limited company incorporated in Malaysia on 11 October 2010 and commenced operations on 1 November 2010. Reszon is principally involved in the development and manufacturing of a suite of innovative in-vitro diagnostics (IVD) rapid test kits, COVID-19 rapid test kits (RTK) and ELISA kits specializing in infectious diseases diagnosis and drug of abuse screening for medical professionals and clinical diagnostic markets.

The functions of the test kits produced by Reszon are as follows:

Products	Functions	Examples
IVD rapid test kits	IVD rapid test kits are immunochromatographic based in vitro diagnostic rapid tests performed on samples taken from the human body, such as swabs of mucus from the nose or throat, blood taken from fingerstick or urine samples. IVD rapid test kits can be used to detect diseases or to monitor a person's overall health to help cure, treat, or prevent diseases.	<ul style="list-style-type: none"> ▪ COVID-19 Rapid Antigen Test Kit; ▪ COVID-19 Rapid IgG/IgM Test Kit; ▪ Dengue Rapid NS1 Antigen Test Kit; ▪ Malaria Rapid Test Kit; ▪ Typhoid Rapid Test Kit; ▪ Lymphatic Filariasis Rapid Test - Brugia Rapid Test Kit; and ▪ Drug of Abuse Rapid Test Kit
ELISA test kits	ELISA test kits are enzyme-linked immunoassays commonly used to detect antibodies (protein produced by the body's immune system when it detects harmful substances in the blood).	Typhoid ELISA test kit

In addition, Reszon is currently in the process of adding HIV test kit production capacity which will comply with the standard of World Health Organisation. Apart from test kits for infectious diseases, Reszon also produces drug of abuse rapid test kits for the detection of drugs such as Amphetamine, Cocaine, Erimin, Ketamine and others for enforcement agencies. Other than production of the abovementioned diagnostic test kits, Reszon has its own research & development team, which is tasked with developing new and reliable products that improve diagnosis and monitoring of infectious diseases.

Reszon's operations are primarily located in Technology Park Malaysia, Bukit Jalil, with its core research and development, manufacturing and warehouse hubs spanning an area of approximately 86,000 square feet. Further, Reszon had in 2022 set up 2 new manufacturing sites in Puchong and USJ Selangor with automated system and equipment as well as approximately 550 employees to cater for the manufacturing of its range of products. The details of the manufacturing sites are as follows:

Locations	Size
<p><u>Technology Park Malaysia</u></p> <p>Lot G1 & G2, Enterprise 1, Technology Park Malaysia, Lebuhraya Puchong – Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur</p>	Built-up area: 8,373 sq ft

APPENDIX III – BACKGROUND INFORMATION OF RESZON

Locations	Size
Lot G1, G2, G3, 1-1, 1-3, 2-1, 2-2 & 2-3 Enterprise 2, Technology Park Malaysia, Lebuhraya Puchong – Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur	Built-up area: 34,137 sq ft
Lot G1, G2, G3, 1-1, 1-2, 1-3, 2-1, 2-2, 2-3, 3-1 & 3-2, Enterprise 3, Technology Park Malaysia, Lebuhraya Puchong – Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur	Built-up area: 44,296 sq ft
<u>USJ</u> No. 12A, Jalan TP5, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan	Built-up area: approximately 45,000 sq ft
<u>Puchong</u> No. 3, Jalan Industri PBP 3, Taman Industri Pusat Bandar Puchong, 74100 Puchong, Selangor	Built-up area: 42,756 sq ft

Reszon is spearheaded by Law Eng Lim, the director of Reszon. He is responsible for providing the strategic direction and overseeing the overall business operations of the company. Further details of Law Eng Lim are set out in Section 3 of this Circular.

The annual production capacity, production output and utilisation rate of Reszon and its subsidiaries for the past 3 FYEs 2019 to 2021 are as follows:

	FYE 2019	FYE 2020	FYE 2021
Maximum annual production capacity (units)	20,000	60,000	12,320,000
Actual annual production output (units)	16,000	59,000	10,509,000
Utilisation rate	80.0%	98.3%	85.3%

Reszon is presently in the process of setting up additional production lines at its new manufacturing sites in Puchong and USJ, Selangor. Upon completion of the said additional production lines, the annual production capacity of Reszon is expected to increase from approximately 12.32 million units to approximately 100.00 million units.

At present, Reszon's revenue generated is derived mainly from the Malaysia and France market. Based on the latest financial statements of Reszon for the FYE 2021, approximately 78.4% and 18.9% of the total revenue of Reszon were generated locally and France respectively.

2. SHARE CAPITAL

As at the LPD, the total issued share capital of Reszon is RM500,000 comprising 500,000 Reszon Shares.

There is only 1 class of ordinary shares in Reszon and it does not have any convertible securities.

APPENDIX III – BACKGROUND INFORMATION OF RESZON

3. DIRECTORS AND SHAREHOLDERS

As at the LPD, the directors and substantial shareholders of Reszon are as follows:

Name/Designation	Place of incorporation/ Nationality	Direct		Indirect	
		No. of Reszon Shares	%	No. of Reszon Shares	%
Revongen/Shareholder	Malaysia	497,000	99.4	-	-
Law Eng Lim/Director	Malaysian	3,000	0.6	⁽ⁱ⁾ 497,000	99.4

Note:

(i) Deemed interest by virtue of his interest in Revongen pursuant to Section 8(4) of the Act.

4. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Reszon does not have any subsidiaries nor associated companies.

5. HISTORICAL FINANCIAL INFORMATION

The summary of the financial information of Reszon based on its audited consolidated financial statements for the FYEs 2019, 2020, and 2021 is as follows:

	Audited		
	FYE 2019 RM	FYE 2020 RM	FYE 2021 RM
Revenue	3,040,150	17,003,839	126,488,554
GP	1,382,839	3,938,605	30,670,281
PBT	186,401	520,307	20,172,000
PAT	47,416	312,476	15,064,719
Share capital	300,000	300,000	500,000
Shareholders' funds/ NA	1,205,109	1,517,585	16,882,304
Borrowings	2,548,949	1,935,366	2,359,249
No. of Reszon Shares	300,000	300,000	500,000
EPS	0.16	1.04	30.13
NA per Reszon Share	4.02	5.06	33.76
Current ratio (times)	1.20	1.15	1.65
Gearing ratio (times)	2.12	1.27	0.14

There was no accounting policy adopted that is peculiar to Reszon's business or the industry it is involved in. There was no audit qualification in the audited financial statements of Reszon for the FYEs 2019, 2020, and 2021.

APPENDIX III – BACKGROUND INFORMATION OF RESZON

Commentaries on financial performance:**FYE 2019 vs FYE 2020**

Reszon's revenue generated for the FYE 2020 substantially increased by 559% from RM3.04 million in FYE 2019 to RM17.00 million in FYE 2020. The higher revenue was mainly to the increase in sales of biotechnology, chemistry and medical products coupled with the higher sales of COVID-19 test kits following the outbreak of COVID-19.

In line with the increase in revenue, Reszon's PAT for the FYE 2020 increased by RM0.27 million (or 559.0%) to RM0.31 million (FYE 2019: RM47,416) mainly due to higher revenue.

The gearing ratio for the Company had decreased from 2.12 times to 1.27 times due to lower borrowings in the FYE 2020. The decrease in borrowings was mainly due to repayment of bank borrowings.

FYE 2020 vs FYE 2021

During the FYE 2021, Reszon recorded revenue of RM126.49 million as compared to RM17.00 million in FYE 2020. This was mainly due to higher sales of COVID-19 test kits as a result of the surge of demand in Malaysia as well as from the overseas market due to the outbreak of COVID19 and its new variants (i.e. Delta and Omicron). In line with the increase in revenue due to the above reason, the PAT for the FYE 2021 also increased by RM14.75 million (or 4,721%) to RM15.06 million (FYE 2020: RM0.31 million).

The gearing ratio for the Company substantially decreased from 1.27 times to 0.14 times, mainly due to the increase in the Company's NA.

6. MATERIAL CONTRACT

Reszon has not entered into any material contract (not being a contract entered into the ordinary course of business of Reszon) within past 2 years immediately preceding the LPD.

7. MATERIAL LITIGATION

As at the LPD, Reszon is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of Reszon is not aware of any proceedings pending or threatened against Reszon or of any facts likely to give rise to any proceedings, which might materially or adversely affect the business or financial position of Reszon.

8. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitment incurred or known to be incurred by Reszon, which upon becoming enforceable may have a material effect on the profits or NA of Reszon:

	USD'000	⁽ⁱ⁾RM'000
Fees payable to Chembio Diagnostics Systems Inc. for manufacturing rights over HIV 1/2 STAT-PAK Assay products:		
• Contracted but not provided for	1,250	5,563

APPENDIX III – BACKGROUND INFORMATION OF RESZON

Note:

- (i) Translated based on the exchange rate of RM4.4505:USD1 from Bank Negara Malaysia as at the LPD.

9. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by Reszon, which upon becoming enforceable may have a material effect on the profits or NA of Reszon.

10. PROPERTIES OWNED BY RESZON

Reszon presently does not own any of its properties. The businesses of Reszon are operated at its rented facilities as mentioned in Section 1 above.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31ST DECEMBER 2021

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

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APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTOR	Law Eng Lim
SECRETARIES	Chuah Hoon Hong (Appointed on 20.01.21) Jauhari Bin Hassan (Resigned on 20.01.21)
AUDITORS	Hasnan THL Wong & Partners (No. AF 0942) Chartered Accountants 10, Lorong Universiti B Section 16 46200 Petaling Jaya Selangor Darul Ehsan
REGISTERED OFFICE	22-09, Menara 1MK No. 1, Jalan Kiara Mont Kiara 50480 Kuala Lumpur W.P. Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	Lot G1, Enterprise 2 Technology Park Malaysia Lebuhraya Puchong-Sungai Besi Bukit Jalil 57000 Kuala Lumpur Wilayah Persekutuan Kuala Lumpur
BRANCH	Revongen Corporation Center Level 17, Top Glove Tower No. 16, Persiaran Setia Dagang Setia Alam, Seksyen U13 40170 Shah Alam Selangor Darul Ehsan
BANKERS	Affin Bank Berhad Alliance Bank Malaysia Berhad Malayan Banking Berhad OCBC Al-Amin Bank Berhad United Overseas Bank (Malaysia) Bhd RHB Bank Berhad

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

DIRECTOR'S REPORT

The Director has pleasure in submitting his report together with the audited financial statements of the Company for the financial year ended 31st December 2021.

PRINCIPAL ACTIVITIES

The Company was principally engaged in the business of diagnostics, biotechnology, medical devices, point of care, reagents, kits and instrumentation. The Company changed its nature of business to manufacturing of medical diagnostic products, medical testing laboratory, trading of laboratory equipment/scientific products and research and development of medical related products.

There have been no other significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM
Profit before taxation	20,172,000
Taxation	<u>(5,107,281)</u>
Net profit for the year	<u>15,064,719</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

ISSUE OF SHARES AND/OR DEBENTURES

On 14th December 2021, the Company enlarged its issued and paid up capital from RM 300,000 to RM 500,000 by issuance of 200,000 new ordinary shares of RM 1.00 each for cash consideration as working capital.

No debentures were issued during the financial year.

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SHARE OPTIONS

No options were granted to any person to take up unissued shares of the Company during the financial year.

No shares have been issued during the year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the year, there were no unissued shares of the Company under options.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Director took reasonable steps :-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts;
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Director is not aware of any circumstances:-

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Director, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

OTHER STATUTORY INFORMATION

The Director states that :-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In his opinion:-

- (a) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the Company changed its principal nature of business; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made, other than as disclosed in Note 26 of the financial statements.

DIRECTOR

The Director in office since the date of the last report is:-

Law Eng Lim

According to the Register of Director's Shareholdings, the interest of the Director in office at the end of the financial year in shares in or debentures of the Company and its related corporations during the financial year were as follows:-

<u>Interest in the Company</u>		<u>No. of Ordinary Shares</u>			<u>At</u> <u>31.12.21</u>
		<u>At</u> <u>01.01.21</u>	<u>Bought</u>	<u>Sold</u>	
Law Eng Lim	- direct	3,000	-	-	3,000
	- deemed	297,000	200,000	-	497,000
<u>Interest in holding company</u>					
<u>Revongen Corporation Sdn. Bhd.</u>					
Law Eng Lim	- direct	75,000	-	-	75,000

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

DIRECTOR (CONT'D)

Law Eng Lim has the interest in the following related corporations:-

		No. of Ordinary Shares			At 31.12.21
		At 01.01.21	Bought	Sold	
Amber Dynasty Sdn. Bhd.	- deemed	100,000	-	-	100,000
Ecopeneer Sdn. Bhd.	- deemed	-	150,000	-	150,000
Empress Wood Sdn. Bhd. (FKA: Reszon Group Sdn. Bhd.)	- deemed	2	-	-	2
Speedy Assay Sdn. Bhd.	- deemed	1,299,041	-	-	1,299,041
Phytos Biosciences Sdn. Bhd.	- deemed	80	-	-	80
Green Afforestation International Network Sdn. Bhd.	- deemed	15,750,000	-	-	15,750,000
Go Green Farming Sdn. Bhd.	- deemed	2	-	-	2
Green Carbon Footprint Sdn. Bhd. (FKA: GGT Agri Science Technology Sdn. Bhd.)	- deemed	1,400	-	-	1,400
Excel GGT Agri Technology Sdn. Bhd.*	- deemed	25,000	7,500	(25,000)	7,500
United Paulownia Plantation Sdn. Bhd.	- direct - deemed	100,000	-	-	100,000
Emir Green Sdn. Bhd. (FKA: Gain Green Forestry Consortium Sdn. Bhd.)	- deemed	63	-	-	63
Green Empress Sdn. Bhd. (FKA: Funtogene Sdn. Bhd.)	- deemed	100	-	-	100
Green Unity Sdn. Bhd.	- deemed	60	-	-	60
Green Caster Sdn. Bhd.	- deemed	100	-	-	100
Gain Green Development Sdn. Bhd.	- deemed	250,100	-	-	250,100
Green Mileage Sdn. Bhd.	- deemed	75	-	-	75
Green Economy Sdn. Bhd.	- deemed	75	-	-	75
Greenery Generation Sdn. Bhd.	- deemed	50	50	-	100
Green Mandate Sdn. Bhd.	- deemed	-	6,000	-	6,000
Paramount Paulownia Kapit Sdn. Bhd.	- deemed	70	-	-	70
Phytosnest Sdn. Bhd.	- deemed	50	50	-	100

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

DIRECTOR (CONT'D)

Law Eng Lim has the interest in the following related corporations:- (cont'd)

		<u>No. of Ordinary Shares</u>			
		<u>At</u> <u>01.01.21</u>	<u>Bought</u>	<u>Sold</u>	<u>At</u> <u>31.12.21</u>
Green Regiment Sdn. Bhd. (FKA: Green Agroforestry Sdn. Bhd.) (FKA: Gateworth Sdn. Bhd.)	- deemed	75	-	-	75
Eminence Green Glow Sdn. Bhd.	- deemed	75	-	-	75

* ceased to be related corporation during the financial year

DIRECTOR'S BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company was a party with the object or objects of enabling Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has substantial financial interest.

DIRECTOR'S REMUNERATIONS

None of the Director or past Director of the Company has received any remunerations from the Company during the financial year, other than as disclosed in Note 20 of the Notes to the Financial Statements.

None of the Director or past Director of the Company has received any other benefits otherwise than in cash from the Company during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the Director or past Director of the Company during the financial year.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

INDEMNIFYING DIRECTOR, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the Director, officer or auditor of the Company.

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	RM
Statutory audit	<u>20,000</u>

HOLDING COMPANY

The holding company is Revongen Corporation Sdn. Bhd. (Registration No: 200901016252 (859343 D)) ("Revongen"), a private limited company incorporated in Malaysia.

AUDITORS

Messrs Hasnan THL Wong & Partners, the retiring Auditors, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Director dated 12th April 2022.

The Sole Director,



LAW ENG LIM

Petaling Jaya, Selangor

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY THE DIRECTOR

The Director of **RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.** states that, in his opinion, the financial statements set out in pages 15 to 45 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31st December 2021 and of the results of its business and the cash flows of the Company for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Director

The Sole Director,



LAW ENG LIM

Petaling Jaya, Selangor
12th April 2022

STATUTORY DECLARATION

I, **LAW ENG LIM**, I/C No. 680914-08-5947, the Director primarily responsible for the financial management of **RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.**, do solemnly and sincerely declare that the financial statements set out on pages 15 to 45 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **LAW ENG LIM**,)
I/C No. 680914-08-5947,)
at Petaling Jaya, Selangor)

on 12th April 2022)

Before me:



Commissioner for Oaths

Suite A, No. 5, Jalan 14/30,
Section 14,
40100 Petaling Jaya, Selangor



LAW ENG LIM

AF 0942



Registration No: 201001033978 (917901 W)

HASNAN THL WONG & PARTNERS

Firm of Chartered Accountants

- Audit & Taxation
- Corporate Advisory
- Business Consultancy
- Financial & Accounting Solutions

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

10, Lorong Universiti B
Seksyen 16, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T : +603-79565333
F : +603-79586833
E : audit@thlw.com.my

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reszon Diagnostics International Sdn. Bhd., which comprise the statement of financial position as at 31st December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

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 Auditors' 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.

Independence and Other Ethical Responsibilities

We are independent of the Company 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.

Information Other than the Financial Statements and Auditors' Report Thereon

The Director of the Company is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Director's Report and we do not express any form of assurance conclusion thereon.

Registration No: 201001033978 (917901 W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD. (CONT'D)
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

In connection with our audit of the financial statements of the Company, our responsibility is to read the Director's Report and in doing so, consider whether the Director's Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Director's Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Director for the Financial Statements

The Director of the Company is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The Director is also responsible for such internal control as the Director determines is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Director is responsible for assessing the Company'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 Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved Standards on Auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Registration No: 201001033978 (917901 W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD. (CONT'D)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved Standards on Auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.
- Conclude on the appropriateness of the Director's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Director 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.

HASNAN THL WONG & PARTNERS

AF 0942

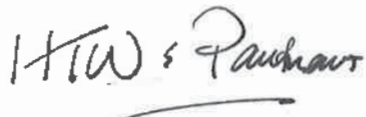
Firm of Chartered Accountants

Registration No: 201001033978 (917901 W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD. (CONT'D)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



HASNAN THL WONG & PARTNERS
NO. AF 0942
CHARTERED ACCOUNTANTS
Petaling Jaya, Selangor
12th April 2022



WONG KOK SEONG
NO. 02791/08/2022 J
CHARTERED ACCOUNTANT

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION**
AS AT 31ST DECEMBER 2021

	Note	2021 RM	2020 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	8,532,550	769,319
Other investments	5	644,604	644,604
Deferred tax asset	6	-	98,300
Amount due from holding company	7	-	158,336
Amount due from related companies	7	-	432,088
Total non-current assets		<u>9,177,154</u>	<u>2,102,647</u>
CURRENT ASSETS			
Inventories	8	10,032,426	2,572,166
Trade receivables	9	3,633,345	783,834
Other receivables		3,186,827	3,015,173
Fixed deposit	10	68,255	65,000
Cash and bank balances	11	8,282,742	788,097
Total current assets		<u>25,203,595</u>	<u>7,224,270</u>
TOTAL ASSETS		<u>34,380,749</u>	<u>9,326,917</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	500,000	300,000
Share application monies	13	100,000	-
Retained earnings	14	16,282,304	1,217,585
Total equity		<u>16,882,304</u>	<u>1,517,585</u>
NON-CURRENT LIABILITIES			
Borrowings	15	1,695,495	1,514,414
Deferred tax liability	6	498,000	-
Total non-current liabilities		<u>2,193,495</u>	<u>1,514,414</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION**
AS AT 31ST DECEMBER 2021 (CONT'D)

	Note	2021 RM	2020 RM
CURRENT LIABILITIES			
Trade payables	16	10,337,363	3,082,781
Other payables	17	1,051,934	2,457,214
Amount due to holding company	7	-	-
Amount due to a related company	7	-	2,400
Amount due to Director	18	65,035	75,124
Tax payable		3,186,864	256,447
Borrowings	15	663,754	415,497
Bank overdraft	11	-	5,455
Total current liabilities		<u>15,304,950</u>	<u>6,294,918</u>
Total liabilities		<u>17,498,445</u>	<u>7,809,332</u>
TOTAL EQUITY AND LIABILITIES		<u>34,380,749</u>	<u>9,326,917</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST DECEMBER 2021

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
Revenue	19	126,488,554	17,003,839
Less: Cost of sales		<u>(95,818,273)</u>	<u>(13,065,234)</u>
Gross profit		30,670,281	3,938,605
Add: Other income		<u>185,822</u>	<u>198,431</u>
		30,856,103	4,137,036
Less: Sales and distribution costs		(2,049,432)	(590,413)
Administrative expenses		(3,322,346)	(892,086)
Other operating expenses		<u>(5,120,959)</u>	<u>(1,931,299)</u>
Profit from operating activities	20	20,363,366	723,238
Less: Finance costs	21	<u>(191,366)</u>	<u>(202,931)</u>
Profit before taxation		20,172,000	520,307
Taxation	22	(5,107,281)	(207,831)
Net profit for the year		<u>15,064,719</u>	<u>312,476</u>
Total comprehensive income for the year		<u>15,064,719</u>	<u>312,476</u>

The accompanying notes form an integral part of the financial statements.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31ST DECEMBER 2021

	<u>Note</u>	<u>SHARE CAPITAL</u> RM	<u>SHARE APPLICATION MONIES</u> RM	<u>RETAINED EARNINGS</u> RM	<u>TOTAL EQUITY</u> RM
Balance at 01.01.20		300,000	-	905,109	1,205,109
Total comprehensive income for the year		-	-	312,476	312,476
Balance at 31.12.20		300,000	-	1,217,585	1,517,585
Issuance of shares	12	200,000	-	-	200,000
Share application monies received		-	100,000	-	100,000
Total comprehensive income for the year		-	-	15,064,719	15,064,719
Balance at 31.12.21		500,000	100,000	16,282,304	16,882,304

The accompanying notes form an integral part of the financial statements.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31ST DECEMBER 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,172,000	520,307
Adjustments for:-			
Allowance for specific doubtful debts		-	473,860
Allowance for specific doubtful debts no longer required		(473,860)	-
Bad debts written off		475,860	-
Depreciation of property, plant and equipment		479,119	155,407
Fixed deposit interest		(3,255)	-
Interest expense		191,366	202,931
Interest income		(1,316)	(91)
Short term investment dividend income		(58,338)	-
Unrealised gain on foreign currency exchange		(68,960)	(100,760)
Operating profit before working capital changes		20,712,616	1,251,654
Increase in inventories		(7,460,260)	(2,173,749)
(Increase)/decrease in receivables		(3,023,165)	704,599
Decrease/(increase) in amount due from holding company		158,336	(158,336)
Decrease/(increase) in amount due from related companies		432,088	(85,270)
Decrease in amount due to holding company		-	(59,664)
(Decrease)/increase in amount due to a related company		(2,400)	2,400
Decrease in amount due to Director		(10,089)	(43,173)
Increase in payables		5,918,262	2,768,160
Cash generated from operations		16,725,388	2,206,621
Interest paid		(191,366)	(202,931)
Interest received		1,316	91
Tax paid		(1,580,564)	(88,233)
Net cash from operating activities		14,954,774	1,915,548
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	12	200,000	-
Share application monies received		100,000	-
Repayment of finance lease liabilities		(82,624)	(13,868)
Net (repayment of)/drawdown from term loans		(370,848)	322,099
Net cash (used in)/from financing activities		(153,472)	308,231
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		58,338	-
Purchase of property, plant and equipment	23	(7,359,540)	(332,682)
Net cash used in investing activities		(7,301,202)	(332,682)

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31ST DECEMBER 2021 (CONT'D)

	<u>Note</u>	<u>2021</u> RM	<u>2020</u> RM
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,500,100	1,891,097
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		782,642	(1,108,455)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11	<u>8,282,742</u>	<u>782,642</u>

The accompanying notes form an integral part of the financial statements.

Registration No: 201001033978 (917901 W)

RESZON DIAGNOSTICS INTERNATIONAL SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

1. GENERAL INFORMATION

The Company was principally engaged in the business of diagnostics, biotechnology, medical devices, point of care, reagents, kits and instrumentation. The Company changed its nature of business to manufacturing of medical diagnostic products, medical testing laboratory, trading of laboratory equipment/scientific products and research and development of medical related products. There have been no other significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 22-09, Menara 1MK, No.1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, W.P. Kuala Lumpur. The principal place of business of the Company is located at Lot G1, Enterprise 2, Technology Park Malaysia, Lebuhraya Puchong-Sungai Besi, Bukit Jalil, 57000 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.

The financial statements of the Company are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Director in accordance with a resolution of the Director dated 12th April 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared:-

- i) in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 2016 in Malaysia; and
- ii) under the historical cost convention, except for the revaluation of certain assets and liabilities.

b) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Property, plant and equipment (cont'd)

i) Recognition and measurement (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Property, plant and equipment (cont'd)

iii) Depreciation (cont'd)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Lab equipment	10 years
Furniture and fittings	10 years
Office equipment	10 years
Air conditioner	10 years
Renovation	10 years
Electrical installation	10 years
Computer	10 years
Motor vehicles	10 years
Security system	10 years
Machineries	10 years

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits, the Company would review its present depreciation method and if current expectations differ, the Company would amend the residual value, depreciation method or useful life to reflect the new pattern.

c) Impairment of non-financial assets

The carrying amounts of non-financial assets (i.e. property, plant and equipment and other investments) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Impairment of non-financial assets (cont'd)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units. For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell 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 risk specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

d) Inventories

Inventories are measured at the lower of cost and estimated selling prices less costs to complete and sell.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Inventories (cont'd)

The cost of inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

At each reporting date, the Company assesses whether any inventories are impaired by comparing the carrying amount of each item of inventory or group of similar items with its selling price less costs to complete and sell. If an item of inventory or group of similar items is impaired, the Company reduces the carrying amount of the inventory or group of similar items to its selling price less costs to complete and sell. That reduction is an impairment loss and it is recognised immediately in profit or loss.

If it is impracticable to determine the selling price less costs to complete and sell for inventories item by item, items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area are grouped together for the purpose of assessing impairment of the inventory.

e) Financial instruments

i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial instruments (cont'd)

ii) Subsequent measurement

Debt instruments that meet the following conditions are measured at amortised cost using the effective interest method:

- (a) returns to the holder are determinable, e.g. a fixed amount and/or variable rate of return benchmark against a quoted or observable interest rate;
- (b) there is no contractual provision that could result in the holder losing the principal amount or any interest attributable to the current or prior periods; and
- (c) prepayment option, if any, is not contingent on future events.

Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing transaction.

Investments in non-puttable ordinary shares and investment in non-convertible and non-puttable preference shares are measured at cost less impairment, unless the shares are publicly traded or their fair value can otherwise be measured reliably, in which case the investments are measured at fair value with changes in fair value recognised in profit or loss.

All other financial assets or financial liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

All financial assets (except for financial assets measured at fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment. An impairment loss is measured as follows:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Financial instruments (cont'd)

iii) Derecognition

A financial asset or part of it is derecognised when and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.

A financial liability or part of it is derecognised when and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the 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.

f) Translation of foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at the date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

All foreign currency differences are recognised in profit or loss.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

i) Revenue and other income

i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of the transaction can be estimated reliably. Stage of completion is determined based on the proportion that costs incurred for services rendered to date bear to the estimated total costs.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

iv) Dividend income

Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j) Income tax

Tax expense is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised in other comprehensive income.

Tax payable on taxable profit for current and past periods is recognised as a current tax liability to the extent unpaid. If the amount paid in respect of the current and past periods exceeds the amount payable for those periods, the excess is recognised as a current tax asset.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

Current tax liabilities and assets are offset if and only if the Company has a legally enforceable right to set off the amounts and plan either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full on temporary differences which are the differences between the carrying amounts in the financial statements and the corresponding tax base of an asset or liability at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all deductible temporary differences that are expected to reduce taxable profit in the future and the carry forward of unused tax losses and unused tax credits.

Deferred tax liabilities and assets are not recognised in respect of the temporary differences associated with the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transactions, affects neither accounting profit nor taxable profit. Deferred tax liabilities are also not recognised for temporary difference associated with the initial recognition of goodwill.

Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amounts of their assets and liabilities and are measured at the tax rates and laws that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

Registration No: 201001033978 (917901 W)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD)

k) Employee benefits

The Company recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

i) Short-term employee benefits

Wages and salaries are accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

ii) Post-employment benefits - defined contribution plans

The Company makes statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

l) Borrowing costs

Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred by using the effective interest method.

m) Related parties

Related parties are entities with common directors/shareholders wherein one party has the ability to control or exercise significant influence over the other parties in financial or operating policy decision.

Registration No: 201001033978 (917901 W)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the accounting policies

There is no critical judgement that the management has made in the process of applying the accounting policies and hence, no further disclosure is required.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i. Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

ii. Impairment loss of property, plant and equipment

Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. Long-lived assets including property, plant and equipment are reviewed for impairment at least annually or whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Company uses all readily available information in determining an amount that is a reasonable approximation of the value in use, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

iii. Measurement of income taxes

Significant judgement is required in determining the Company's provision for current and deferred tax because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amount might be different from the initial estimates of the tax payable. Such difference may impact the current and deferred tax in the period when such determination is made. The Company will adjust for the differences as over- or under-provision of current or deferred tax in the current period in which those differences arise.

iv. Impairment or write-down of slow-moving and obsolete inventories

The Company writes down its slow-moving and obsolete inventories based on assessment of their fair value less costs to sell. Inventories are written down when events and circumstances indicate that the carrying amounts may not be recoverable. Management uses its judgement to analyse past sales trend and current economic trends to evaluate the adequacy of the impairment loss for slow-moving and obsolete inventories. The actual impairment loss can only be confirmed in any subsequent sales of those inventories and this may differ from the estimates made earlier. This may affect the Company's financial position and results.

v. Loss allowances of financial assets

The Company recognises impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All other loans and receivables are categorised into credit risk classes and tested for impairment collectively, using the Company's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowances made and these may affect the Company's financial position and results.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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4. PROPERTY, PLANT AND EQUIPMENT

	← COST →			
	At 01.01.21/ 01.01.20 RM	Additions RM	Disposals RM	At 31.12.21/ 31.12.20 RM
<u>2021</u>				
Lab equipment	1,181,498	5,594,734	-	6,776,232
Furniture and fittings	31,976	354,127	-	386,103
Office equipment	88,112	931,469	-	1,019,581
Air conditioner	125,900	-	-	125,900
Renovation	83,123	822,090	-	905,213
Electrical installation	11,280	193,909	-	205,189
Computer	9,512	58,707	-	68,219
Motor vehicles	411,226	100,244	-	511,470
Security system	-	550	-	550
Machineries	-	186,520	-	186,520
	<u>1,942,627</u>	<u>8,242,350</u>	<u>-</u>	<u>10,184,977</u>
<u>2020</u>				
Lab equipment	949,722	231,776	-	1,181,498
Furniture and fittings	31,976	-	-	31,976
Office equipment	75,612	12,500	-	88,112
Air conditioner	125,900	-	-	125,900
Renovation	83,123	-	-	83,123
Electrical installation	11,280	-	-	11,280
Computer	6,332	3,180	-	9,512
Motor vehicles	-	411,226	-	411,226
	<u>1,283,945</u>	<u>658,682</u>	<u>-</u>	<u>1,942,627</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	← ACCUMULATED DEPRECIATION →			
	At 01.01.21/ <u>01.01.20</u> RM	Depreciation charge for the <u>year</u> RM	<u>Disposals</u> RM	At 31.12.21/ <u>31.12.20</u> RM
<u>2021</u>				
Lab equipment	839,709	308,585	-	1,148,294
Furniture and fittings	30,427	15,850	-	46,277
Office equipment	72,163	47,874	-	120,037
Air conditioner	113,312	1,803	-	115,115
Renovation	82,062	39,746	-	121,808
Electrical installation	11,280	8,071	-	19,351
Computer	3,218	3,298	-	6,516
Motor vehicles	21,137	45,300	-	66,437
Security system	-	55	-	55
Machineries	-	8,537	-	8,537
	<u>1,173,308</u>	<u>479,119</u>	-	<u>1,652,427</u>
<u>2020</u>				
Lab equipment	739,640	100,069	-	839,709
Furniture and fittings	27,229	3,198	-	30,427
Office equipment	63,823	8,340	-	72,163
Air conditioner	100,722	12,590	-	113,312
Renovation	73,750	8,312	-	82,062
Electrical installation	10,152	1,128	-	11,280
Computer	2,585	633	-	3,218
Motor vehicles	-	21,137	-	21,137
	<u>1,017,901</u>	<u>155,407</u>	-	<u>1,173,308</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	NET CARRYING ← AMOUNT →	
	At <u>2021</u> RM	At <u>2020</u> RM
Lab equipment	5,627,938	341,789
Furniture and fittings	339,826	1,549
Office equipment	899,544	15,949
Air conditioner	10,785	12,588
Renovation	783,405	1,061
Electrical installation	185,838	-
Computer	61,703	6,294
Motor vehicles	445,033	390,089
Security system	495	-
Machineries	177,983	-
	<u>8,532,550</u>	<u>769,319</u>

Details of assets under finance leases:-

	<u>2021</u> RM	<u>2020</u> RM
Motor vehicles		
- net carrying amount at year end	<u>445,033</u>	<u>390,089</u>
Lab equipment		
- net carrying amount at year end	<u>700,062</u>	<u>-</u>
Machineries		
- net carrying amount at year end	<u>162,296</u>	<u>-</u>

5. OTHER INVESTMENTS

	<u>2021</u> RM	<u>2020</u> RM
Unquoted shares, in France		
- At cost	<u>644,604</u>	<u>644,604</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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6. DEFERRED TAX ASSET/(LIABILITY)

	<u>2021</u>	<u>2020</u>
	RM	RM
At beginning of the year	98,300	(26,400)
Recognised in profit or loss (Note 22)		
- current year relating to temporary difference	(447,000)	4,300
- current year relating to unrealised foreign currency exchange gain	7,600	40,000
- current year relating to allowance for specific doubtful debts	(113,700)	113,700
- over/(under) provision in prior year relating to temporary difference	5,200	(1,700)
- under provision in prior year relating to unrealised foreign currency exchange gain	(48,400)	(31,600)
	<u>(596,300)</u>	<u>124,700</u>
At end of the year	<u>(498,000)</u>	<u>98,300</u>

The components of deferred tax (liability)/asset are as follows:-

	<u>2021</u>	<u>2020</u>
	RM	RM
Tax effect of the excess of property, plant and equipment's net carrying amount over its tax written down value	(481,400)	(39,600)
Tax effect of unrealised foreign currency exchange gain	(16,600)	24,200
Tax effect of allowance for specific doubtful debts	-	113,700
Deferred tax (liability)/asset	<u>(498,000)</u>	<u>98,300</u>

7. AMOUNT DUE FROM/(TO) HOLDING AND RELATED COMPANIES

The holding company is Revongen Corporation Sdn. Bhd. (Registration No: 200901016252 (859343 D)), a company incorporated in Malaysia.

Related companies refer to subsidiary companies of Revongen Corporation Sdn. Bhd. (Registration No: 200901016252 (859343 D))

The amount due from/(to) holding and related companies arose mainly from inter-company transactions and advances which bear no interest, unsecured, repayable on demand and are to be settled in cash.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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8. INVENTORIES

	<u>2021</u>	<u>2020</u>
	RM	RM
Biotechnology, chemistry and medical products at cost:-		
Raw materials	1,926,723	466,168
Work in progress	6,884,650	726,199
Finished goods	1,221,053	1,379,799
	<u>10,032,426</u>	<u>2,572,166</u>

The amount of inventories recognised as an expense amounted to RM 76,601,962 (2020: RM 12,390,896) during the financial year.

9. TRADE RECEIVABLES

	<u>2021</u>	<u>2020</u>
	RM	RM
Trade receivables	3,633,345	1,257,694
Less: Allowance for specific doubtful debts	-	(473,860)
	<u>3,633,345</u>	<u>783,834</u>
Allowance for specific doubtful debts:-		
At the beginning of year	473,860	-
Addition for the financial year	-	473,860
Reversal during the financial year	(473,860)	-
At the end of year	<u>-</u>	<u>473,860</u>

Included in the balance is an amount of RM 124,168 (2020: RM 1,251,044) due from companies where the Director has interest.

10. FIXED DEPOSIT

	<u>2021</u>	<u>2020</u>
	RM	RM
Fixed deposit with licensed commercial bank	<u>68,255</u>	<u>65,000</u>

The fixed deposit has been pledged to a licensed commercial bank for a bank overdraft facility granted to the Company (Note 11).

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11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following items for the purpose of the statement of cash flows:

	<u>2021</u>	<u>2020</u>
	RM	RM
Cash and bank balances	8,282,742	788,097
Bank overdraft	-	(5,455)
	<u>8,282,742</u>	<u>782,642</u>

The bank overdraft is secured by way of:-

- a) 70% guarantee coverage by Syarikat Jaminan Pembiayaan Perniagaan Berhad;
- b) Joint and Several Guarantee by the Director of the Company;
- c) Corporate guarantee by holding company, Revongen Corporation Sdn. Bhd.; and
- d) Pledged of fixed deposit as disclosed in Note 10 above.

The effective interest rate for bank overdraft is 7.70% (2020: 7.70%) per annum.

12. SHARE CAPITAL

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Number of ordinary shares	Number of ordinary shares	RM	RM
Issued and fully paid:-				
At beginning of the year	300,000	300,000	300,000	300,000
Issued during the year	200,000	-	200,000	-
At end of the year	<u>500,000</u>	<u>300,000</u>	<u>500,000</u>	<u>300,000</u>

On 14th December 2021, the Company enlarged its issued and paid up capital from RM 300,000 to RM 500,000 by issuance of 200,000 new ordinary shares of RM 1.00 each for cash consideration as working capital.

Ordinary shares of the Company have no par value. The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

13. SHARE APPLICATION MONIES

The share application monies represent funds received for which shares have not yet been allotted.

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14. RETAINED EARNINGS

The retained earnings of the Company are available for distributions by way cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

15. BORROWINGS

	<u>2021</u>	<u>2020</u>
	RM	RM
<u>Non-current</u>		
<u>Secured</u>		
Finance lease liabilities	843,314	271,501
<u>Unsecured</u>		
Term loans	852,181	1,242,913
	<u>1,695,495</u>	<u>1,514,414</u>
<u>Current</u>		
<u>Secured</u>		
Finance lease liabilities	269,004	40,631
<u>Unsecured</u>		
Term loans	394,750	374,866
	<u>663,754</u>	<u>415,497</u>
Total borrowings	<u>2,359,249</u>	<u>1,929,911</u>
<u>Repayment terms (excluding finance lease liabilities)</u>		
<u>Term loans</u>		
- not later than 1 year	394,750	374,866
- later than 1 year and not later than 2 years	354,691	403,038
- later than 2 years and not later than 5 years	497,490	839,875
	<u>1,246,931</u>	<u>1,617,779</u>

The term loans are personally guaranteed by the Director and holding and related companies. The weighted average effective interest rate for the term loans is 10.81% (2020: 10.78%) per annum.

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15. BORROWINGS (CONT'D)

	<u>2021</u>	<u>2020</u>
	RM	RM
<u>Future minimum lease payments</u>		
- not later than 1 year	65,078	54,492
- later than 1 year and not later than 5 years	867,594	217,968
- later than 5 years	330,204	89,982
	<u>1,262,876</u>	<u>362,442</u>
Interest	(150,558)	(50,310)
Present value of minimum lease payments	<u>1,112,318</u>	<u>312,132</u>
<u>Present value of minimum lease payments</u>		
- not later than 1 year	269,004	40,631
- later than 1 year and not later than 5 years	780,271	184,824
- later than 5 years	63,043	86,677
	<u>1,112,318</u>	<u>312,132</u>

The weighted average effective interest rate for the finance lease liabilities is 6.02% (2020: 4.56%) per annum.

16. TRADE PAYABLES

Included in the balance is an aggregated amount of RM Nil (2020: RM 2,199,178) due to companies where the Director has interest.

17. OTHER PAYABLES

Included in the balance is an aggregated amount of RM 3,715 (2020: RM 1,062,238) due to companies where the Director has interest.

18. AMOUNT DUE TO DIRECTOR

Amount due to Director bears no interest, unsecured, repayable on demand and are to be settled in cash.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

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19. REVENUE

	<u>2021</u>	<u>2020</u>
	RM	RM
Sales of biotechnology, chemistry and medical products	<u>126,488,554</u>	<u>17,003,839</u>

20. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities has been determined after charging/(crediting) amongst other items the following:-

	<u>2021</u>	<u>2020</u>
	RM	RM
Audit fees	20,000	13,000
Allowance for specific doubtful debts	-	473,860
Allowance for specific doubtful debts no longer required	(473,860)	-
Bad debts written off	475,860	-
Depreciation of property, plant and equipment	479,119	155,407
Director's other emoluments	566,971	419,584
Fixed deposit interest	(3,255)	-
Management fees	1,700,000	600,000
Patents / trademarks	4,550,000	-
Rental of laboratory	-	25,400
Rental of laboratory machine	34,800	-
Rental of office	57,763	-
Rental of premise	774,448	88,000
Rental of printer	810	-
Royalty and service fees	847,948	76,046
Small value assets	52,465	-
Interest income	(1,316)	(91)
Realised loss on foreign currency exchange	220,135	33,607
Short term investment dividend income	(58,338)	-
Unrealised gain on foreign currency exchange	<u>(68,960)</u>	<u>(100,760)</u>

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21. FINANCE COSTS

	<u>2021</u>	<u>2020</u>
	RM	RM
Finance lease interest	27,438	4,974
Term loan interest	163,928	125,066
Bank overdraft interest	-	72,891
	<u>191,366</u>	<u>202,931</u>

22. TAXATION

	<u>2021</u>	<u>2020</u>
	RM	RM
Malaysian taxation:		
Current year tax expenses	4,529,400	321,839
Deferred taxation (Note 6)	<u>553,100</u>	<u>(158,000)</u>
	<u>5,082,500</u>	<u>163,839</u>
(Over)/under provision in prior year		
Tax expenses	(18,419)	10,692
Deferred taxation (Note 6)	<u>43,200</u>	<u>33,300</u>
	<u>24,781</u>	<u>43,992</u>
	<u>5,107,281</u>	<u>207,831</u>

Income tax is calculated at the rate of 24% on the estimated taxable profit, as enacted by the government. The income tax expense is reconciled to the accounting profit at the applicable tax rate as follows:-

	<u>2021</u>	<u>2020</u>
	RM	RM
Profit before taxation	<u>20,172,005</u>	<u>520,307</u>
Tax at Malaysian statutory tax rate	4,841,281	124,874
Tax effect of:		
Non-taxable income	(14,001)	-
Non-deductible expenses	255,220	38,965
Under provision in prior years	<u>24,781</u>	<u>43,992</u>
Total income tax expense	<u>5,107,281</u>	<u>207,831</u>

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23. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Company acquired property, plant and equipment as follows:-

	<u>2021</u>	<u>2020</u>
	RM	RM
Cash payments	7,359,540	332,682
Finance leases	882,810	326,000
	<u>8,242,350</u>	<u>658,682</u>

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are as follows:-

	<u>2021</u>	<u>2020</u>
	RM	RM
i) Expenses charged by companies where the Director has interest		
- Biosyntech Malaysia Group Sdn. Bhd.		
a) Administration fees	-	42,000
b) Rental of laboratory	-	25,400
c) Electricity and water charges	-	32,763
d) Telephone charges	-	5,054
e) Rental of premise	6,300	88,000
f) Warehouse and logistic services	-	24,000
g) Printing and stationery	59,400	7,369
h) Design and marketing	120,000	24,000
i) Cleaning charges	-	7,443
j) Management fees	1,600,000	600,000
k) Upkeep of office	-	77,879
l) Warehouse and logistics services	36,000	-
m) Finance and accounting charges	120,000	-
n) Ordering, HR & security	120,000	-
- Revon Media Sdn. Bhd.		
a) Design and marketing	1,200,000	200,000
- Halvec Laboratories Sdn. Bhd.		
a) Patents / trademarks	4,550,000	-

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24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Significant related party transactions are as follows (cont'd):-

	<u>2021</u> RM	<u>2020</u> RM
ii) Legal fees paid to a related company		
- Gain Green Development Sdn. Bhd.	-	2,400
iii) Purchases from companies where the Director has interest		
- Vivantis Technologies Sdn. Bhd.	11,639	10,686
- Hercuvan Lab Systems Sdn. Bhd.	4,449	1,476
- Biosyntech Malaysia Group Sdn. Bhd.	1,647,255	1,459,370
- Myhalmart Sdn. Bhd.	-	1,300
- Halvec Laboratories Sdn Bhd	11,220	-
iv) Sales to companies where the Director has interest		
- Biosyntech Malaysia Group Sdn. Bhd.	4,485	-
- Excel GGT Agri Technology Sdn. Bhd.	500	-
- Global Haltech Sdn. Bhd.	33,766	16,420
- Halvem Laboratories Sdn. Bhd. (Formerly known as 7Foodpillars Sdn. Bhd.)	-	6,613
- Spygene Laboratories Sdn. Bhd.	366	-
- Myhalmart Sdn. Bhd.	9,400	-
- Revon Media Sdn. Bhd.	200	-
- Plantzania Sdn. Bhd.	25	-
v) Sales to related companies		
- Gain Green Development Sdn Bhd	10,500	-
- Greenery Generation Sdn Bhd	2,300	-
- Speedy Assay Sdn. Bhd.	71,368	84,317
- Green Afforestation International Network Sdn. Bhd.	-	263
- United Paulownia Plantation Sdn Bhd	150	-
vi) Purchases from related companies		
- Gain Green Development Sdn Bhd	1,425	-
vii) Small value assets purchased from related company		
- Empress Wood Sdn. Bhd.	4,400	-
viii) Small value assets purchased from company where the Director has interest		
- Hercuvan Lab Systems Sdn. Bhd.	3,100	-

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF RESZON FOR THE FYE 2021

Registration No: 201001033978 (917901 W)

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Significant related party transactions are as follows (cont'd):-

	<u>2021</u>	<u>2020</u>
	RM	RM
ix) Purchase of equipment from a company where the Director has interest - Biosyntech Malaysia Group Sdn. Bhd.	60,000	-
x) Expenses charged by a related company - Green Afforestation International Network Sdn. Bhd.		
a) Cleaning charges	2,203	-
b) Electricity charges	10,842	-
c) Legal & CEO office charges	30,000	-
d) Rental of office	51,463	-
e) Upkeep of office	11,425	-
xi) Expenses charged by holding company - Revongen Corporation Sdn. Bhd.		
a) Management fees	<u>100,000</u>	<u>-</u>

25. EMPLOYEES INFORMATION

	<u>2021</u>	<u>2020</u>
	RM	RM
Director's other emoluments	566,971	419,584
EPF	897,700	72,652
Salaries, allowances, bonus and wages	9,206,392	591,752
SOCSSO and EIS	172,944	9,750
Other personnel costs	122,919	6,271
	<u>10,966,926</u>	<u>1,100,009</u>

The total number of employees of the Company, including the Director, as at the end of the financial year were 716 (2020: 24).

26. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 3rd March 2022, the Company subscribed 500 ordinary shares representing 50% equity interest in Reszon Biomed Sdn. Bhd. ("RZBSB") and hence, RZBSB became a jointly controlled entity of the Company.



29 July 2022

The Board of Directors
Rubberex Corporation (M) Berhad
41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

Eco Asia Capital Advisory Sdn Bhd

[Registration No. 201801022562
(1284581-H)]

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Dear Sirs,

FAIRNESS OPINION ON THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN RESZON DIAGNOSTICS INTERNATIONAL SDN BHD FOR A PURCHASE CONSIDERATION OF RM180,000,000 (“PROPOSED ACQUISITION”)

1. INTRODUCTION

Eco Asia Capital Advisory Sdn Bhd (“**Eco Asia**”) was appointed by the Board of Directors (“**Board**”) of Rubberex Corporation (M) Berhad (“**Rubberex**”) to provide an evaluation on the fairness of the purchase consideration of the entire equity interest of Reszon Diagnostics International Sdn Bhd (“**Reszon**” or the “**Company**”) for RM180.0 million to be satisfied by a combination of cash and new Rubberex Shares (“**Purchase Consideration**”).

On 31 May 2022, M&A Securities Sdn Bhd, on behalf of the Board announced that Rubberex had entered into a Share Sale Agreement (“**SSA**”) with the vendors of Reszon (“**Vendors**”) for the Proposed Acquisition.

Under the terms of the SSA, the Vendors guarantees that Reszon shall achieve audited consolidated profit after tax (“**PAT**”) of not less than RM50.0 million for the financial year ended 31 December 2022 (“**FYE 2022**”) and PAT of not less than RM50.0 million for the financial year ended 31 December 2023 (“**FYE 2023**”) (“**Profit Guarantee**”). In addition to the Purchase Consideration, Reszon will also be entitled to receive a one-off cash incentive amounting up to RM45.0 million in the event if the cumulative PAT of Reszon for FYE 2022 and FYE 2023 exceeds the Profit Guarantee (“**Performance Bonus**”). The excess in Profit Guarantee which entitles the Vendors to receive the Performance Bonus is capped at RM30.0 million (“**PG Surplus**”) and the entitlement of the Performance Bonus shall be proportional to the PG Surplus attained.

In the event if Reszon fails to achieve the Profit Guarantee, the Vendors shall not be entitled to the full amount of the Purchase Consideration which shall be adjusted in proportion to the percentage of the Profit Guarantee attained.

This report (“**Report**”) has been prepared for inclusion into the circular to shareholders of Rubberex in relation to the Proposed Acquisition (“**Circular**”) and should be read in conjunction with the same. All definitions used in this Report shall have the same meaning as the words provided in the definition section of the Circular, except where the context requires or where otherwise defined herein.

This Report must be read in conjunction with the limitation and restrictions set out in paragraph 4 and 5 respectively and the key bases of the valuation set out in paragraph 7.1 below.



2. SOURCES OF INFORMATION

In preparation of this Report, Eco Asia has relied on the following sources of information and documents:

- (i) Audited financial statements of Reszon for the financial year ended 31 December 2021 (“**FYE 2021**”);
- (ii) SSA dated 31 May 2022 between Rubberex and the Vendors;
- (iii) Reszon’s announcements dated 31 May 2022;
- (iv) Information contained in the Circular;
- (v) Other relevant information, documents, representation and explanation furnished to us by the directors and management of Reszon and Rubberex (collectively referred to as the “**the Management**”); and
- (vi) Other publicly available information in respect of the industry that Reszon is involved in.

3. DATE OF OPINION

The date of our opinion is 29 July 2022 (herein also referred to as the “**Date of Opinion**”).

4. SCOPE AND LIMITATION TO THE EVALUATION

Eco Asia was not involved in the formulation of the Proposed Acquisition or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition. Our scope is limited to expressing an opinion on the fairness of the Purchase Consideration of Reszon to the Board based on the information and documents made available to us as mentioned in paragraph 2 above.

Our role does not extend to us expressing an opinion on the commercial merits of the Proposed Acquisition. The assessment of the commercial merits of the Proposed Acquisition is solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. Further, our terms of reference do not include us rendering an expert opinion on the legal, accounting and taxation issues relating to the Proposed Acquisition.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regards to the information provided to us. We have also relied on the Management to exercise due care to ensure that all information and documents as mentioned above and that all relevant facts, information and representations necessary for our assessment have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate. This includes carrying out reasonableness checking and/or corroborating documents prepared by and/or signed off by independent parties where possible.



Our procedures and inquiries do not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Report. Accordingly, we issue no warranty or any other form of assurance as to the accuracy or completeness of the information provided by the Management.

We have not undertaken an independent investigation into the business of Reszon. Based on the above and from our review of the relevant documents provided by the Management, we are satisfied that the information and documents provided to us by the Management are sufficient and we have no reason to believe that any such information provided to us are untrue, inaccurate or misleading or the disclosure of which might reasonably affect our assessment as set out in this Report. We have also assumed that the Proposed Acquisition will be implemented based on the terms set out in the SSA without any material waiver or modifications.

As part of the SSA, the Vendors have provided a Profit Guarantee to be achieved by Reszon for the FYE 2022 and FYE 2023. Eco Asia, in no way, guarantees or otherwise warrants the achievability of the Profit Guarantee.

The Directors of Rubberex have individually and collectively, accept full responsibility to all material facts, financial and other information contained in this Report, and for the accuracy of the information in respect of the Proposed Acquisition (save for those in relation to our evaluation and opinion) as prepared herein and confirmed that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein incomplete, false and/or misleading.

It should be noted that the evaluation in itself is highly dependent on, amongst others, the achievability of the Profit Guarantee as the prevailing economic, market and other conditions may change significantly over a relatively short period of time. It should also be highlighted that the evaluation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the valuation was based. As such, the adoption of such bases and assumptions does not imply that we warrant their validity or achievability.

5. RESTRICTIONS

This Report is prepared strictly and solely for the inclusion in the Circular and is not intended for general circulation in whole or in part. Accordingly, we shall not be responsible or liable for any losses or damages as a result of reliance by any party contrary to the provision set out in this Report or our Engagement Letter.

Save for the purpose stated herein, this Report cannot be relied upon by any party other than Rubberex and its shareholders. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or used of, or reliance on this Report, in whole or in part.

Neither Eco Asia nor any of its partners, principals, directors, shareholders, agents or employees undertake responsibility arising in any way whatsoever to any person other than Rubberex in respect of this Report, including any error or omission therein, however caused. We are under no obligation to update our Report in respect of any events or information that come to our attention subsequent to the Opinion Date.



6. BACKGROUND INFORMATION ON RESZON

Reszon is principally involved in the manufacturing of innovative vitro diagnostics test kits, COVID-19 rapid test kits and test kits specializing in infectious diseases diagnosis and drug of abuse screening for medical professionals and clinical diagnostic markets. The principal markets of Reszon's products are Malaysia and France.

Reszon's operations are located in Technology Park Malaysia, Bukit Jalil and with its core research and development, manufacturing and warehouse hubs spanning an area of approximately 86,000 square feet, with more than 800 employees. Furthermore, Reszon had in 2022 set up 2 new manufacturing sites in Puchong and USJ, Selangor to cater for the manufacturing of its range of products.

7. VALUATION

7.1 Basis of Valuation

The basis of our valuation is the fair market value which is defined as the arms' length price at which such assets would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered as market value if it was influenced by special motivation or characteristic of a typical buyer or seller.

In addition, the range of values that we have estimated is based on a going concern use and not, for example, on the break-up value of the business.

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7.2 Method of Valuation

We took into consideration the nature of assets and the business of Reszon in determining the most appropriate methods of valuation amongst the following commonly used valuation methodologies in equity valuation: -

Valuation Methodologies	Discussion
<p><u>Net Asset Valuation (“NAV”) / Revalued Net Asset Valuation (“RNAV”)</u></p> <ul style="list-style-type: none"> The starting point and yet the simplest method will be the balance sheet which is based on the historical document showing the assets and liabilities of the business at a point in time. A revalued approach can be undertaken to account for the market value of tangible assets such as property, plant and equipment, inventories and etc., as well as intangible assets such as goodwill and brands. 	<p>NAV/ RNAV valuation method may not accurately reflect the potentials of Reszon as the value of Reszon is more likely to be derived from its future business operations instead of its assets.</p>
<p><u>Relative Valuation Approach (“RVA”)</u></p> <p>(i) <u>Price-to-Earnings (“PE”) Multiple</u></p> <ul style="list-style-type: none"> This is the most commonly used valuation method for either listed or unlisted companies. PE multiples is an earnings-based valuation which measures the market capitalisation of a company to its net profits. PE multiples reflects the market’s view of the likely future growth in earnings and the quality of those earnings. <p>(ii) <u>Enterprise Value (“EV”) over Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) (“EV/EBITDA”)</u></p> <ul style="list-style-type: none"> EV/EBITDA multiple illustrates the ratio of the EV of a company (which is the sum of the company’s market value and total debts less cash and cash equivalent balances) relative to a company’s EBITDA. It indicates the price which investors are willing to pay to invest in a company compared to its EBITDA. 	<p>We have adopted the PE multiple as our primary metric due to the following: -</p> <ul style="list-style-type: none"> The purchase consideration is based on the Profit Guarantee which is provided in the form of PAT; The PE multiple is a common and acceptable valuation metric which estimates a company’s market value based on its PAT relative to its peers; The PE multiple is more likely to reflect the current sentiment of the market. <p>We have also adopted the EV/EBITDA multiple as our secondary metric due to the following: -</p> <ul style="list-style-type: none"> EV/EBITDA multiple is also commonly used in valuations as it is not affected by the differences in capital structures, borrowing costs and taxation as well as different depreciation and amortisation policies.



7.2 Method of Valuation (cont'd)

Valuation Methodologies	Discussion
<p><u>Discounted Free Cash Flow to Equity (“FCFE”)</u></p> <ul style="list-style-type: none"> • FCFE measures the value of the free cash flows which are generated by a company over time which are available to equity shareholders. • In order to value shares using free cash flows, the future free cash flows must be discounted over time using the cost of capital. • The present value of the cash flows, after deducting amounts owing to lenders, will represent that portion of the free cash flows which accrue to the equity shareholders. 	<p>FCFE valuation method was not adopted as this is more appropriate for companies with a set of projected cash inflow and outflow that can be estimated with a high level of certainty.</p> <p>At this point, it is difficult to project the future cashflow of Reszon due to the following reasons: -</p> <ul style="list-style-type: none"> • Sales are mainly on spot terms with a few contracts ranging from 1 to 3 years with its customers; • The management of Reszon is currently finalizing an exclusive supply agreement with a purchaser which will materially contribute to the future profitability of Reszon. Based on the exclusive supply agreement, Reszon will supply 100 million units of medical test kits each year for the next consecutive three (3) years to the purchaser. However, the type of medical test kits to be supplied has not been determined.

For the purpose of this valuation, we have adopted the RVA, where the PE multiple was used as the primary metric while the EV/EBITDA multiple was used as the secondary metric to evaluate the fairness of the Purchase Consideration. Based on the RVA, the indicative valuation of Reszon is determined based on the valuation metrics of selected comparable companies which are broadly comparable to Reszon.



7.3 Valuation Results

We have selected the comparable companies based on the following criteria:

- (i) Principally involved in the manufacturing of medical test kits;
- (ii) COVID-19 test kits produced are approved by the Medical Device Authority, a federal statutory agency under the Ministry of Health Malaysia; and
- (iii) Companies which are listed on the stock exchange.

It should be noted that the selection of the comparable companies and the adjustments made are highly subjective and judgmental and that the selection of the comparable companies may not be entirely comparable to Reszon due to various factors such as geographical factors, product market segment, client base and technical know-how. Due to limited comparable companies, we have selected all available companies which fulfills criteria (i), (ii) and (iii) above despite the market capitalisation of comparable companies being substantially higher than the Purchase Consideration.

Based on the selection criteria above, we have identified the following comparable companies (“Comparable Companies”).

Comparable Companies	Stock Exchange	Product	Principal Activities	⁽¹⁾ Market Capitalisation
Getein Biotech Inc. (“Getein”)	Shanghai Stock Exchange (“SSE”)	One Step Test for SARS-CoV-2 Antigen	Getein is a fully integrated vitro diagnostic company that researches and develops, manufactures, markets and distributes a broad range of innovative diagnostic test kits in point-of-care testing (“POCT”), clinical chemistry, chemiluminescent assays, hematology, coagulation, urinalysis and molecular diagnostics.	RMB7.08 billion (RM4.67 billion)
Guangzhou Wondfo Biotech Co., Ltd. (“GWB”)	SSE	Wondfo 2019 nCoV Antigen Test	GWB specializes in R&D, production, sales and service of POCT products and provide customers with professional rapid diagnosis and chronic disease management solutions.	RMB16.65 billion (RM10.98 billion)
Hangzhou AllTest Biotech Co., Ltd. (“HAB”)]	SSE	ALLTest COVID-19 Antigen Rapid Test	HAB specializes in the development of various rapid test kits as well as POCT products.	RMB6.67 billion (RM4.40 billion)



7.3 Valuation Results (cont'd)

Comparable Companies	Stock Exchange	Product	Principal Activities	⁽¹⁾ Market Capitalisation
Sugentech Inc. (“Sugentech”)	Korea Stock Exchange (“KRX”)	SGTi-flex COVID-19 Antigen	Sugentech specializes in R&D, supply of disease diagnostic devices used in hospitals and laboratories, POCT products and home test kits products.	KRW226.90 billion (RM777.81 million)
Humasis Co., Ltd. (“Humasis”)	KRX	Humasis COVID-19 Ag Home Test	Humasis specializes in R&D and development of POCT rapid diagnosis kits as well as supply of vitro diagnostics including devices detecting infectious diseases, women's diseases, cancer markers, cardiac markers and urine inspection products.	KRW650.26 billion (RM2.23 billion)

Note A:

⁽¹⁾ Extracted from Bloomberg based on the closing share prices on 29 July 2022, being the latest practical date (“LPD”). This is then converted to RM based on the exchange rates quoted from Bank Negara Malaysia’s website as at LPD.

7.3.1 PE Multiple

The PE multiple of Comparable Companies are as follows:

Comparable Companies	⁽¹⁾ P/E multiple (times)
Getein	17.20
GWB	25.71
HAB	8.71
Sugentech	6.28
Humasis	4.30
⁽²⁾ Median	8.71



7.3.1 PE Multiple (cont'd)

Note B:

- (1) Computed based on the closing market prices as at LPD and the latest available financial information for FYE 31 December 2021 as extracted from Bloomberg.
- (2) Median is selected as a more informative measure of central tendency for distribution which contains outliers.

Based on the median PE multiple of the Comparative Companies and the Profit Guarantee per year of RM50.0 million, the indicative value of Reszon is as follows:

	Amount (RM'000)
Profit Guarantee per annum ⁽¹⁾	50,000
Median PE multiple of the Comparable Companies (times)	8.71
(-) Illiquidity discount (30%) ⁽²⁾	<u>(2.61)</u>
(x) Adjusted PE multiple	<u>6.10</u>
Valuation of 100% equity interest in Reszon	<u>305,000</u>

Note C:

- (1) For information purposes, we have assessed the achievability of the Profit Guarantee by considering the historical performance and future prospects of Reszon. We took into consideration existing service agreements and secured purchase orders available as at LPD as well as potential agreements/ orders in which the management of Reszon expects to secure from its existing or new customers. Based on our assessment, we noted the following:
- (i) Reszon's management accounts for the six months ended 30 June 2022 indicates that Reszon is on track to achieve the Profit Guarantee for FYE 2022; and
- (ii) Approximately 77% of the estimated quantity of test kits to be sold for FYE 2023 has been contracted for as at LPD.
- (2) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30%. In the case of Reszon, where the revenue of Reszon for FYE 2021 is smaller relative to the revenue of the Comparable Companies, we adopted a higher illiquidity discount of 30% after taking into consideration that the market capitalisation of the Comparable Companies are substantially higher than the Purchase Consideration.



7.3.2 EV/EBITDA Multiple

As a secondary method of valuation, we have conducted an analysis on the EV/EBITDA multiple of the Comparable Companies as follows:

Comparable Companies	⁽¹⁾ EV/EBITDA multiple (times)
Getein	13.82
GWB	17.94
HAB	5.13
Sugentech	4.05
Humasis	2.42
⁽²⁾ Median	5.13

Note D:

- (1) Computed based on the closing market prices as at LPD and the latest available financial information for FYE 31 December 2021 as extracted from Bloomberg.
- (2) As explained in Note B above.

Based on the median EV/EBITDA multiple of the Comparative Companies and the Profit Guarantee per year of RM 50.0 million, the indicative value of Reszon is as follows:

	Amount (RM'000)
Profit Guarantee per annum	50,000
(+) Taxation @ 24% ⁽¹⁾	15,789
(+) Net finance cost ⁽²⁾	190
(+) Amortization and depreciation ⁽²⁾	479
EBITDA of Reszon (a)	<u>66,458</u>
Median EV/EBITDA ratio of the Comparable Companies (times)	5.13
(-) Illiquidity discount (30%) ⁽³⁾	<u>(1.54)</u>
Adjusted EV/EBITDA ratio (times) (b)	<u>3.59</u>
Indicative EV of Reszon (c) = (a) x (b)	238,584
(-) Total debt ⁽²⁾	(2,359)
(+) Total cash and cash equivalents ⁽²⁾	<u>8,351</u>
Valuation of 100% equity interest in Reszon	<u>244,576</u>

Note E:

- (1) Based on corporation tax rate of 24%. The estimated tax was derived by dividing the average Profit Guarantee amount (which is based on PAT) by 76% (i.e.: 1 – corporate tax rate), and thereafter, deducting the average Profit Guarantee amount.
- (2) Extracted from the audited financial statements of Reszon for FYE 2021;
- (3) As explained in Note C above.



8. CONCLUSION

Based on the selected methods of valuation, we are of the opinion that the Purchase Consideration of Reszon is fair due to the following: -

- (i) The Purchase Consideration of RM180.0 million is lower than the valuation range of **RM244.58 million and RM305.00 million** as at the Date of Opinion; and
- (ii) The maximum purchase consideration of RM225.0 million after taking into consideration the Performance Bonus of RM45.0 million (in the event that Reszon achieves a cumulative PAT for FYE 2022 and FYE 2023 of more than RM100.0 million) is lower than the valuation range as at the Date of Opinion.

These values are limited by the approaches as outlined in paragraph 7.2 above and any reference to the values will have to be read in context of the approaches used in the valuation as well as the basis of the valuation as detailed in paragraph 7.1 above.

It should also be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgment. Because of the susceptibility of valuation inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook. These values represent the range that a well-informed general investor may pay. The final price of Reszon will reflect the specific circumstances of the buyer and seller, their perceptions of business and market factors at the point of execution.

Yours faithfully,
For and behalf of
Eco Asia Capital Advisory Sdn Bhd

A handwritten signature in black ink, appearing to read "Kelvin Khoo".

Kelvin Khoo
Managing Director

APPENDIX VI – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts contained in this Circular, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS AND DECLARATIONS

2.1 M&A Securities

M&A Securities being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

M&A Securities do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the Principal Adviser of the Company for the Proposals.

2.2 Eco Asia

Eco Asia, being the independent business valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the fairness opinion letter on the Proposed Acquisition as set out in **Appendix V** of this Circular and all references thereto in the form and context in which they appear in this Circular.

Eco Asia do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the independent business valuer of the Company for the Proposed Acquisition.

2.3 Protégé

Protégé, being the independent market researcher for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IMR Report referred to in this Circular and all references thereto in the form and context in which they appear in this Circular.

Protégé do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the independent market researcher of the Company for the Proposals.

3. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Rubberex Group during the past 2 years immediately preceding the date of this Circular:

- (i) SSA; and
- (ii) A conditional subscription agreement dated 4 October 2021 entered into by Rubberex and Alliance Empire Sdn Bhd ("**Alliance Empire**") for the subscription of 200,000 ordinary shares in Alliance Empire by Rubberex for a subscription price of RM180.0 million to be fully satisfied in cash, which was completed on 8 April 2022;

APPENDIX VI – FURTHER INFORMATION

- (iii) A shareholders' agreement dated 4 October 2021 entered into by Rubberex, Alliance Empire, Exsim Holdings Sdn Bhd, JT Momentum Sdn Bhd and Alliance Premier Sdn Bhd for the purpose of regulating their relationship with one another; and
- (iv) On 20 November 2020, Rubberex Alliance Sdn Bhd, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Prisma Lengkap Sdn Bhd for the purchase of the 2 leasehold lands known as HSD 164003 PT 34587 and HSD 164000 PT 34584 both held under Mukim Sungai Terap, Daerah Kinta, Negeri Perak for a total cash consideration of RM11,390,133.26, which was completed on 22 January 2021.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, either as the plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of the Group and the Board of Rubberex is not aware of any proceedings, pending or threatened against the Group, or of any other facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

5. MATERIAL COMMITMENT

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred, which upon becoming enforceable may have a material impact on the results or financial position of the Group.

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred by the Group which, upon becoming due or enforceable may have a material impact on the results or financial position of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak Darul Ridzuan during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of the EGM:

- (i) The SSA;
- (ii) Constitution of Rubberex;
- (iii) Audited consolidated financial statements of Rubberex for the FYE 2020 and FYE 2021 as well as the latest unaudited 3-month quarterly results ended 31 March 2022;
- (iv) Audited consolidated financial statements of Reszon for the FYE 2019, FYE 2020 and FYE 2021
- (v) Consent letters and declarations referred to in Section 2 above;
- (vi) Fairness opinion letter on the Proposed Acquisition by Eco Asia; and
- (vii) Independent Market Research Report prepared by Protégé.



RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Rubberex Corporation (M) Berhad (“**Rubberex**” or the “**Company**”) will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on Wednesday, 14 September 2022 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 500,000 ORDINARY SHARES IN RESZON DIAGNOSTICS INTERNATIONAL SDN BHD (“RESZON”), REPRESENTING 100% EQUITY INTEREST IN RESZON FOR A TOTAL PURCHASE CONSIDERATION OF RM180.0 MILLION TO BE SATISFIED BY A COMBINATION OF CASH AND NEW ORDINARY SHARES IN RUBBEREX (“RUBBEREX SHARES”) (“PROPOSED ACQUISITION”)

“THAT, subject to the passing of Ordinary Resolution 2 and the fulfilment of conditions precedent and the approvals of relevant authorities being obtained, where required, approval is hereby given for the Company to acquire 500,000 ordinary shares in Reszon, representing 100% equity interest in Reszon for a purchase consideration of RM180.0 million to be satisfied via combination of cash of up to RM54.0 million and the balance of RM126.0 million by issuance of 177,690,030 Rubberex Shares (“**Consideration Shares**”) at an issue price of RM0.7091 each, subject to the conditions and upon the terms set out in the conditional share sale agreement dated 31 May 2022 entered into between the Company and the Vendors in respect of the Proposed Acquisition (“**SSA**”);

THAT approval is hereby given for the Company to provisionally allot and issue the Consideration Shares in accordance to the terms and conditions of the SSA;

THAT the Consideration Shares shall, upon allotment and issuance, rank pari passu in all respects with the existing Rubberex Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions, that may be declared, made or paid prior to the date of issuance and allotment of the Consideration Shares;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Acquisition and the allotment and issuance of new Rubberex Shares pursuant to the Proposed Acquisition, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Acquisition.”

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE BUSINESS ACTIVITIES OF RUBBEREX AND ITS SUBSIDIARIES ("RUBBEREX GROUP" OR "GROUP") INTO HEALTHCARE BUSINESS WHICH INCLUDES BUT NOT LIMITED TO MANUFACTURING AND SALES OF TEST KITS AND OTHER HEALTHCARE RELATED PRODUCTS AND SERVICES ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the passing of Ordinary Resolution 1 and the approvals of relevant authorities and/or parties being obtained, where required, approval is hereby given to Rubberex Group to diversify its business activities to include the new healthcare business;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Diversification, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Diversification."

SPECIAL RESOLUTION

PROPOSED CHANGE OF NAME FROM RUBBEREX CORPORATION (M) BERHAD TO HEXTAR HEALTHCARE BERHAD ("PROPOSED CHANGE OF NAME")

"**THAT** the name of the Company be changed from "**Rubberex Corporation (M) Berhad**" to "**Hextar Healthcare Berhad**" with effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company.

AND THAT the Directors and/or the Company Secretaries be and are hereby authorised and empowered to carry out all the necessary steps and formalities in effecting the Proposed Change of Name."

BY ORDER OF THE BOARD

CHONG LAY KIM (SSM PC NO. 202008001920) (LS 0008373)
YENG SHI MEI (SSM PC NO. 202008001282) (MAICSA 7059759)

Company Secretaries

Ipoh
23 August 2022

Notes:

1. IMPORTANT NOTICE

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV.

- For the purpose of determining who shall be entitled to participate in this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 6 September 2022**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.

3. A member who is entitled to participate in this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the general meeting.
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. A member who has appointed a proxy or attorney or authorised representative to participate at the EGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiah.online>. Procedures for RPV can be found in the Administrative Guide for the EGM.
9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the Form of Proxy must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) By electronics means
The Form of Proxy can be electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiah.online>. Kindly refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Form of Proxy via TIIH Online.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
12. Last date and time for lodging the Form of Proxy is **Monday, 12 September 2022 at 10.00 a.m.**
13. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL/DULY CERTIFIED** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue

3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

- i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:
 - a. at least two (2) authorised officers, of whom one shall be a director; or
 - b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
14. Shareholders are advised to check the Company's website at www.rubberex-corp.com.my and announcements from time to time for any changes to the administration of the EGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.



RUBBEREX CORPORATION (M) BERHAD

Registration No.: 199601000297 (372642-U)
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account No.													

I / We _____
(FULL NAME IN BLOCK LETTERS)

(NRIC No./ Company Registration No./ Passport No. _____)

of _____
(FULL ADDRESS)

being a member/members of **RUBBEREX CORPORATION (M) BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company, which will be conducted fully virtual through online meeting platform via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on **Wednesday, 14 September 2022 at 10.00 a.m.** or at any adjournment thereof, and to vote as indicated below:

* Please strikethrough the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.

Resolutions		FOR	AGAINST
Ordinary Resolution 1	Proposed Acquisition		
Ordinary Resolution 2	Proposed Diversification		
Special Resolution	Proposed Change of Name		

(Please indicate with a cross "X" in the space provided whether you wish your vote to be cast for or against the Resolutions. If in the absence of specific directions, your proxy will vote or abstain from voting as he/she thinks fit).

Signed this _____ day of _____, 2022.

Signature/Common Seal of Member^



^ *Manner of execution:*

- (a) *If you are an individual member, please sign where indicated.*
- (b) *If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.*
- (c) *If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:*
 - (i) *at least two (2) authorised officers, of whom one shall be a director; or*
 - (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes:

1. **IMPORTANT NOTICE**

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at <https://tiih.online>.

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE SHARE REGISTRAR

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

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