THIS DOCUMENT (AS DEFINED HEREIN) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Document, valuation certificate and report, if any, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Document.

NESTLÉ (MALAYSIA) BERHAD
(Registration No. 198301015532 (110925-W))
(Incorporated in Malaysia)

PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN WYETH NUTRITION (MALAYSIA) SDN. BHD. BY NESTLÉ PRODUCTS SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF NESTLÉ (MALAYSIA) BERHAD ("NESMAL"), FROM WYETH (HONG KONG) HOLDING COMPANY LIMITED, FOR A CASH CONSIDERATION OF RM165.0 MILLION ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF NESMAL IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser	**Independent Adviser**
MIDF AMANAH INVESTMENT BANK BERHAD (Registration No. 197501002077 (23878-X))	**KAF INVESTMENT BANK BERHAD** (Registration No. 197401003530 (20657-W))

The Extraordinary General Meeting ("EGM") of Nesmal will be held on a virtual basis through live streaming from the broadcast venue at **Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia** on Wednesday, 26 April 2023 at 12.30 p.m., or 30 minutes after the conclusion of the 39th Annual General Meeting of the Company which will be held at 10.00 a.m. on the same day, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution so as to give effect to the Proposed Acquisition. The notice of the EGM together with the Proxy Form is enclosed in this Document. Please refer to the Administrative Details of EGM 2023 on the conduct of a virtual EGM.

If you are unable to attend and vote in person at the EGM, you may appoint one or more proxies to attend, participate, vote and speak on your behalf. Please complete and deposit the Proxy Form in accordance with the instructions thereon as soon as possible to the office of the Poll Administrator, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at its website at https://boardroomlimited.my not later than 48 hours before the time and date set for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so, but if you do so, your proxy shall be precluded from attending the EGM.

The last day and time for lodging the Proxy Form is on 24 April 2023 at 12.30 p.m.

This Document is dated 24 March 2023

For the purpose of this Document, except where the context otherwise requires, the following definitions shall apply:

Act	:	Companies Act, 2016
Board	:	Board of Directors of Nesmal
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Business Day	:	A day which is not a Saturday, a Sunday or a public holiday in Selangor, Malaysia and Hong Kong
Circular	:	The Circular to the shareholders of Nesmal dated 24 March 2023 in relation to the Proposed Acquisition, as set out in Part A of this Document
Completion	:	The completion of the Proposed Acquisition
Conditions Precedent	:	Conditions precedent of the conditional SPA, which has been set out in Appendix I of this Document
Director	:	Director has the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition were agreed upon: (i) a director of Nesmal, its subsidiary or holding company; or (ii) a chief executive of Nesmal, its subsidiary or holding company.
Document		This document in relation to the Proposed Acquisition dated 24 March 2023 which consists of the Circular, the IAL and all the accompanying appendices
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary General Meeting of Nesmal
EPS	:	Earnings per Share
EV	:	Enterprise value
FYE	:	Financial year ended 31 December
GLA	:	General License Agreement dated 1 January 2022 entered into between Wyeth Malaysia (as Licensee) and SPN (as Licensor)
IAL	:	Independent advice letter dated 24 March 2023 prepared by the Independent Adviser in relation to the Proposed Acquisition, as set out in Part B of this Document
Interested Directors	:	Collectively, Juan Jose Aranols Campillo, Syed Saiful Islam and Alessandro Monica (alternate director to Juan Jose Aranols Campillo)
KAF IB or Independent Adviser	:	KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W))
KPMG or Independent Valuer	:	KPMG Corporate Advisory Sdn. Bhd. (Registration No. 567386-P)

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	28 February 2023, being the latest practicable date prior to the printing of this Document
major shareholder	:	A person, who has or had an interest or interests in 1 or more voting shares in the Company and the number or aggregate number of those shares, is: (i) 10% of more of the total number of voting shares in the Company; or (ii) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. Major shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition was agreed upon, a major shareholder of the Company, its subsidiary or holding company. For the purpose of this definition, "interest" shall have the meaning as "interest in shares" given in Section 8 of the Act.
MIDF Investment or Principal Adviser	:	MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X))
NA	:	Net assets
Nesmal Group	:	Nesmal and its subsidiaries
Nesmal or Company	:	Nestlé (Malaysia) Berhad (Registration No. 198301015532 (110925-W))
Nestlé S.A.	:	Nestlé S.A. (Registration No. CHE-105.909.036), the holding company of SPN
Nestlé S.A. Group or Group	:	Collectively, Nestlé S.A. and its subsidiaries
Nestlé Products	:	Nestlé Products Sdn. Bhd. (Registration No. 197901000966 (45229-H))
Non-Interested Directors	:	The Directors of Nesmal other than the Interested Directors
Non-Interested Shareholders	:	The shareholders of Nesmal other than SPN
PAT	:	Profit after tax
PBT	:	Profit before tax
Proposed Acquisition	:	Proposed acquisition of 100% equity interest in Wyeth Malaysia by Nestlé Products, a wholly-owned subsidiary of Nesmal, for a cash consideration of RM165.0 million
Purchase Consideration	:	Purchase consideration of RM165.0 million, to be fully satisfied in cash
ROI	:	Return on investment

Sale Shares	:	1,969,505 Wyeth Malaysia Shares representing the entire equity interest in Wyeth Malaysia
Share	:	Ordinary shares in Nesmal
SPA	:	Conditional share purchase agreement dated 22 February 2023 entered into between Nestlé Products and Wyeth HK for the Proposed Acquisition
SPN	:	Société des Produits Nestlé S.A., a company incorporated in Vevey, Switzerland (Registration No. CHE-109.815.753)
Valuation Letter	:	The indicative valuation letter prepared by KPMG dated 21 February 2023 for the indicative valuation of 100% equity interest in Wyeth Malaysia
Wyeth HK or Seller	:	Wyeth (Hong Kong) Holding Company Limited, a wholly-owned subsidiary of Nestlé S.A. Group (Registration No. 1124599)
Wyeth Malaysia	:	Wyeth Nutrition (Malaysia) Sdn. Bhd. (Registration No. 199301002691 (257428-D))
Wyeth Malaysia Shares	:	Ordinary shares in Wyeth Malaysia

CURRENCY

CHF	:	Swiss Franc
RM and sen	:	Ringgit Malaysia and sen
HKD	:	Hong Kong Dollar

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Document shall be a reference to Malaysian time, unless otherwise stated.

References to "we", "us", "our" and "ourselves" are to the Company save where the context otherwise required, include our subsidiaries and references to "you" or "your" are to the shareholders of the Company.

[The rest of this page is intentionally left blank]

TABLE OF CONTENTS

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE PERTINENT INFORMATION OF THE PROPOSED ACQUISITION. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

Key information		Summary	Reference in the Circular (Part A)
Summary of the Proposed Acquisition	:	The Proposed Acquisition involves the acquisition by Nestlé Products of the Sale Shares from Wyeth HK for a purchase consideration of RM165.0 million. The Purchase Consideration is to be satisfied entirely in cash. The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of SPN's direct interest and Nestlé S.A.'s indirect interest in Nesmal via SPN. As such, KAF IB has been appointed as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders of Nesmal on the Proposed Acquisition.	Sections 1 and 2.1
Basis and justification for the Purchase Consideration	:	The Purchase Consideration for the Proposed Acquisition of RM165.0 million was arrived at after taking into account, among others, the following: (i) audited PAT of Wyeth Malaysia for the FYE 2022 of RM16.9 million; (ii) the rationale and benefits of the Proposed Acquisition as set out in Section 3 of the Circular; and (iii) future prospects of Wyeth Malaysia and the enlarged Nesmal Group as set out in Section 5.3 of the Circular. The Purchase Consideration is at the mid-point of the indicative value of 100% equity interest in Wyeth Malaysia of between RM154.0 million to RM176.0 million.	Section 2.4
Rationale and benefits of the Proposed Acquisition	:	The Proposed Acquisition is a strategic move by Nesmal Group to expand our product offerings and increase our market share in the premium nutrition segment. With the addition of brands carried by Wyeth Malaysia such as S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS, Nesmal will have a larger customer base and also gain an increased position in the premium nutrition market.	Section 3

Key information		Summary	Reference in the Circular (Part A)
Interests of directors, major shareholders and/or persons connected to them	**:**	Save as disclosed below, none of the major shareholder and Directors of Nesmal and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition: (i) Juan Jose Aranols Campillo (Chief Executive Officer of Nesmal), Syed Saiful Islam (Chief Financial Officer of Nesmal), and Alessandro Monica (Alternate Director to Juan Jose Aranols Campillo) are deemed interested in the Proposed Acquisition as they are persons nominated and appointed by SPN; (ii) SPN, a major shareholder of Nesmal with holdings of 170,276,563 Shares or 72.61% direct equity interest in Nesmal, is deemed interested in the Proposed Acquisition by virtue of being the immediate holding company of Nesmal and the Seller; and (iii) Nestlé S.A., which has indirect interest in Nesmal via SPN, is deemed interested in the Proposed Acquisition by virtue of being the ultimate holding company of Nesmal and the Seller. The Interested Directors have abstained and will continue to abstain from all board deliberations and voting on the relevant resolution in respect of the Proposed Acquisition at the relevant Board meetings of Nesmal. SPN will abstain from voting in respect of its direct shareholdings in Nesmal, and SPN and Nestlé S.A. have undertaken that they will ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Nesmal on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.	Section 9
Audit Committee's Statement	**:**	The Audit Committee of Nesmal, after having considered the advice of the Independent Adviser and all other relevant aspects of the Proposed Acquisition, including but not limited to the rationale of the Proposed Acquisition, the salient terms of the SPA, the basis and justification of the Purchase Consideration and the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is: (i) in the best interest of Nesmal; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to Non-Interested Shareholders of Nesmal.	Section 11

Key information	Summary	Reference in the Circular (Part A)
Directors' statement and recommendation	The Board (save for the Interested Directors, who have abstained from making any recommendation in relation to the Proposed Acquisition), after having considered all aspects of the Proposed Acquisition and after careful deliberation and taking into consideration the independent advice from KAF IB for the Proposed Acquisition, is of the opinion that the Proposed Acquisition is: (i) in the best interests of Nesmal; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to Non-Interested Shareholders of Nesmal. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution for the Proposed Acquisition to be tabled at the forthcoming EGM.	Section 12

[The rest of this page is intentionally left blank]

PART A

LETTER TO THE SHAREHOLDERS OF NESMAL IN RELATION TO THE PROPOSED ACQUISITION

Nestlé (Malaysia) Berhad
Registration No.: 198301015532 (110925-W)
(Incorporated in Malaysia)

Registered Office:
Level 22, 1 Powerhouse
No. 1, Persiaran Bandar Utama, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan

Date: 24 March 2023

Board of Directors

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail *(Chairman, Non-Independent, Non-Executive Director)*
Mr. Chin Kwai Fatt *(Independent, Non-Executive Director)*
Dato' Hamidah Naziadin *(Independent, Non-Executive Director)*
Datin Sri Azlin Arshad *(Independent, Non-Executive Director)*
YM Dr. Tunku Alina Raja Muhd Alias *(Independent, Non-Executive Director)*
Juan Jose Aranols Campillo *(Executive Director / Chief Executive Officer)*
Syed Saiful Islam *(Executive Director / Chief Financial Officer)*
Alessandro Monica *(Alternate Director to Juan Jose Aranols Campillo)*

To: Shareholders of Nesmal

Dear Sir/Madam,

PROPOSED ACQUISITION

---

1 INTRODUCTION

On 22 February 2023, MIDF Investment had, on behalf of our Board, announced that a wholly-owned subsidiary of Nesmal, namely Nestlé Products, has entered into the SPA with the Seller for the Proposed Acquisition.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of SPN's direct interest and Nestlé S.A.'s indirect interest in Nesmal via SPN. Please refer to Section 9 of this Circular for the details on the interests of Directors, major shareholders and/or persons connected to them.

On 16 November 2022, the Board (save for the Interested Directors) has appointed KAF IB as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders of Nesmal on the Proposed Acquisition.

The purpose of this Circular is to provide you with details of the Proposed Acquisition as well as to set out the recommendation of our Board (save for the Interested Directors) and to seek your approval for the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. The notice of the EGM and the Proxy Form are enclosed in this Document.

You are advised to read and consider carefully the contents of this Document before voting on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. You should also carefully consider the recommendation of the Independent Adviser as set out in Part B of this Document before voting on the resolution to be tabled at the forthcoming EGM.

2 DETAILS OF THE PROPOSED ACQUISITION

2.1 Brief background and details of the Proposed Acquisition

The Proposed Acquisition involves the acquisition by Nestlé Products of the Sale Shares from Wyeth HK for a purchase consideration of RM165.0 million. The Purchase Consideration is to be satisfied entirely in cash.

The Sale Shares shall be acquired free from encumbrances and together with all rights and advantages attaching to them (including the right to receive all dividends or distributions declared, made or paid on or after signing of the SPA). The Proposed Acquisition is subject to the terms and conditions of the SPA, details of which are set out in Appendix I of this Document.

Upon Completion, Wyeth Malaysia will become a wholly-owned subsidiary of Nesmal via Nestlé Products.

2.2 Information on Wyeth Malaysia

Wyeth Malaysia was incorporated in Malaysia on 29 January 1993 as a private company limited by shares and is duly registered under the Act. As at the LPD, the issued share capital of Wyeth Malaysia is RM1,969,505 comprising 1,969,505 Wyeth Malaysia Shares, which are held entirely by Wyeth HK.

Wyeth Malaysia is principally engaged in the business of trading and dealing in nutritional products. Wyeth Malaysia distributes premium quality nutritional products designed to meet the needs of young children, pregnant and lactating mothers, and the elderly. The brands that Wyeth Malaysia carries are S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS. Wyeth Malaysia holds the exclusive license to use the trademarks upon the products, know-how and patents in relation to the products, in Malaysia for an indefinite period.

Kindly refer to Appendix III of this Document for further information on Wyeth Malaysia.

[The rest of this page is intentionally left blank]

2.3 Information on the Seller

Wyeth HK is a private company limited by shares incorporated on 18 April 2007 in Hong Kong. The principal activities of Wyeth HK are investment holding and sales and promotion of nutritional products in Hong Kong and Macau.

As at the LPD, the issued share capital of Wyeth HK is HKD1,354,107,000 comprising 10,001 ordinary shares in Wyeth HK. The details of the substantial shareholders of Wyeth HK are as follows:

Substantial shareholders	Country of incorporation	Equity interest			
		Direct		Indirect	
		Number of ordinary shares in Wyeth HK	%	Number of ordinary shares in Wyeth HK	%
SPN	Switzerland	10,001	100.00	-	-
Nestlé S.A.	Switzerland	-	-	(1)10,001	100.00

Note:

(1) Deemed interested by virtue of Nestlé S.A.'s shareholdings in SPN.

Further details on SPN and Nestlé S.A. are as set out in Notes 3 and 4 to Section 3 of Appendix III of this Document, respectively.

As at the LPD, the directors of Wyeth HK are as follows:

Name	Nationality
Chan Wing Eleanor	Chinese – Hong Kong
Lo Tai Ching	Chinese – Taiwan
Mirela Trost	Republic of Croatia

None of the directors of Wyeth HK holds any shares in Wyeth HK.

The original cost and date of investment of Wyeth HK in Wyeth Malaysia is set out below:

Date of investment	Description	No. of Wyeth Malaysia Shares	Consideration (RM)
27 August 2012	Investment	61,969,505*	162,406,400

Note:

* *The Seller has subsequently reduced the issued share capital of Wyeth Malaysia from RM61,969,505 divided into 61,969,505 Wyeth Malaysia Shares to RM1,969,505 divided into 1,969,505 Wyeth Malaysia Shares by cancelling 60,000,000 Wyeth Malaysia Shares of RM1.00 each on 15 April 2016, and the crediting of RM60,000,000 arising therefrom, being capital in excess of the needs of Wyeth Malaysia, which was distributed to the sole member of Wyeth Malaysia, i.e. Wyeth HK.*

As at the LPD, Wyeth HK holds the entire equity interest in Wyeth Malaysia.

2.4 Basis and justification for the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition of RM165.0 million was arrived at after taking into account, among others, the following:

(i) audited PAT of Wyeth Malaysia for the FYE 2022 of RM16.9 million;

(ii) the rationale and benefits of the Proposed Acquisition as set out in Section 3 of this Circular; and

(iii) future prospects of Wyeth Malaysia and the enlarged Nesmal Group as set out in Section 5.3 of this Circular.

Our Board has also taken cognisance of the Valuation Letter prepared by KPMG dated 21 February 2023, whereby the indicative value of 100% equity interest in Wyeth Malaysia is appraised to be between RM154.0 million to RM176.0 million. The Purchase Consideration is at the mid-point of the abovementioned indicative valuation range.

The valuation of the Sale Shares by KPMG was arrived at based on the EBITDA of RM22.0 million derived from the audited financial statements of Wyeth Malaysia for the FYE 2022 and the EV/EBITDA multiple at 6 to 7 times and taking into consideration Wyeth Malaysia's cash balance of RM22.0 million as at FYE 2022. There was no discount applied for lack of marketability of the unlisted Wyeth Malaysia Shares as the discount was set-off by the control premium.

In addition, KPMG conducted a secondary valuation approach as reasonableness check on the above indicative valuation using the discounted cash flow method performed on the 5-year financial projections of Wyeth Malaysia for the FYE 2023 to FYE 2027 and the estimate of terminal value computed based on a growth rate of 2% after taking into consideration long-term economic growth of stable economies. A discount rate of 15% to 17% based on the weighted average cost of capital of Wyeth Malaysia was applied after taking into consideration the prevailing risk-free rate, market equity risk premium, the capital structure of Wyeth Malaysia as well as the risk profile of Wyeth Malaysia.

Please refer to Appendix II of this Document for a copy of the Valuation Letter.

Premised on the above, our Board (save for the Interested Directors) is of the view that the Purchase Consideration of RM165.0 million is justifiable.

2.5 Source of funding

The Purchase Consideration for the Proposed Acquisition will be funded via internally generated funds.

2.6 Liabilities to be assumed

Save for the payment of the Purchase Consideration to the Seller pursuant to the SPA, there are no other liabilities including contingent liabilities and/or guarantees to be assumed by Nestlé Products or Nesmal arising from the Proposed Acquisition.

2.7 Additional financial commitment

There is no additional financial commitment required to put Wyeth Malaysia's business on-stream in view that Wyeth Malaysia is already in operation and is an ongoing business.

3 RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition of Wyeth Malaysia by Nestlé Products represents a step forward for the Company in terms of further expanding its business in the nutrition category. This acquisition will provide Nesmal with immediate access to Wyeth Malaysia's business and network, which is expected to enable Nesmal to expand its product offerings, and increase market share in the premium nutrition segment and customers.

Through Proposed Acquisition and the addition of brands carried by Wyeth Malaysia such as S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS, Nesmal will have a larger customer base and also gain an increased position in the premium nutrition market. The brands carried by Wyeth Malaysia are well-established and known in the premium nutrition market, and will provide Nesmal with a strong foundation to build upon.

Besides expanding product offerings, the Proposed Acquisition will also provide Nesmal with the prospect to tap into Wyeth Malaysia’s established history of providing quality infant nutrition products, which has been built on its continuous commitment to produce scientifically formulated and nutritionally complete products that are tailored to the specific needs of infants and young children.

The Proposed Acquisition presents Nesmal Group the opportunity for growth and value creation. The complementary nature of Nesmal Group and Wyeth Malaysia’s operations will allow them to work together seamlessly and effectively, allowing for efficient collaboration and coordination. Furthermore, the Proposed Acquisition will provide Nesmal Group with the potential to share resources such as manpower and equipment, which will help to reduce cost and increase efficiency. This will enable Nesmal to quickly unlock value and capitalise on new opportunities for growth.

Overall, the Proposed Acquisition is a strategic move that will enable Nesmal Group to diversify our income stream, expand our product offerings, and increase our market share in the premium nutrition segment and customers. The Board believes that the Proposed Acquisition will provide Nesmal with an opportunity to accelerate our growth prospects and strengthen Nesmal’s position in the marketplace.

4 RISK FACTORS RELATING TO THE PROPOSED ACQUISITION

Save as disclosed below, the Board does not foresee any other specific risks arising from the Proposed Acquisition which could materially or adversely affect the financial and operating condition of our Company.

4.1 Non-completion risk of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the Conditions Precedent, as set out in Appendix I of this Document. In the event any of the Conditions Precedent is not fulfilled or waived to the satisfaction of Nestlé Products, the Proposed Acquisition may not be completed, which may result in the failure of Nesmal to achieve the objectives and benefits of the Proposed Acquisition.

In order to mitigate this risk, the management of Nestlé Products and Wyeth HK shall ensure sufficient efforts are taken to satisfy the Conditions Precedent within the required timeframe.

4.2 Acquisition risk

The Proposed Acquisition is expected to bring positive contribution to the Company as set out in Section 3 of this Circular. However, there is no assurance that the current financial performance of Wyeth Malaysia will be sustainable in the future. Hence, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised or that Wyeth Malaysia will be generating sufficient returns to offset the costs associated with the Proposed Acquisition.

Additionally, our Group will recognise goodwill arising from the Proposed Acquisition, the amount of which will depend on the fair value of the assets and liabilities acquired as at the completion of the Proposed Acquisition.

Based on the estimated fair value of acquired identifiable assets and liabilities of Wyeth Malaysia as at 31 December 2022 of RM19.0 million, the estimated goodwill is approximately RM146.0 million. However, the final amount will be determined upon assessment of the fair value of the assets and liabilities of Wyeth Malaysia at the completion of the Proposed Acquisition.

The goodwill will be subjected to annual impairment test whereby the recoverable amount of Wyeth Malaysia's business will be assessed. If the recoverable amount is less than its carrying amount, an impairment loss will be recognised.

Nesmal will mitigate any potential risk by closely monitoring the financial performance of Wyeth Malaysia and implement appropriate strategies towards the achievement of Wyeth Malaysia's financial targets.

4.3 Potential commercial risk

Wyeth Malaysia operates in the highly competitive and dynamic market of nutrition products in Malaysia. As consumer preferences and attitudes towards such products evolve, there is a risk that the demand for the products carried by Wyeth Malaysia may change. Additionally, disruptions in supply chain, such as delays in the delivery of products or materials, could potentially lead to unfulfilled orders.

Please note that this is a general risk that all product categories in the fast-moving consumer goods market may confront, and we do not deem it to be higher for Wyeth Malaysia's products as compared to the rest of Nesmal Group's products.

Further, Wyeth Malaysia has implemented strategies to mitigate such impact to the business by closely monitoring market trends and consumer preferences to ensure their product offerings align with current demands. Wyeth Malaysia also maintains strong relationships with key suppliers in addition to having contingency plans in place to minimise disruptions in the supply chain.

4.4 Termination risk of the GLA

SPN is the ultimate owner of all intellectual property used by the Nestlé S.A. Group. SPN has granted to its operating entities within the Group, including Wyeth Malaysia, with an exclusive license to use the trademarks, products, know-how and patents in relation to the products, in Malaysia for an indefinite period. The products to which such exclusive license apply include Infant and Follow-on Milk and Growing-up Milk for young children, as well as milk powder-based nutrition formula for pregnant and lactating mothers, and the elderly, under the trademarks of S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS.

SPN has also granted a license to Nesmal's distribution company to use Nestlé trademarks, products, know-how and patents in relation to Nestlé products in Malaysia for an indefinite period.

As SPN is the common major shareholder of Nesmal, Wyeth HK and Wyeth Malaysia, and the way the intellectual property rights is structured within the Group, the risk of the GLA being terminated for Wyeth Malaysia is low.

5 INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and prospects of Malaysian economy

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022, as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities.

The manufacturing sector grew by 3.9% (3Q 2022: 13.2%). Despite experiencing slower global semiconductor sales, the electrical & electronics ("**E&E**") cluster remained in expansion amid fulfilment of existing backlog in orders. Meanwhile, the primary segment continued to grow driven by higher output at a major oil refinery in Johor which resumed operations in the previous quarter. Sustained production in the consumer segment was driven by the food and beverage segment ahead of the festive season, as well as the motor vehicle and transport equipment segment to meet backlog in orders.

Domestic demand grew by 6.8% (3Q 2022: 13.1%), mainly supported by private sector expenditure. Private consumption expanded by 7.4% (3Q 2022: 15.1%), supported by improving labour market conditions and policy measures. Spending was driven by consumption of necessities, particularly for transport as well as housing and utilities, and selected discretionary components such as recreational services and culture. Public consumption grew by 2.4% (3Q 2022: 4.5%), reflecting continued support from Government spending on emolument and supplies and services.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), moderated to 3.9% during the quarter (3Q 2022: 4.5%). As expected, the lower headline inflation was largely due to the lapse in the base effect of electricity inflation. The moderation was also amid the easing of key global commodity prices which partly led to lower inflation in some CPI items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter. However, the downward impact was partly offset by higher core inflation, which rose to 4.2% (3Q 2022: 3.7%). The increase reflected the continued strength in domestic demand. By components, the increase was driven mostly by core services and several discretionary spending categories. Correspondingly, price pressures remained pervasive during the quarter, although it has moderated. The share of CPI items recording monthly price increases remained above historical average (4Q 2022: 51.2%; 3Q 2022: 58.1%; 2011-2019 average: 45.6%).

Labour market conditions steadily improved during the quarter, albeit at a more moderate pace. Unemployment and underemployment rates continued their gradual decline to 3.6% and 1.0% of the labour force, respectively, compared to 3.7% and 1.1%, respectively (3Q 2022: 3.7% and 1.1%, respectively). This was supported by sustained employment gains, amid continued expansion of the labour force. The labour force participation rate rose to 69.5% (3Q 2022 69.4%; 4Q 2019: 69.1%). Meanwhile, Employment Insurance System ("**EIS**")'s data indicated the pace of hiring is normalising while jobless claims remained low during the quarter and below the pre-pandemic averages (2019 average: 10,021 persons per quarter). Private sector wage growth moderated in the fourth quarter of 2022. In terms of momentum, on a quarter-on-quarter seasonally adjusted basis, wage growth turned marginally negative (-0.2%; 3Q 2022: 0.9%; 2015-2019 average: 1.3%). These trends are in line with gross domestic product developments.

Gross export growth moderated to 11.8% (3Q 2022: 38.3%), in line with weaker external demand. This was partly offset by resilient performance in E&E (17.3%, 3Q 2022: 41.4%), amid continued demand from Singapore, the US and China. Gross import growth decelerated to 18.7% (3Q 2022: 46.5%), reflecting moderation in domestic demand and slower pace of inventory build-up. As a result, the trade surplus widened to RM67.6 billion (3Q 2022: RM64.5 billion).

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

*(Source: Bank Negara Malaysia ("**BNM**") Quarterly Bulletin Fourth Quarter 2022)*

5.2 Overview of the Nutrition sector

The nutrition category encompasses a wide range of products, including infant formula, growing up milk, vitamin supplements, and other specialized nutritional products. These products are designed to meet the specific nutritional needs of young children, supporting their growth and development, immune system health, and cognitive development. There is also a rapidly developing demand of products targeted to meet the nutritional needs of a growing aging population.

The infant milk category, catered for age 0 to 5, which consists of Infant Formula Follow On and Growing Up Milk ("**GUM**"), has been performing well in recent years, with a current value of approximately RM1.53 billion in Peninsular Malaysia and a growth rate of +8% in FYE 2022 vs FYE 2021. The GUM segment, which caters to children 1 year and above, comprises 67% of the infant milk category. The GUM segment has a longer window of consumption, as children continue to consume GUM up until they reach their 6th year, which contributes to its significant market size. *(Source: Nestle Products' calculation based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ))*

Within the infant milk category, products are split into mainstream and premium segments. These segments are distinguished by their price tiers, with the premium segment being the most popular among consumers. The premium segment has registered a higher growth rate of +9.7% compared to mainstream growth at +6.0% in FYE 2022 vs FYE 2021, indicating a growing demand for higher-end products in this category. *(Source: Nestle Products' calculation based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ))*

The outlook for the industry is optimistic, with growth expected to continue in the premium segment. This growth is driven by a combination of factors, including pricing and volume. As the post-pandemic recovery continues, consumption of these products is expected to increase, driving volume growth. Additionally, price adjustments are expected across the category in the near term, which will further drive category expansion.

Furthermore, the increasing awareness of the importance of nutrition for young children and the growing disposable income of consumers are expected to drive the demand for these products in the future. The market for these products is also likely to expand as more and more parents and caregivers become conscious of the importance of providing the right nutrition to children in their formative years. With these positive prospects, the Nutrition category is expected to continue growing and thriving in Malaysia.

In addition, online sales channels will also play a crucial role in the growth of the category, as the trend of online shopping is increasing in the region. This will enable the products carried by Wyeth Malaysia to reach a larger customer base and improve brand awareness.

(Source: Management of Nesmal, based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ))

5.3 Future prospects of Wyeth Malaysia and the enlarged Nesmal Group

Wyeth Malaysia's prospects remains positive, as the company leverages its strong brand equity and well-positioned portfolio to drive growth. By expanding reach through key channels, Wyeth Malaysia is poised for continued success and sustained growth. Wyeth Malaysia has demonstrated compound annual growth rate of +6.1% during the period of FYE 2018 to FYE 2022 and double digit growth in the past 2 years. Wyeth Malaysia is growing ahead of the category in FYE 2022, steadily gaining market share from 8.7% in FYE 2021 to 9.5% in FYE 2022.

Wyeth Malaysia's portfolio is focused on the premium segment with higher category growth at +9.7% (compared to mainstream of +6.0%), addressing demand from higher income group. Wyeth Malaysia is the number 3 player in Peninsular Malaysia with 16.6% market share within the premium segment. Within this segment, Wyeth Malaysia is also the fastest growing player, growing at +17.9%, resulting in an increase of market share from 15.4% in FYE 2021 to 16.6% in FYE 2022. The strong performance is a result of focused portfolio management, investing in the right brand and channels, and its strong brand equity.

Upon completion of the Proposed Acquisition, Nesmal will be able to expand further into the premium nutrition category of infant milk category and the healthy ageing category building on the base of ENERCAL PLUS. The incorporation of ENERCAL PLUS into our product line will not only expand our overall product offerings, but also significantly broaden our portfolio to include cutting-edge solutions for the healthy ageing category. Nesmal will also be able to leverage on the experience of Wyeth Malaysia which has shown continuous sustainable growth and success, potentially extending the know-how to other businesses in Nesmal. The synergy is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category. Nesmal has no special future plans for Wyeth Malaysia, hence the business will continue as usual upon completion of the Proposed Acquisition.

(*Source: Management of Nesmal, based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ))*

6 EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and substantial shareholder's shareholdings

The Proposed Acquisition does not involve any issuance of new Shares and as such, will not have any effect on the share capital and the shareholdings of the substantial shareholders of Nesmal.

6.2 NA, NA per Share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of Nesmal as at FYE 2022 and assuming that the Proposed Acquisition had been effected at the end of the financial year, the pro forma effects of the Proposed Acquisition on the consolidated NA, NA per share and gearing of Nesmal, are set out below:

	Audited as at FYE 2022 **RM'000**	**After the Proposed Acquisition** **RM'000**
Share capital	267,500	267,500
Hedging reserve	(7,395)	(7,395)
Retained earnings	366,211	(1)364,961
NA	**626,316**	**625,066**
Number of Shares in issue ('000)	234,500	234,500
NA per Share (RM)	2.67	2.67
Loans and borrowings	786,890	786,890
Gearing ratio (times)	1.26	1.26

Note:

(1) After deducting the estimated expenses relating to the Proposed Acquisition amounting to approximately RM1.25 million.

[The rest of this page is intentionally left blank]

6.3 Earnings and EPS

For illustrative purposes only, based on the audited consolidated statement of financial statements of Nesmal as at FYE 2022 and assuming that the Proposed Acquisition had been effected at the beginning of the financial year, the pro forma effects of the Proposed Acquisition on the consolidated earnings and EPS of Nesmal, are set out below:

	Audited for FYE 2022 **RM'000**	**After the Proposed Acquisition** **RM'000**
PAT	620,334	620,334
Add: Wyeth Malaysia PAT	-	(1)16,924
Less: Estimated expenses relating to the Proposed Acquisition	-	(1,250)
Pro forma PAT	**620,334**	**636,008**
Weighted average number of Shares in issue ('000)	234,500	234,500
EPS (sen)(2)	265	271

Notes:

(1) Based on the audited financial statement of Wyeth Malaysia for FYE 2022.

(2) Computed based on PAT divided by weighted average number of Shares in issue.

The impact of the Proposed Acquisition on the consolidated earnings and EPS of Nesmal moving forward will depend on, among others, market and industry conditions of the business in which Wyeth Malaysia operates in. Nevertheless, the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of the Nesmal Group arising from the future positive contribution from the consolidated profit of Wyeth Malaysia.

6.4 Convertible securities

As at the LPD, Nesmal does not have any convertible securities in issue.

7 APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the Non-Interested Shareholders of Nesmal at the forthcoming EGM.

The Proposed Acquisition is not conditional upon any other corporate exercise or scheme undertaken or to be undertaken by Nesmal.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 26.3%.

8 CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition, which is the subject of this Document, the Board confirms that Nesmal does not have any other corporate exercise which has been announced but pending completion as at the LPD.

9 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the major shareholder.

Save as disclosed below, none of the major shareholder and Directors of Nesmal and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:

Directors

Juan Jose Aranols Campillo (Chief Executive Officer of Nesmal), Syed Saiful Islam (Chief Financial Officer of Nesmal), and Alessandro Monica (Alternate Director to Juan Jose Aranols Campillo) do not personally hold Shares in the Company. However, as they are persons nominated and appointed by SPN, they are deemed interested in the Proposed Acquisition.

Accordingly, the Interested Directors have abstained and will continue to abstain from all board deliberations and voting on the relevant resolution in respect of the Proposed Acquisition at the relevant Board meetings of Nesmal. The Interested Directors have undertaken that they will ensure that the persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in Nesmal, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

Major shareholder

SPN, a major shareholder of Nesmal with holdings of 170,276,563 Shares or 72.61% direct equity interest in Nesmal, is deemed interested in the Proposed Acquisition by virtue of being the immediate holding company of Nesmal and the Seller.

Nestlé S.A., which has indirect interest in Nesmal via SPN, is deemed interested in the Proposed Acquisition by virtue of being the ultimate holding company of Nesmal and the Seller.

SPN will abstain from voting in respect of its direct shareholdings in Nesmal, and SPN and Nestlé S.A. have undertaken that they will ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Nesmal on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

10 TRANSACTIONS WITH THE RELATED PARTIES FOR THE PAST 12 MONTHS

Save for the Proposed Acquisition and certain recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of Nesmal Group as disclosed in the circular to shareholders dated 28 March 2022, there are no other transactions entered into by Nesmal with the interested major shareholder for the 12 months preceding the LPD.

[The rest of this page is intentionally left blank]

11 AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Nesmal, after having considered the advice of the Independent Adviser and all other relevant aspects of the Proposed Acquisition, including but not limited to the rationale of the Proposed Acquisition, the salient terms of the SPA, the basis and justification of the Purchase Consideration and the pro forma effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

(i) in the best interest of Nesmal;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to Non-Interested Shareholders of Nesmal.

12 DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors, who have abstained from making any recommendation in relation to the Proposed Acquisition), after having considered all aspects of the Proposed Acquisition and after careful deliberation and taking into consideration the independent advice from KAF IB for the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

(i) in the best interests of Nesmal;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to Non-Interested Shareholders of Nesmal.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution for the Proposed Acquisition to be tabled at the forthcoming EGM.

13 INDEPENDENT ADVISER

In view that the Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, KAF IB has been appointed to act as the Independent Adviser to undertake the following in respect of the Proposed Acquisition:

(i) To provide comment as to whether the Proposed Acquisition:

  a) is fair and reasonable in so far as the Non-Interested Shareholders of Nesmal are concerned;

  b) is to the detriment of the Non-Interested Shareholders of Nesmal; and

(ii) Advise the Non-Interested Shareholders of Nesmal as to whether they should vote in favour of the resolution for the Proposed Acquisition.

[The rest of this page is intentionally left blank]

14 ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the 2nd quarter of 2023.

The tentative timetable for the Proposed Acquisition is as follows:

Events	Tentative timing
EGM to approve the Proposed Acquisition	End April 2023
Fulfilment of all the Condition Precedents and Completion	End June 2023

15 EGM

The EGM of the Company, the notice of which is enclosed in the Administrative Details of EGM 2023 and this Document, will be conducted on virtual basis through live streaming from the broadcast venue at Level 22, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 26 April 2023 at 12.30 p.m., or 30 minutes after the conclusion of the 39th Annual General Meeting of the Company which will be held at 10.00 a.m. on the same day, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution so as to give effect to the Proposed Acquisition.

If you are unable to attend and vote remotely at our EGM, you will also find enclosed in the Administrative Details of EGM 2023 and this Document, a Proxy Form which you are requested to complete, sign and return in accordance with the instructions printed thereon. The completed Form of Proxy should be deposited at the office of the Poll Administrator, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at its website at https://boardroomlimited.my (“**eProxy Lodgement**”). All proxy form submitted must be received by the Poll Administrator of the Company not later than 48 hours before the time set for holding the EGM should you wish to appoint a proxy or proxies to attend and vote for you and on your behalf at the EGM or any adjournment thereof. The completion and returning of the Proxy Form does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so, but if you do so, your proxy shall be precluded from attending the EGM.

Should you wish to personally participate at the EGM remotely, please register electronically using Remote Participation and Electronic Voting facilities which will be made available on the online portal of Boardroom Share Registrars Sdn. Bhd. at https://meeting.boardroomlimited.my. Please refer to the steps as set out in the Administrative Details in order to register, participate and vote remotely at the Company’s virtual EGM. The Administrative Details can be accessed from our website at https://www.nestle.com.my/investors/annual-general-meetings.

[The rest of this page is intentionally left blank]

16 FURTHER INFORMATION

You are advised to refer to Part B and the enclosed appendices of this Document for further information.

Yours faithfully
For and on behalf of the Board of
Nestlé (Malaysia) Berhad
Registration No. 198301015532 (110925-W)

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Non-Independent, Non-Executive Chairman

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF NESMAL IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meaning and expressions as defined in the "Definitions" section of Part A of the Document, except where the context otherwise requires or where otherwise defined herein. All references to "you" or "your" are reference to the Non-Interested Shareholders, whilst references to "we", "us" or "our" in this Executive Summary are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.

We have prepared the IAL to provide the Non-Interested Shareholders an independent evaluation of the Proposed Acquisition and to express our recommendation thereon. This Executive Summary is only intended to be and represents only a summary of the IAL, highlighting the salient information on the Proposed Acquisition.

We advise you to read both the IAL together with Part A of the Document and its enclosed appendices for any other relevant information. The Non-Interested Shareholders should carefully consider the recommendation herein before voting on the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

1. INTRODUCTION

On 22 February 2023, MIDF Investment had, on behalf of the Board, announced that Nestlé Products, a wholly-owned subsidiary of Nesmal, has entered into the SPA with the Seller for the Proposed Acquisition for a total cash consideration of RM165.0 million.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of SPN's direct interest and Nestlé S.A.'s indirect interest in Nesmal via SPN.

Accordingly, the Board (save for the Interested Directors) had on 16 November 2022 appointed KAF IB as the Independent Adviser to advise the Non-Interested Shareholders and the Non-Interested Directors in respect of the Proposed Acquisition, subject to the scope and limitations specified herein.

The purpose of this IAL is to provide the Non-Interested Shareholders with our independent evaluation on the Proposed Acquisition together with our recommendation on whether the Non-Interested Shareholders should vote in favour of the Proposed Acquisition. Nevertheless, the Non-Interested Shareholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before voting on the resolution pertaining to the Proposed Acquisition at the Company's forthcoming EGM.

This IAL is prepared solely for the Non-Interested Shareholders to consider the Proposed Acquisition and should not be used or relied upon by any other party or for any other purpose whatsoever.

EXECUTIVE SUMMARY

2. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have taken into consideration the following pertinent factors in forming our opinion:

Section in this IAL	Area of evaluation	Our Evaluation
Section 4.1	Rationale of the Proposed Acquisition	Our evaluation for the Proposed Acquisition are summarised as follows: (i) Strategic fit and expansion of the Nesmal Group's business in the nutrition category The Proposed Acquisition: (a) serves as an avenue for the Group to further expand its business in the nutrition category through additional brands carried by Wyeth Malaysia which are well-established and known in the premium nutrition market; (b) also provides Nesmal Group with the prospects to tap into Wyeth Malaysia's established history of providing quality infant nutrition products; (c) will broaden its portfolio to include cutting-edge solutions for healthy ageing category pursuant to the inclusion of ENERCAL PLUS into the Nesmal Group; and (d) allows Nesmal Group to tap into the existing customer base of Wyeth Malaysia and have an immediate access to Wyeth Malaysia's business and network. (ii) Benefits from synergies between Nesmal Group and Wyeth Malaysia There is a potential of resources sharing between both companies due to complementary nature of the operations of Nesmal Group and Wyeth Malaysia. Wyeth Malaysia is potentially extending its know-how to other businesses in Nesmal Group and the synergies between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal. (iii) Mitigate potential conflict of interest and competition The Proposed Acquisition is expected to eliminate any existing and potential conflicts of interest arising from the involvement of the major shareholders, through their interests in Wyeth Malaysia, which would in turn safeguard the interests of minority shareholders. Premised on the above, we are of the view that the rationale for the Proposed Acquisition is considered reasonable.

EXECUTIVE SUMMARY

Section in this IAL	Area of evaluation	Our Evaluation
Section 4.2	Basis and justification of the Purchase Consideration	The adopted approaches to arrive at the valuation of Wyeth Malaysia are as follows: We have considered the P/E multiple and EV/EBITDA multiple of Wyeth Malaysia implied by the Purchase Consideration, and compared them to the P/E multiple and EV/EBITDA multiple of the selected comparable companies, based on their latest available audited and unaudited financial statements, as the case may be, and adjusted for illiquidity discount in view of the relatively illiquid nature and lack of marketability of the shares in Wyeth Malaysia being a private company as compared to the comparable companies which are listed on the listing exchanges in Malaysia and Asia Pacific region. Based on the relative valuation multiples above, the Purchase Consideration is within the range of Wyeth Malaysia's implied equity valuation as follows: (i) between RM140.3 million and RM175.3 million (based on the P/E multiples of the selected comparable companies of 8.3 times and 10.4 times); (ii) lower than RM167.8 million and RM204.2 million (based on the EV/EBITDA multiples of the selected comparable companies of 6.6 times and 8.3 times); and (iii) between RM157.8 million and RM186.0 million (based on the mid-point of the P/E multiple and the mid-point of the EV/EBITDA multiple of the selected comparable companies). Premised on our evaluation of the Purchase Consideration above, we are of the view that the Purchase Consideration is fair.
Section 4.3	Salient terms of the SPA	The terms and conditions of the SPA are mutually agreed upon between the Seller and Purchaser and we are of the view that the salient terms and conditions of the SPA are considered reasonable.
Section 4.4	Effects of the Proposed Acquisition	Proposed Acquisition: (i) will not have any effect on the share capital and the shareholdings of the substantial shareholders of Nesmal; (ii) will marginally decrease the Nesmal Group's NA pursuant to the deduction of estimated expenses relating to the Proposed Acquisition; and (iii) is expected to contribute positively to the future earnings and EPS of Nesmal Group arising from the future positive contribution from the consolidated profit of Wyeth Malaysia. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the Non-Interested Shareholders.

EXECUTIVE SUMMARY

Section in this IAL	Area of evaluation	Our Evaluation
Section 4.5	Industry outlook and prospects	We note that: (i) <u>Overview and prospects of Malaysian economy</u> (a) Malaysian economy registered a growth of 14.2% in the third quarter of 2022 supported by expansion across all economic sectors, improvement in domestic demand and robust export performance, amidst the peaking in headline inflation, which signals resilience of the Malaysian economy to inflationary forces; and (b) the Malaysian economy is expected to expand by 4.0 – 5.0% in 2023. (ii) <u>Overview of the nutrition sector</u> (a) there is a rapidly developing demand of products targeted to meet the nutritional needs of a growing aging population; (b) the outlook for the industry is optimistic, with growth expected to be driven by a combination of pricing and volume; (c) the market for these products is also likely to expand as more and more parents and caregivers become conscious of the importance of providing the right nutrition to children in their formative years; and (d) the trend of online shopping is increasing in the region and will enable the products carried by Wyeth Malaysia to reach a larger customer base and improve brand awareness. (iii) <u>Future Prospects of Wyeth Malaysia and the enlarged Nesmal Group</u> The future prospects of Nesmal would appear to be encouraging and sustainable as upon completion of the Proposed Acquisition, Nesmal will be able to expand further into the nutrition category. The synergy between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category.
Section 4.6	Risk factors relating to the Proposed Acquisition	The Non-Interested Shareholders are advised to give due and careful regard to the risk factors as mentioned in Section 4 of Part A of the Document. Although measures may be taken by the Board to attempt to limit all such risk, no assurance can be given that one or a combination of such risk factors will not crystallise and give rise to material and adverse impact on the financial performance/position or prospects of Nesmal Group. Nevertheless, in view that Nesmal Group and Wyeth Malaysia are involved in similar businesses, the business risk profile of Nesmal Group will not change significantly upon the completion of the Proposed Acquisition.

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL. Based on this, we are of the view that the Proposed Acquisition is **FAIR** and **REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders.

Accordingly, we advise and recommend that the Non-Interested Shareholders to **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION. THE SHAREHOLDERS OF NESMAL ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH PART A OF THE DOCUMENT AND THE APPENDICES THERETO FOR ANY OTHER RELEVANT INFORMATION AND ARE NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED ACQUISITION. YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION RELATING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTMENT BANK BERHAD
Registration No. 197401003530 (20657-W)

Registered office of
KAF INVESTMENT BANK BERHAD
Level 14, Chulan Tower
No. 3 Jalan Conlay
50450 Kuala Lumpur

24 March 2023

To: The non-interested shareholders of Nestlé (Malaysia) Berhad

Dear Sir/Madam.

NESTLÉ (MALAYSIA) BERHAD ("NESMAL" OR "COMPANY")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF NESMAL IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN WYETH NUTRITION (MALAYSIA) SDN. BHD. ("WYETH MALAYSIA") BY NESTLÉ PRODUCTS SDN. BHD. ("NESTLÉ PRODUCTS"), A WHOLLY-OWNED SUBSIDIARY OF NESMAL, FROM WYETH (HONG KONG) HOLDING COMPANY LIMITED ("WYETH HK" OR "SELLER"), FOR A CASH CONSIDERATION OF RM165.0 MILLION ("PROPOSED ACQUISITION")

Definitions or defined terms used in this IAL shall have the same meaning and expressions as defined in the "Definitions" section of Part A of the Document, except where the context otherwise requires or where otherwise defined herein. All references to "you" or "your" are reference to the Non-Interested Shareholders, whilst references to "we", "us" or "our" in this IAL are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 22 February 2023, MIDF Investment had, on behalf of the Board, announced that Nestlé Products, a wholly-owned subsidiary of Nesmal, has entered into the SPA with the Seller for the Proposed Acquisition for a total cash consideration of RM165.0 million.

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of SPN's direct interest and Nestlé S.A.'s indirect interest in Nesmal via SPN.

Accordingly, the Board (save for the Interested Directors) had on 16 November 2022 appointed KAF IB as the Independent Adviser to advise the Non-Interested Shareholders and the Non-Interested Directors in respect of the Proposed Acquisition, subject to the scope and limitations specified herein.

The purpose of this IAL is to provide the Non-Interested Shareholders with our independent evaluation on the Proposed Acquisition together with our recommendation on whether the Non-Interested Shareholders should vote in favour of the Proposed Acquisition. Nevertheless, the Non-Interested Shareholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before voting on the resolution pertaining to the Proposed Acquisition at the Company's forthcoming EGM.

NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE DOCUMENT, TOGETHER WITH THE ACCOMPANYING APPENDICES, AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF NESMAL.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The Proposed Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of SPN's direct interest and Nestlé S.A.'s indirect interest in Nesmal via SPN. The details in relation to the interests of the Interested Directors, major shareholders and persons connected with them in the Proposed Acquisition are as set out in Section 9 of Part A of the Document.

The Interested Directors have abstained and will continue to abstain from all board deliberations and voting on the relevant resolution in respect of the Proposed Acquisition at the relevant Board meetings of Nesmal. The Interested Directors have undertaken that they will ensure that the persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in Nesmal, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

SPN and Nestlé S.A. will abstain from voting in respect of their respective direct and indirect shareholdings in Nesmal, and have undertaken that they will ensure that all persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Nesmal on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

KAF IB has not been involved in the formulation, deliberation and negotiation on the terms and conditions of the Proposed Acquisition nor has it participated in the Board's deliberation on the Proposed Acquisition. KAF IB's scope as the Independent Adviser is limited to express an independent opinion on the fairness and reasonableness of the Proposed Acquisition based on and in reliance upon information, documents and representations/confirmations provided or made available to us (the accuracy of which the Board or other advisers of Nesmal are solely responsible), including but not limited to the following:

(i) the information contained in Part A of the Document and the appendices attached thereto;

(ii) the SPA;

(iii) the annual reports of Nesmal for the FYE 31 December 2019 to FYE 31 December 2021;

(iv) the audited consolidated financial statements of Nesmal for the FYE 31 December 2022;

(v) audited financial statements of Wyeth Malaysia for the past three financial years from the FYE 31 December 2020 to FYE 31 December 2022;

(vi) Valuation Letter issued by KPMG;

(vii) discussions with and representations by the Board and the management of Nesmal;

(viii) other relevant information, documents, confirmations and representations furnished to us either directly or indirectly through the Board and the management of Nesmal; and

(ix) other publicly available information.

We have not independently verified the abovementioned information nor have we conducted any form of independent investigation into the business, affairs, operations, financial position or prospects of Nesmal Group and Wyeth Malaysia. We have relied on representatives of Nesmal to take due care in ensuring that all information, documents and/or representations provided to us to facilitate our evaluation and which have been used, referred to and/or relied upon in this IAL have been fully disclosed to us, and are accurate, reasonable, valid and complete in all material aspects and free from material omission.

We have also obtained written confirmation from the Board that the Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in the IAL (save and except for analyses made and opinions expressed by KAF IB) and confirm that after making all reasonable enquiries, to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading. The Board has also provided written confirmation that all facts and information in respect of Nesmal Group and Wyeth Malaysia which are relevant to KAF IB's evaluation of the Proposed Acquisition have been disclosed to KAF IB, and that there are no facts or information the omission of which would make any written information supplied to us misleading in any respect. With due consideration to the foregoing and after making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all information, documents and representations/confirmations necessary for our evaluation of the Proposed Acquisition have been disclosed to us and that such information is reasonable, accurate, complete and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable check and corroborating such information with independent sources, where possible, to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission. Notwithstanding that, KAF IB shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

In our evaluation of the Proposed Acquisition, we have taken into consideration pertinent matters which are made known to us and which we believe are of general importance to an assessment of the financial implications of the Proposed Acquisition and would be of significant relevance and general concern to the Non-Interested Shareholders as a whole in arriving at our advice.

The scope of KAF IB's responsibility with regard to our evaluation and opinion contained herein is confined to the Proposed Acquisition. Where our comments or points of consideration are included on certain pertinent matters which may be qualitative or commercial in nature, these are incidental to our overall financial evaluation and concern matters which we may deem material for disclosure and/or which may have possible financial implications on the Group.

KAF IB's opinion contained in this IAL is provided to the Non-Interested Shareholders at large and not to any shareholder individually. Hence, we have not given regard to the specific investment or financial objectives, financial situation and/or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or specific group of shareholders who require specific advice within the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers at their own costs.

The following are disclosure requirements made pursuant to the Best Practice Guide in Relation to Independent Advice Letters issued by Bursa Securities:

(i) KAF IB confirms that there is no conflict of interest situation or potential conflict of interest situation arising from it carrying out the role of Independent Adviser to advise the Non-Interested Shareholders in relation to the Proposed Acquisition; and

(ii) Save for our current appointment as the Independent Adviser, we do not have any professional relationship with Nesmal in the past two years preceding to the date of this IAL. In addition, KAF IB is independent of the Board and the management of Nesmal and is free from any business, save for the advisory fees to be received in respect of our role as the Independent Adviser, and/or any other relationship which could interfere with the exercise of our independent judgement; and

(iii) KAF IB is an approved principal adviser and approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the SC. The Corporate Finance Department of KAF IB provides a range of advisory services which include, but not limited to, acquisitions and divestitures, take-overs/general offers, fund raising, initial public offerings as well as independent advisory services. Our team comprises experienced personnel with the requisite qualifications and experiences to provide including, but not limited to, independent analysis of transactions and issuing opinions on whether the terms and conditions of a transaction are deemed fair and reasonable.

The credentials and experience of KAF IB as an Independent Adviser, where we have been appointed in the past 3 years prior to the date of the SPA, include, amongst others, the following:

(i) proposed issuance of 256,000,000 new ordinary shares in PUC Berhad ("**PUC Shares**") at the issue price of RM0.125 per PUC Share for the settlement of RM32.0 million owing to Cheong Chia Chou, Tan Pee Tee and Cheow Sook Mei;

(ii) proposed exemption under Paragraph 4.08(1)(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisition ("**Rules**") to Maxim Holdings Sdn Bhd ("**Maxim**") and persons acting in concert with it, from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares of Tadmax Resources Berhad ("**Tadmax**") not already owned by them after the proposed acquisition of Majestic Maxim Sdn Bhd by Tadmax from Maxim;

(iii) proposed exemption to Urusharta Jamaah Sdn Bhd under Paragraph 4.08(1)(c) of the Rules from the obligation to undertake a mandatory take-over offer on all remaining ordinary shares in TH Heavy Engineering Berhad ("**THHE**") not already held by it upon the issuance of new ordinary shares in THHE pursuant to the mandatory conversion of the outstanding Islamic irredeemable convertible preference shares held by it;

(iv) proposed acquisition by PUC Berhad of 12,336,288 ordinary shares in Pictureworks Holdings Sdn. Bhd ("**PWHSB**") representing 67.00% equity interest in PWHSB for a total purchase consideration of RM142.04 million;

(v) proposed disposal of the entire equity interests in PMB Central Sdn. Bhd., PMB Northern Sdn. Bhd., PMB Eastern Sdn. Bhd. and PMB Aluminium Sabah Sdn. Bhd. to PMB (Klang) Sdn. Bhd. by the PMB Technology Berhad's group of companies;

(vi) proposed selective capital reduction and repayment exercise of Mintye Berhad pursuant to Section 116 of the Act;

(vii) unconditional mandatory take-over offer by MIE Industrial Sdn Bhd ("**MIE**") to acquire all the remaining ordinary shares in Seremban Engineering Berhad not already held by MIE at a cash consideration of RM0.50 per offer share;

(viii) unconditional mandatory take-over offer by Dato' Dr. Ir. Mohd. Abdul Karim bin Abdullah ("**Dato' Mohd**") to acquire all the remaining ordinary shares is Sarawak Consolidated Industries Berhad not already held by Dato' Mohd and persons acting in concert with him at a cash consideration of RM1.10 per offer share; and

Based on our credentials and experience above, we have the necessary resources and staff with the relevant skills, knowledge and experience to carry out our role and responsibilities as the Independent Adviser to advise the Non-Interested Shareholders in respect of the Proposed Acquisition as set out in Section 4 of this IAL.

4. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following factors in forming our opinion:

	Section in this IAL
Rationale of the Proposed Acquisition	4.1
Basis and justification for the Purchase Consideration	4.2
Salient terms of the SPA	4.3
Effects of the Proposed Acquisition	4.4
Industry outlook and prospects	4.5
Risk factors associated with the Proposed Acquisition	4.6

4.1 RATIONALE OF THE PROPOSED ACQUISITION

We take cognisance of the rationale and benefits of the Proposed Acquisition as set out in Section 3 of Part A of the Document. We noted that the Proposed Acquisition is undertaken based on the following key rationales:

(i) Strategic fit and expansion of the Nesmal Group's business in the nutrition category

Wyeth Malaysia, the subject of the Proposed Acquisition is granted an exclusive license by SPN to use the trademarks upon the products, know-how and patents in relation to the products, in the territory of Malaysia for an indefinite period under the GLA.

Hence, the Proposed Acquisition serves as an avenue for the Group to further expand its business in the nutrition category through additional brands carried by Wyeth Malaysia namely S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS which are well-established and known in the premium nutrition market.

The Proposed Acquisition also provides Nesmal Group with the prospects to tap into Wyeth Malaysia's established history of providing quality infant nutrition products. In addition, the inclusion of ENERCAL PLUS into the Nesmal Group is expected to expand its overall product offerings, significantly broaden its portfolio to include cutting-edge solutions for healthy ageing category.

Upon completion of the Proposed Acquisition, Nesmal Group will have a larger customer base and have an immediate access to Wyeth Malaysia's business and network. These potential benefits will further expand its product offerings and increase market share in the premium nutrition segment and subsequently gain an increased position in the premium nutrition market.

We also note from Section 5.3 of Part A of the Document that:

…"Wyeth Malaysia has demonstrated compound annual growth rate of +6.1% during the period of FYE 2018 to FYE 2022 and double digit growth in the past 2 years. Wyeth Malaysia is growing ahead of the category in FYE 2022, steadily gaining market share from 8.7% in FYE 2021 to 9.5% in FYE 2022."…

…"Wyeth Malaysia is the number 3 player in Peninsular Malaysia with 16.6% market share within the premium segment. Within this segment, Wyeth Malaysia is also the fastest growing player, growing at +17.9%, resulting in an increase of market share from 15.4% in FYE 2021 to 16.6% in FYE 2022. The strong performance is a result of focused portfolio management, investing in the right brand and channels, and its strong brand equity."…

(ii) <u>Benefits from synergies between Nesmal Group and Wyeth Malaysia</u>

Due to complementary nature of the operations of Nesmal Group and Wyeth Malaysia, there is a potential of resources sharing between both companies such as manpower and equipment, which will reduce costs and increase efficiency. Nesmal Group will also be able to leverage on the experience of Wyeth Malaysia in sustaining its growth and success. Hence, Wyeth Malaysia is potentially extending its know-how to other businesses in Nesmal Group and the synergies between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category.

We wish to further highlight to the Non-Interested Shareholders the following:

(iii) <u>Mitigate potential conflict of interest and competition</u>

Upon completion of the Proposed Acquisition, Wyeth Malaysia will be a wholly-owned subsidiary of Nesmal through Nestlé Product. Hence, the Proposed Acquisition is expected to eliminate any existing and potential conflicts of interest arising from the involvement of the major shareholders, through their interests in Wyeth Malaysia, which would in turn safeguard the interests of minority shareholders.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is considered reasonable. Nevertheless, the Non-Interested Shareholders should note that the potential benefits arising from the Proposed Acquisition, are subject to certain risk factors as disclosed in Section 4 of Part A of the Document.

4.2 BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

We take note of the basis and justification in arriving at the Purchase Consideration as detailed in Section 2.4 of Part A of the Document:

We note that the Purchase Consideration was arrived at after taking into consideration, among others, the following:

(i) audited PAT of Wyeth Malaysia for the FYE 2022 of RM16.9 million;

(ii) the rationale and benefits of the Proposed Acquisition as set out in Section 3 of Part A of the Document;

(iii) future prospects of Wyeth Malaysia and the enlarged Nesmal Group as set out in Section 5.3 of Part A of the Document; and

We take note that the Board has also taken cognisance the indicative equity value of the entire equity interest in Wyeth Malaysia in the range of RM154.0 million to RM176.0 million as appraised by KPMG, vide its letter dated 21 February 2023 as set out in Appendix II of the Document. The Purchase Consideration is at the mid-point of the abovementioned indicative valuation range

In this regard, we also note that the valuation of the Sale Shares by KPMG was arrived at based on the EBITDA of RM22.0 million derived from the audited financial statements of Wyeth Malaysia for the FYE 2022, the EV to EBITDA ("**EV/EBITDA**") multiple at 6.0 to 7.0 times and taking into consideration Wyeth Malaysia's cash balance of RM22.0 million as at 31 December 2022. This basis is deemed reasonable as it is reflective of Wyeth Malaysia's financial performance moving forward given that the audited financial statements of Wyeth Malaysia for FYE 2022, takes into account, the earnings derived from the change in business model from Principal model to Cost Plus model.

KPMG had been appointed as the Independent Valuer by the Company to conduct an independent valuation of Wyeth Malaysia pursuant to the Proposed Acquisition. We have reviewed and assessed the Valuation Letter prepared by KPMG.

In arriving at the indicative equity value of the entire equity interest in Wyeth Malaysia, KPMG has adopted the Market Approach applying EV/EBITDA pricing multiple method as the primary methodology. KPMG has also adopted the income approach using the discounted cash flow ("**DCF**") method as sanity check of the reasonableness of the valuation derived based on the market approach.

4.2.1 Valuation of Wyeth Malaysia

In arriving at the fair value of Wyeth Malaysia, we have considered amongst others, the nature of Wyeth Malaysia's business, NA of Wyeth Malaysia as well as various valuation methodologies, inter alia, DCF method, relative valuation method and revalued net asset value method.

Premised on the nature of Wyeth Malaysia's business in trading and dealing in nutritional products, the earnings-based relative valuation approach i.e. price to earnings ("**P/E**") multiple and EV/EBITDA multiple, can be considered in valuing the entire equity interest of Wyeth Malaysia.

The details of the relative valuation multiples adopted are as follows:

Valuation multiple	Details and rationale
P/E	P/E multiple is computed as follows: $$\frac{Market\ capitalisation}{PAT}$$ P/E multiple is commonly used to estimate the value of the business, even more so for profit-making companies, and more likely to reflect the current sentiment and market condition. For information purpose, Wyeth Malaysia has been operating profitably and has been in the same business operation for the past 5 financial years up to the latest FYE 31 December 2021
EV/EBITDA	EV/EBITDA multiple is computed as follows: $$\frac{EV}{EBITDA}$$ EV is the aggregate value of the respective companies' market capitalisation, non-controlling interest, preference shares and debts, net of any cash and cash equivalents. EV/EBITDA is a commonly used, earnings-based relative valuation approach as EBITDA is capital-structural neutral whereby it does not take into consideration the differences in interest costs, taxation, depreciation and amortisation charges among selected companies.

We have also considered the price-to-book ("**P/B**") multiple and are of the view that it is not suitable in the determination of the fairness of the Purchase Consideration as Wyeth Malaysia is an asset-light company and the P/B multiple basis values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of the said company.

(THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

We are of the view that the earnings-based relative valuation approach i.e. P/E multiple and EV/EBITDA multiple, is most appropriate in ascribing a value to the entire equity interest in Wyeth Malaysia on the basis that:

(i) earnings is generally considered to be a key determinant of the value of a trading and distribution based company. Wyeth Malaysia is involved in the business of trading and dealing in nutritional products and has been operating profitably for the past 3 financial years under review;

(ii) the revenue of Wyeth Malaysia is based on purchase orders, with high dependency on a single principal / licensor and does not have its own distribution network. Wyeth Malaysia's trading and distribution business also may continue to fluctuate due to uncertainties in the economy due to rising interest rate environment and ongoing war in Ukraine; and

(iii) we also noted that the Independent Valuer only apply the DCF method as sanity check of the reasonableness of the valuation derived using the Market Approach – EV/EBITDA multiple valuation methodology. DCF method is more appropriate to be applied as primary method of valuation for companies with a set of projected cash inflow and outflow that can be estimated with a high level of certainty.

For information, in FYE 2022, Wyeth Malaysia has implemented a change in business model from Principal model to Cost Plus model. In Principal model, Wyeth Malaysia is a limited risk distributor where profit for Wyeth Malaysia is based on resale price minus target margin set by the principal, namely Nestlé Enterprise S.A.. As a limited risk distributor, Wyeth Malaysia faces limited risk from fluctuations in transfer prices, which can lead to more stable profit as the target margin set by the principal provides a clear understanding of the expected profits for Wyeth Malaysia. However, under the Principal Model, with the target margin pricing regime, Wyeth Malaysia may not fully benefit from favourable market condition and it has limited influence on transfer pricing as well as may have to accept the pricing terms set by the principal.

With the move to Cost Plus model in FYE 2022, it enables Wyeth Malaysia to purchase from its affiliated company's manufacturing factory using cost plus transfer price. Under the Cost Plus model, Wyeth Malaysia is able to have full control on its profitability, moving away from being a limited risk distributor. Wyeth Malaysia would have a stronger incentive to optimize cost and improve operating efficiency as its profit is now directly tied to its cost base. Additionally, by having the transfer price subjected to commodity prices, there is potential for Wyeth Malaysia to achieve higher profits compared to Principal model in the event that the commodity prices decrease, or it can significantly optimize its costs. However, Wyeth Malaysia now faces greater risk from fluctuation in transfer prices as its profitability can be affected by changes in commodity prices, which are subject to market forces.

We are of the view that taking into consideration of the change in business model, the FYE 2022 financial result would provide the best reflection of Wyeth Malaysia's trading and distribution business financial performance.

The entire revenue and PBT of Wyeth Malaysia was contributed by its trading and distribution of nutritional product in Malaysia territory and it does not manufacture the products as the goods are purchased from its affiliated company's manufacturing factory. As such, we selected the comparable companies based on the following criteria:

(i) principally involved in the trading and distribution of food and beverage products without manufacturing facility; and

(ii) due to the dearth of comparable companies listed on Bursa Securities, comparable companies which are listed within the Asia Pacific region were selected.

Based on the selected criteria above, we have identified the following comparable companies ("**Comparable Companies**"):

Comparable Companies	Principal activities	Country
Supreme Consolidated Resources Berhad	The company is principally engaged in trading and distribution of fast-moving consumer goods products, such as frozen, chilled, dairy and dry food products.	Malaysia
Kim Teck Cheong Consolidated Berhad	The company distributes consumer packaged goods and commercializes additional packaged food and beverage products under its brand names.	Malaysia
PT Tigaraksa Satria Tbk	The company distributes food and beverages, household products, and books and publications.	Indonesia
PT Kurniamitra Duta Sentosa, Tbk	The company engages in the food and beverage industry. The company offers syrup, fruit mixes, frappe, gourmet sauce, and flavored milk drinks.	Indonesia
Premier Marketing Public Company Limited	The company through its subsidiaries, distributes food products, such as snacks, beverages, and candies. The company also distributes pharmaceutical, personal care, and household products.	Thailand
Winner Group Enterprise Public Company Limited	The company is principally engaged in importing and distributing raw materials, ingredients, food additives, and other food products.	Thailand
Khong Guan Ltd	The company is principally involved in trading of wheat flour and other edible products and investment holding	Singapore
Hosen Group Ltd.	The company is principally engaged in the import, export, and distribution of fast-moving consumer goods under its house brands as well as under third party leading brands, specializing in packaged foods.	Singapore
Tait Marketing & Distribution Co., Ltd	The company is principally engaged in the distribution of private and agency branded products. Its main products include food, daily commodities, drinks and beverages.	Taiwan
Lacto Japan Co., Ltd	The company trades in agricultural and livestock products, processed products, food additives, food processing machinery, pharmaceuticals, quasi-pharmaceuticals, liquor and other beverages, and food products in Japan and internationally.	Japan
O'will Corporation	The company is principally engaged in the import/export and sale of food and beverage products in Japan and internationally.	Japan
Kuze Co., Ltd	The company is principally engaged in the wholesale and supply of food materials to the food service industries in Japan and internationally.	Japan
BORATR CO., Ltd.	The company is principally engaged in the importation and distribution of food and related products. The Company imports foods and food materials from manufacturers in Italy, Greece, Spain, France and others, and provides products to companies in South Korea.	South Korea
Vadilal Enterprises Limited	The company is principally engaged in the marketing and distribution of the ice cream, dairy products, frozen desserts and processed food products.	India

(Source: Bloomberg)

It should be noted that the Comparable Companies have been selected on a best effort basis and may not be directly comparable to Wyeth Malaysia due to various subjective factors which include, among others, composition of business activities, size of the business, geographical coverage, financial track record, risk profile, future prospects, marketability and liquidity. It should be noted that the list of Comparable Companies is by no means exhaustive and any comparison made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of Wyeth Malaysia and adjustments made are highly subjective and judgmental and the selected companies may not be entirely comparable due to various factors.

(THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

The P/E multiples and EV/EBITDA multiples of the Comparable Companies, as compared to the implied P/E multiples and EV/EBITDA multiples based on the Purchase Consideration are as follows:

Comparable Companies	Country	Market capitalisation RM mil	P/E (times) [(1)]	EV/EBITDA (times) [(2)]
Supreme Consolidated Resources Berhad	Malaysia	81.6	11.1	7.4
Kim Teck Cheong Consolidated Berhad	Malaysia	136.4	7.6	5.9
PT Tigaraksa Satria Tbk	Indonesia	1,852.3	14.2	9.0
PT Kurniamitra Duta Sentosa, Tbk	Indonesia	130.7	7.2	7.0
Premier Marketing Public Company Limited	Thailand	681.0	17.7	11.5
Winner Group Enterprise Public Company Limited	Thailand	189.1	14.8	9.6
Khong Guan Ltd.	Singapore	107.1	89.6 [(3)]	7.5
Hosen Group Ltd.	Singapore	56.6	9.6	4.9
Tait Marketing & Distribution Co., Ltd	Taiwan	457.8	18.3	11.6
Lacto Japan Co., Ltd	Japan	739.4	8.9	12.6
O'will Corporation	Japan	113.9	6.6	4.3
Kuze Co., Ltd	Japan	116.0	19.6	10.1
BORATR CO., Ltd.	South Korea	253.3	3.7	4.6
Vadilal Enterprises Limited	India	158.6	141.2 [(3)]	17.7
		Min	3.7	4.3
		Max	19.6	17.7
		Average	11.6	8.8
		Median	10.4	8.3
Wyeth Malaysia	**Malaysia**	**Implied**	**9.7** [(4)]	**7.5** [(5)]

(Source: Bloomberg and the latest published audited financial statements of the Comparable Companies as at the LPD)

Notes:

*(1) Computed based on the market capitalisation as at 31 December 2022 divided by the latest available unaudited trailing 12-months ("**TTM**") PAT for the 12-months up to 31 December 2022.*

(2) Market capitalisation in EV is based on the closing share price as at 31 December 2022, while the other components in EV (non-controlling interests, preference shares and debts, net of any cash and cash equivalents) and unaudited TTM EBITDA for the 12-months up to 31 December 2022.

(3) Excluded as an outlier due to significant deviation from the average.

(4) Computed based on the Purchase Consideration divided by the audited PAT of Wyeth Malaysia for the FYE 31 December 2022.

(5) Computed based on the Purchase Consideration divided by the audited EBITDA of Wyeth Malaysia for the FYE 31 December 2022.

P/E Multiple

Based on the median P/E multiple of the Comparable Companies of 10.4 times (for the high range of the valuation) and the audited FYE 2022 PAT for Wyeth Malaysia of RM16.9 million to arrive at the indicative value for 100% equity interest in Wyeth Malaysia, we also had made further adjustment to the P/E multiple (for low range of the valuation) as follows:

	Times
Median P/E multiple of Comparable Companies *(1)*	10.4
(-) Illiquidity discount (20%) *(2)*	(2.1)
Adjusted P/E multiple	**8.3**

Notes:

(1) Median is selected as a more informative measure of central tendency for distribution as it represents the middle value of the analysis and is not affected by extreme value.

(2) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodharan, 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%.

The adoption of 20% illiquidity discount, the lower end of the typical range is after considering Wyeth Malaysia being part of Nestlé S.A. Group, a well-established global group with strong financials and high investor demand which warrants a lower discount.

The indicative range of values for 100% equity interest in Wyeth Malaysia are as follows:

	Low	**High**
	(Adjusted P/E multiple)	**(Median P/E multiple)**
	RM mil	**RM mil**
PAT FYE 2022 *(1)*	16.9	16.9
P/E multiple (times)	8.3	10.4
Valuation of 100% equity interest in Wyeth Malaysia	**140.3**	**175.3**

Note:

(1) Based on the audited financial statement of Wyeth Malaysia for FYE 31 December 2022.

(THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

EV/EBITDA Multiple

Based on the median EV/EBITDA multiple of the Comparable Companies of 8.3 times (for the high range of the valuation), the audited FYE 2022 EBITDA for Wyeth Malaysia of RM22.0 million and cash at bank balance of RM22.0 million as at 31 December 2022, to arrive at the indicative value for 100% equity interest in Wyeth Malaysia, we also had made further adjustment to the EV/EBITDA multiple (for low range of the valuation) as follows:

	Times
Median EV/EBITDA multiple of Comparable Companies *(1)*	8.3
(-) Illiquidity discount (20%) *(2)*	(1.7)
Adjusted EV/EBITDA multiple	**6.6**

Notes:

(1) Median is selected as a more informative measure of central tendency for distribution as it represents the middle value of the analysis and is not affected by extreme value.

(2) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodharan, 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%.

The adoption of 20% illiquidity discount, the lower end of the typical range is after considering Wyeth Malaysia being part of Nestlé S.A. Group, a well-established global group with strong financials and high investor demand which warrants a lower discount.

The indicative range of values for 100% equity interest in Wyeth Malaysia are as follows:

	Low	**High**
	(Adjusted EV/EBITDA multiple)	**(Median EV/EBITDA multiple)**
	RM mil	**RM mil**
EBITDA FYE 2022 *(1)*	22.0	22.0
EV/EBITDA multiple (times)	6.6	8.3
Indicative EV of Wyeth Malaysia	**145.8**	**182.2**
(-) Total debt *(2)*	-	-
(+) Total cash and cash equivalents *(2)*	22.0	22.0
Valuation of 100% equity interest in Wyeth Malaysia	**167.8**	**204.2**

Notes:

(1) Based on the audited financial statement of Wyeth Malaysia for FYE 31 December 2022.

(2) As at 31 December 2022.

Based on the above:

(i) The Purchase Consideration is:

(a) within the valuation range derived from P/E multiples valuation method of RM140.3 million and RM175.3 million;

(b) lower than valuation range derived from EV/EBITDA multiples valuation method of RM167.8 million and RM204.2 million; and

(c) within the valuation range derived from the mid-point of the P/E multiple and the mid-point of the EV/EBITDA multiple of RM157.8 million and RM186.0 million, respectively.

(ii) The P/E multiple of Wyeth Malaysia of 9.7 times as implied by the Purchase Consideration is:

(a) within the range of P/E multiples of the Comparable Companies of between 3.7 times to 19.6 times (excluding the outliers); and

(b) lower than the average and median P/E multiple of the Comparable Companies of 11.6 times and 10.4 times respectively.

(iii) The EV/EBITDA multiple of Wyeth Malaysia of 7.5 times as implied by the Purchase Consideration is:

(a) within the range of EV/EBITDA multiples of the Comparable Companies of between 4.3 times and 17.7 times; and

(b) lower than the average and median EV/EBITDA multiple of the Comparable Companies of 8.8 and 8.3 times respectively.

Following the observation above, this implies that the Purchase Consideration is in line with the multiples of the Comparable Companies and is reasonable to Nesmal from both earnings and EBITDA standpoint.

Further, based on the P/E multiple and EV/EBITDA multiple relative valuation approach, the Purchase Consideration of Wyeth Malaysia of RM165.0 million falls within the most conservative valuation range of RM140.3 million and RM167.8 million.

Premised on the above, we are of the view that the Purchase Consideration is fair.

4.3 SALIENT TERMS OF THE SPA

The Proposed Acquisition is subject to the terms and conditions of the SPA. Please refer to Appendix I of the Document for a summary of the salient terms of the SPA in relation to the Proposed Acquisition. We have reviewed the SPA in its entirety, and we believe that the salient terms of the SPA are reasonable and not detrimental to the interest of the Non-Interested Shareholders. We set below our comments on the salient terms of the SPA:

No.	Salient terms of the SPA	KAF IB's comments
(i)	**Purchase Consideration** The Seller agrees to sell and Nestlé Products agrees to purchase the Sale Shares free from encumbrances together with all rights and advantages attached thereto (including the right to receive all dividends or distributions declared, made or paid in respect thereof at the consideration of Ringgit Malaysia One Hundred Sixty Five million.	These terms are common as they serve to formalise the Proposed Acquisition between Seller and Purchaser. Please refer to Section 4.2 of this IAL for our commentaries on the fairness of the Purchase Consideration.
	The Purchase Consideration less any claim for any breach of or pursuant to an indemnity under the SPA or any other transaction document required to be made by the Seller to Nestlé Products to fully discharge such liability or encumbrance and the amount is due prior to the completion of the sale of the Sale Shares shall be fully paid in cash by Nestlé Products to the Seller on 30 June 2023 or such other date as may be mutually agreed by the parties in writing ("Closing Date").	These are procedural terms for the settlement of the Purchase Consideration, which were mutually agreed between Seller and Purchaser and are reasonable.

No.	Salient terms of the SPA	KAF IB's comments
(ii)	**Conditions Precedent** The obligations of the parties that are set out in the SPA are conditional upon the following being obtained within 80 Business Days from the date of the SPA or such other extended period as may be granted by Nestlé Products in writing ("Conditional Period"): (a) approval of the shareholders of Nesmal, being the holding company of Nestlé Products, for the acquisition of the Sale Shares; (b) approval of the shareholder of Nestlé Products for the acquisition of the Sale Shares in accordance with the terms and conditions of the SPA;	These are common and reasonable terms as Nesmal and Nestlé Products shall ensure that all relevant approvals are obtained to facilitate the implementation of the Proposed Acquisition.
	(c) a certified true copy of the resolution of the board of directors of the Seller approving the execution of the SPA and transfer of the Sale Shares from the Seller to Nestlé Products; and (d) Nestlé Products in its sole and absolute discretion being satisfied with the results of the due diligence on Wyeth Malaysia and Nestlé Products shall provide confirmation as to whether the results of the due diligence investigation are satisfactory to Nestlé Products. The SPA shall cease to be conditional upon the date on which all the Conditions Precedent have been fulfilled or waived to the satisfaction of the Nestlé Products.	These are common procedural terms to facilitate the SPA and is reasonable.
(iii)	**Termination Event** If any of the following events occurs before the Closing Date, the non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party, requiring the defaulting party to remedy the said default or breach: (a) **<u>Non-fulfilment of Conditions Precedent:</u>** If any of the Conditions Precedent is not fulfilled by the expiry of the Conditional Period or such other period as the parties may agree in writing or no response or outcome has been given to an appeal made by Nestlé Products or the relevant Party (as the case may be) by the expiry of the Conditional Period or such other period as the parties may agree in writing, any party shall be entitled to issue a notice in writing terminating the SPA and the SPA shall be deemed terminated; (b) **<u>Breach of Closing Obligations:</u>** If the Seller or the Nestlé Products fails to comply with any material obligations as set out in the SPA,	These are common and reasonable terms which serves to safeguard the interests of the Seller and Purchaser in the event of non-fulfilment of Conditions Precedent and/or breach of the Closing obligations by either party, in which case the SPA may be terminated. We note that either party shall be entitled to terminate the SPA by giving a termination notice in writing.

No.	Salient terms of the SPA	KAF IB's comments
	Nestlé Products, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by Nestlé Products, shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the other, amongst others, to terminate the SPA (other than the surviving provisions) without liability on its part.	
(iv)	**Termination Rights** (a) If, at any time prior to the Closing, the Seller is in breach of any Seller's warranty (or would be if the Seller's warranties were repeated at that time), Nestlé Products shall be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by notice in writing to the Seller to terminate this Agreement (other than the surviving provisions). (b) Any failure by Nestlé Products to exercise the aforementioned right to terminate the SPA shall not constitute a waiver of any other rights of Nestlé Products arising out of any breach of any Seller's warranty.	These are common and reasonable terms which serve to safeguard the interests of the Purchaser as it is without prejudice to any other right or remedy of the Purchaser of any breach or non-fulfilment by the Seller of any obligations of the Seller under the SPA, which were mutually agreed between Seller and Purchaser.
(v)	**Costs** Each party shall bear all costs incurred by it in connection with the preparation, negotiation and entry into of the SPA. Nestlé Products shall bear the cost of all stamp duty payable in connection with the purchase of the Sale Shares.	This term is common and reasonable as it sets out that Purchaser shall be responsible for and shall pay all stamp duty payable on or pursuant to the SPA and purchase of the Sale Shares.

Premised on the above, we are of the view that the salient terms and conditions of the SPA are considered reasonable.

(THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

4.4 EFFECTS OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken note of the effects of the Proposed Acquisition as set out in Section 6 of Part A of the Document.

(i) Share capital and substantial shareholder's shareholdings

The Proposed Acquisition does not involve any issuance of new Shares and as such, will not have any effect on the share capital and the shareholdings of the substantial shareholders of Nesmal.

(ii) NA, NA per Share and gearing

Based on the audited consolidated financial statements of Nesmal for the FYE 31 December 2022 and the pro forma effects of the Proposed Acquisition on the NA, NA per Share and gearing are as follows:

(a) pro forma Nesmal Group's NA to decrease from RM626.32 million to RM625.07 million pursuant to the deduction of estimated expenses relating to the Proposed Acquisition of approximately RM1.25 million;

(b) pro forma NA per Share maintain at RM2.67 per Share upon completion of the Proposed Acquisition; and

(c) pro forma gearing maintain at 1.26 times upon completion of the Proposed Acquisition.

We further note that Nesmal Group will recognise the goodwill arising from the Proposed Acquisition pursuant to the requirements of the Malaysian Financial Reporting Standards. The amount of goodwill that arise will be accounted for in the financial statements of the enlarged Nesmal Group upon completion of the Proposed Acquisition and will be subjected to annual impairment testing.

(iii) Earnings and earnings per Share

Based on the audited consolidated financial statements of Nesmal for the FYE 31 December 2022, the pro forma net profit attributable to the owners of Nesmal will increase from RM620.33 million to RM636.01 million with the inclusion of the effects of the Proposed Acquisition where net profit of Wyeth Malaysia will be consolidated, representing an increase from 265 sen to 271 sen per Share. Further, the Board anticipates that the Proposed Acquisition is expected to contribute positively to the future earnings and EPS of Nesmal Group arising from the future positive contribution from the consolidated profit of Wyeth Malaysia as set out in Section 6 of Part A of the Document.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the Non-Interested Shareholders.

4.5 INDUSTRY OUTLOOK AND PROSPECTS OF WYETH MALAYSIA

In evaluating the prospects of the Group moving forward, we have considered the overview and prospects of Malaysian economy, overview of the nutrition sector and the future prospects of Wyeth Malaysia and the enlarged Nesmal Group. Our commentaries are as follows:

4.5.1 Overview and prospects of Malaysian economy

"The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022, as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (3Q 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities.

The manufacturing sector grew by 3.9% (3Q 2022: 13.2%). Despite experiencing slower global semiconductor sales, the electrical & electronics ("E&E") cluster remained in expansion amid fulfilment of existing backlog in orders. Meanwhile, the primary segment continued to grow driven by higher output at a major oil refinery in Johor which resumed operations in the previous quarter. Sustained production in the consumer segment was driven by the food and beverage segment ahead of the festive season, as well as the motor vehicle and transport equipment segment to meet backlog in orders.

Domestic demand grew by 6.8% (3Q 2022: 13.1%), mainly supported by private sector expenditure. Private consumption expanded by 7.4% (3Q 2022: 15.1%), supported by improving labour market conditions and policy measures. Spending was driven by consumption of necessities, particularly for transport as well as housing and utilities, and selected discretionary components such as recreational services and culture. Public consumption grew by 2.4% (3Q 2022: 4.5%), reflecting continued support from Government spending on emolument and supplies and services.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("CPI"), moderated to 3.9% during the quarter (3Q 2022: 4.5%). As expected, the lower headline inflation was largely due to the lapse in the base effect of electricity inflation. The moderation was also amid the easing of key global commodity prices which partly led to lower inflation in some CPI items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter. However, the downward impact was partly offset by higher core inflation, which rose to 4.2% (3Q 2022: 3.7%). The increase reflected the continued strength in domestic demand. By components, the increase was driven mostly by core services and several discretionary spending categories. Correspondingly, price pressures remained pervasive during the quarter, although it has moderated. The share of CPI items recording monthly price increases remained above historical average (4Q 2022: 51.2%; 3Q 2022: 58.1%; 2011-2019 average: 45.6%).

Labour market conditions steadily improved during the quarter, albeit at a more moderate pace. Unemployment and underemployment rates continued their gradual decline to 3.6% and 1.0% of the labour force, respectively, compared to 3.7% and 1.1%, respectively (3Q 2022: 3.7% and 1.1%, respectively). This was supported by sustained employment gains, amid continued expansion of the labour force. The labour force participation rate rose to 69.5% (3Q 2022 69.4%; 4Q 2019: 69.1%). Meanwhile, Employment Insurance System ("EIS")'s data indicated the pace of hiring is normalising while jobless claims remained low during the quarter and below the pre-pandemic averages (2019 average: 10,021 persons per quarter). Private sector wage growth moderated in the fourth quarter of 2022. In terms of momentum, on a quarter-on-quarter seasonally adjusted basis, wage growth turned marginally negative (-0.2%; 3Q 2022: 0.9%; 2015-2019 average: 1.3%). These trends are in line with gross domestic products developments.

Gross export growth moderated to 11.8% (3Q 2022: 38.3%), in line with weaker external demand. This was partly offset by resilient performance in E&E (17.3%, 3Q 2022: 41.4%), amid continued demand from Singapore, the US and China. Gross import growth decelerated to 18.7% (3Q 2022: 46.5%), reflecting moderation in domestic demand and slower pace of inventory build-up. As a result, the trade surplus widened to RM67.6 billion (3Q 2022: RM64.5 billion).

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realization of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity. The balance of risks to Malaysia's growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions."

(Reference: Section 5.1 of Part A of the Document)

In relation to the above, we note that the Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. All economic sectors registered growth in the fourth quarter of 2022.

We further note that the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy.

4.5.2 Overview of the Nutrition sector

"The nutrition category encompasses a wide range of products, including infant formula, growing up milk, vitamin supplements, and other specialized nutritional products. These products are designed to meet the specific nutritional needs of young children, supporting their growth and development, immune system health, and cognitive development. There is also a rapidly developing demand of products targeted to meet the nutritional needs of a growing aging population.

*The infant milk category, catered for age 0 to 5, which consist of Infant Formula Follow On and Growing Up Milk ("**GUM**"), has been performing well in recent years, with a current value of approximately RM1.53 billion in Peninsular Malaysia and a growth rate of +8% in FYE 2022 vs FYE 2021. The GUM segment, which caters to children 1 year and above, comprises 67% of the infant milk category. The GUM segment has a longer window of consumption, as children continue to consume GUM up until they reach their 6th year, which contributes to its significant market size.*

Within the infant milk category, products are split into mainstream and premium segments. These segments are distinguished by their price tiers, with the premium segment being the most popular among consumers. The premium segment has registered a higher growth rate of +9.7% compared to mainstream growth at +6.0% in FYE 2022 vs FYE 2021, indicating a growing demand for higher-end products in this category.

The outlook for the industry is optimistic, with growth expected to continue in the premium segment. This growth is driven by a combination of factors, including pricing and volume. As the post-pandemic recovery continues, consumption of these products is expected to increase, driving volume growth. Additionally, price adjustments are expected across the category in the near term, which will further drive category expansion.

Furthermore, the increasing awareness of the importance of nutrition for young children and the growing disposable income of consumers are expected to drive the demand for these products in the future. The market for these products is also likely to expand as more and more parents and caregivers become conscious of the importance of providing the right nutrition to children in their formative years. With these positive prospects, the Nutrition category is expected to continue growing and thriving in Malaysia.

In addition, online sales channels will also play a crucial role in the growth of the category, as the trend of online shopping is increasing in the region. This will enable the products carried by Wyeth Malaysia to reach a larger customer base and improve brand awareness.

(Reference: Section 5.2 of Part A of the Document)

In relation to the above, we note that there is a rapidly developing demand of products targeted to meet the nutritional needs of a growing aging population. The infant milk category has been performing well in recent years, with a growth rate of +8% in FYE 2022 vs FYE 2021 with GUM segment comprises 67% of the infant milk category. The premium segment of the infant milk category have registered a higher growth rate of +9.7% compared to mainstream growth at +6.0% in FYE 2022 vs FYE 2021, indicating a growing demand for higher-end products in this category.

We further note that:

(i) the outlook for the industry is optimistic, with growth expected to be driven by a combination of pricing and volume;

(ii) the market for these products is also likely to expand as more and more parents and caregivers become conscious of the importance of providing the right nutrition to children in their formative years; and

(iii) the trend of online shopping is increasing in the region and will enable the products carried by Wyeth Malaysia to reach a larger customer base and improve brand awareness.

4.5.3 Future Prospects of Wyeth Malaysia and the enlarged Nesmal Group

"Wyeth Malaysia's prospects remains positive, as the company leverages its strong brand equity and well-positioned portfolio to drive growth. By expanding reach through key channels, Wyeth Malaysia is poised for continued success and sustained growth. Wyeth Malaysia has demonstrated compound annual growth rate of +6.1% during the period of FYE 2018 to FYE 2022 and double digit growth in the past 2 years. Wyeth Malaysia is growing ahead of the category in FYE 2022, steadily gaining market share from 8.7% in FYE 2021 to 9.5% in FYE 2022.

Wyeth Malaysia's portfolio is focused on the premium segment with higher category growth at +9.7% (compared to mainstream of +6.0%), addressing demand from higher income group. Wyeth Malaysia is the number 3 player in Peninsular Malaysia with 16.6% market share within the premium segment. Within this segment, Wyeth Malaysia is also the fastest growing player, growing at +17.9%, resulting in an increase of market share from 15.4% in FYE 2021 to 16.6% in FYE 2022. The strong performance is a result of focused portfolio management, investing in the right brand and channels, and its strong brand equity.

Upon completion of the Proposed Acquisition, Nesmal will be able to expand further into the premium nutrition category of infant milk category and the healthy ageing category building on the base of ENERCAL PLUS. The incorporation of ENERCAL PLUS into our product line will not only expand our overall product offerings, but also significantly broaden our portfolio to include cutting-edge solutions for the healthy ageing category. Nesmal will also be able to leverage on the experience of Wyeth Malaysia which has shown continuous sustainable growth and success, potentially extending the know-how to other businesses in Nesmal. The synergy is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category. Nesmal has no special future plans for Wyeth Malaysia, hence the business will be continued as usual upon completion of the Proposed Acquisition."

(Source: Section 5.3 of Part A of the Document)

In relation to the above, the future prospects of Nesmal would appear to be encouraging and sustainable as upon completion of the Proposed Acquisition, Nesmal will be able to expand further into the nutrition category. The synergy between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category.

4.6 RISK FACTORS ASSOCIATED WITH THE PROPOSED ACQUISITION

In considering the Proposed Acquisition, the Non-Interested Shareholders are advised to give due and careful regard to the risk factors as mentioned in Section 4 of Part A of the Document, particularly:

(i) Non-completion risk of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the Conditions Precedent. In the event any of the Conditions Precedent are not fulfilled or waived to the satisfaction of Nestlé Products, the Proposed Acquisition may not be completed.

Nevertheless, we note that the management of the Nestlé Products and Wyeth HK will ensure sufficient efforts are taken to satisfy the Conditions Precedent within the required timeframe.

We wish to highlight that there can be no assurance that the conditions precedent as disclosed in Appendix I of the Document will be fulfilled despite the Board will take all reasonable steps to ensure the fulfillment of all the conditions precedent as some of which are beyond the control of the Company. Failing which, the Proposed Acquisition may not be completed and the potential benefits from the Proposed Acquisition may not be materialised.

(ii) Acquisition risk

The Proposed Acquisition is expected to bring positive contribution to the Company as set out in Section 3 of Part A of the Document. However, there is no assurance that the current financial performance of Wyeth Malaysia will be sustainable in the future. Hence, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised or that Wyeth Malaysia will be generating sufficient returns to offset the costs associated with the Proposed Acquisition.

We note that based on the estimated fair value of acquired identifiable assets and liabilities of Wyeth Malaysia as at 31 December 2022 of RM19.0 million, the estimated goodwill is approximately RM146.0 million. The final amount will be determined upon assessment of the fair value of the assets and liabilities of Wyeth Malaysia at the completion of the Proposed Acquisition.

We wish to highlight that the goodwill arising from the Proposed Acquisition will be subjected to annual impairment testing and any downward adjustment (i.e. in the event the recoverable amount is less than its carrying amount, an impairment loss will be recognised) may affect the financial position and results of the enlarged Nesmal Group.

We are of the view that the acquisition risk is common aspect of similar acquisition proposals and the risk may reasonably be mitigated by the efforts taken by the Company via the due diligence review conducted on Wyeth Malaysia in considering the potential risks and benefits associated with the Proposed Acquisition.

(iii) Potential commercial risk

Wyeth Malaysia operates in the highly competitive and dynamic market of nutrition products in Malaysia and there is a risk that the demand for the products carried by Wyeth Malaysia may change. Additionally, disruptions in supply chain, such as delays in the delivery of products or materials, could potentially lead to unfulfilled orders.

We note that the Company deemed this risk as a general risk that all product categories in the fast-moving consumer goods market may confront, and not deemed it to be higher risk as compared to the rest of Nesmal Group's products.

Nevertheless, we further note that Wyeth Malaysia has implemented strategies to mitigate such impact to the business by closely monitoring market trends and consumer preferences and maintains strong relationships with key suppliers in addition to having contingency plans in place to minimise disruptions in the supply chain.

(iv) Termination risk of the GLA

Pursuant to the GLA, Wyeth Malaysia has been granted by SPN, with the exclusive license to use the trademarks upon the products, know-how and patents in relation to its products namely Infant and Follow-on Milk and Growing-up Milk for young children, as well as milk powder-based nutrition formula for pregnant and lactating mothers, and the elderly, under the trademarks of S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS, in Malaysia for an indefinite period.

SPN, being the ultimate owner of all intellectual property used by the Nestlé S.A. Group has granted the use of its intellectual property to its operating entities within the Nestlé S.A. Group including Wyeth Malaysia. SPN has also granted a license to Nesmal's distribution company to use Nestlé trademarks, products, know-how and patents in relation to Nestlé products in Malaysia for an indefinite period.

We note that as SPN is the common major shareholder of Wyeth Malaysia and Nesmal, and the way the intellectual property rights is structured within the Nestlé S.A. Group, the risk of the GLA being terminated for Wyeth Malaysia is low.

Although measures may be taken by the Board to attempt to limit all such risk, no assurance can be given that one or a combination of such risk factors will not crystallise and give rise to material and adverse impact on the financial performance/position or prospects of Nesmal Group. Nevertheless, in view that Nesmal Group and Wyeth Malaysia are involved in similar businesses, the business risk profile of Nesmal Group will not change significantly upon the completion of the Proposed Acquisition.

5. FURTHER INFORMATION

Non-Interested Shareholders are advised to refer to Part A of the Document and the appendices thereof for further information in relation to the Proposed Acquisition.

(THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

6. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and our evaluation is set out in Section 4 of this IAL. Non-Interested Shareholders are advised to consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those set out in this IAL and the Circular as well as other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

In arriving at our conclusion and recommendation, we have taken into account the various consideration factors as set out in this IAL.

Section in this IAL	**Area of evaluation**	**Our Evaluation**
Section 4.1	Rationale of the Proposed Acquisition	Our evaluation for the Proposed Acquisition are summarised as follows: (i) <u>Strategic fit and expansion of Nesmal Group's business in the nutrition category</u> The Proposed Acquisition: (a) serves as an avenue for the Group to further expand its business in the nutrition category through additional brands carried by Wyeth Malaysia which are well-established and known in the premium nutrition market; (b) also provides Nesmal Group with the prospects to tap into Wyeth Malaysia's established history of providing quality infant nutrition products; (c) will broaden its portfolio to include cutting-edge solutions for healthy ageing category pursuant to the inclusion of ENERCAL PLUS into the Nesmal Group; and (d) allows Nesmal Group to tap into the existing customer base of Wyeth Malaysia and have an immediate access to Wyeth Malaysia's business and network. (ii) <u>Benefits from synergies between Nesmal Group and Wyeth Malaysia</u> There is a potential of resources sharing between both companies due to complementary nature of the operations of Nesmal Group and Wyeth Malaysia. Wyeth Malaysia is potentially extending its know-how to other businesses in Nesmal Group and the synergies between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal. (iii) <u>Mitigate potential conflict of interest and competition</u> The Proposed Acquisition is expected to eliminate any existing and potential conflicts of interest arising from the involvement of the major shareholders, through their interests in Wyeth Malaysia, which would in turn safeguard the interests of minority shareholders. Premised on the above, we are of the view that the rationale for the Proposed Acquisition is considered reasonable.

Section in this IAL	Area of evaluation	Our Evaluation
Section 4.2	Basis and justification of the Purchase Consideration	The adopted approaches to arrive at the valuation of Wyeth Malaysia are as follows: We have considered the P/E multiple and EV/EBITDA multiple of Wyeth Malaysia implied by the Purchase Consideration, and compared them to the P/E multiple and EV/EBITDA multiple of the selected comparable companies, based on their latest available audited and unaudited financial statements, as the case may be, and adjusted for illiquidity discount in view of the relatively illiquid nature and lack of marketability of the shares in Wyeth Malaysia being a private company as compared to the comparable companies which are listed on the listing exchanges in Malaysia and Asia Pacific region. Based on the relative valuation multiples above, the Purchase Consideration is within the range of Wyeth Malaysia's implied equity valuation as follows: (i) between RM140.3 million and RM175.3 million (based on the P/E multiples of the selected comparable companies of 8.3 times and 10.4 times); (ii) lower than RM167.8 million and RM204.2 million (based on the EV/EBITDA multiples of the selected comparable companies of 6.6 times and 8.3 times); and (iii) between RM157.8 million and RM186.0 million (based on the mid-point of the P/E multiple and the mid-point of the EV/EBITDA multiple of the selected comparable companies). Premised on our evaluation of the Purchase Consideration above, we are of the view that the Purchase Consideration is fair.
Section 4.3	Salient terms of the SPA	The terms and conditions of the SPA are mutually agreed upon between the Seller and Purchaser and we are of the view that the salient terms and conditions of the SPA are considered reasonable.
Section 4.4	Effects of the Proposed Acquisition	Proposed Acquisition: (i) will not have any effect on the share capital and the shareholdings of the substantial shareholders of Nesmal; (ii) will marginally decrease the Nesmal Group's NA pursuant to the deduction of estimated expenses relating to the Proposed Acquisition; and (iii) is expected to contribute positively to the future earnings and EPS of Nesmal Group arising from the future positive contribution from the consolidated profit of Wyeth Malaysia. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interest of the Non-Interested Shareholders.

Section in this IAL	Area of evaluation	Our Evaluation
Section 4.5	Industry outlook and prospects	We note that: (i) <u>Overview and prospects of Malaysian economy</u> (a) Malaysian economy registered a growth of 14.2% in the third quarter of 2022 supported by expansion across all economic sectors, improvement in domestic demand and robust export performance, amidst the peaking in headline inflation, which signals resilience of the Malaysian economy to inflationary forces; and (b) the Malaysian economy is expected to expand by 4.0 – 5.0% in 2023. (ii) <u>Overview of the nutrition sector</u> (a) there is a rapidly developing demand of products targeted to meet the nutritional needs of a growing aging population; (b) the outlook for the industry is optimistic, with growth expected to be driven by a combination of pricing and volume; (c) the market for these products is also likely to expand as more and more parents and caregivers become conscious of the importance of providing the right nutrition to children in their formative years; and (d) the trend of online shopping is increasing in the region and will enable the products carried by Wyeth Malaysia to reach a larger customer base and improve brand awareness. (iii) <u>Future Prospects of Wyeth Malaysia and the enlarged Nesmal Group</u> The future prospects of Nesmal would appear to be encouraging and sustainable as upon completion of the Proposed Acquisition, Nesmal will be able to expand further into the nutrition category. The synergy between Nesmal Group and Wyeth Malaysia is expected to accelerate growth prospects of Nesmal and provide opportunity to expand its income stream and diversify within the category.
Section 4.6	Risk factors relating to the Proposed Acquisition	The Non-Interested Shareholders are advised to give due and careful regard to the risk factors as mentioned in Section 4 of Part A of the Document. Although measures may be taken by the Board to attempt to limit all such risk, no assurance can be given that one or a combination of such risk factors will not crystallise and give rise to material and adverse impact on the financial performance/position or prospects of Nesmal Group. Nevertheless, in view that Nesmal Group and Wyeth Malaysia are involved in similar businesses, the business risk profile of Nesmal Group will not change significantly upon the completion of the Proposed Acquisition.

Based on this, KAF IB is of the view that the Proposed Acquisition is **FAIR** and **REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders of Nesmal.

Accordingly, we advise and recommend that the Non-Interested Shareholders to **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

Yours faithfully
For and on behalf of
KAF INVESTMENT BANK BERHAD

ROHAIZAD ISMAIL
Chief Executive Officer

AHMAD FAZLEE AZIZ
Director
Corporate Finance

The salient terms of the SPA in relation to the Proposed Acquisition is tabulated as below:

(I) Purchase Consideration

The Seller agrees to sell and Nestlé Products agrees to purchase the Sale Shares free from encumbrances together with all rights and advantages attached thereto (including the right to receive all dividends or distributions declared, made or paid in respect thereof) at the consideration of RM165.0 million.

The Purchase Consideration less any claim for any breach of or pursuant to an indemnity under the SPA or any other transaction document required to be made by the Seller to Nestlé Products to fully discharge such liability or encumbrance and the amount is due prior to the completion of the sale of the Sale Shares shall be fully paid in cash by Nestlé Products to the Seller on 30 June 2023 or such other date as may be mutually agreed by the parties in writing ("**Closing Date**").

(II) Conditions Precedent

The obligations of the parties that are set out in the SPA are conditional upon the following being obtained within 80 Business Days from the date of the SPA or such other extended period as may be granted by Nestlé Products in writing ("**Conditional Period**"):

(a) approval of the shareholders of Nesmal, being the holding company of Nestlé Products, for the acquisition of the Sale Shares;

(b) approval of the shareholder of Nestlé Products for the acquisition of the Sale Shares in accordance with the terms and conditions of the SPA;

(c) a certified true copy of the resolution of the board of directors of the Seller approving the execution of the SPA and transfer of the Sale Shares from the Seller to Nestlé Products; and

(d) Nestlé Products in its sole and absolute discretion being satisfied with the results of the due diligence on Wyeth Malaysia and Nestlé Products shall provide confirmation as to whether the results of the due diligence investigation are satisfactory to Nestlé Products.

The SPA shall cease to be conditional upon the date on which all the Conditions Precedent have been fulfilled or waived to the satisfaction of the Nestlé Products.

(III) Termination Event

If any of the following events occurs before the Closing Date, the non-defaulting party may (but is not obliged to) give notice in writing to the defaulting party, requiring the defaulting party to remedy the said default or breach:

(a) **Non-fulfilment of Conditions Precedent:** If any of the Conditions Precedent is not fulfilled by the expiry of the Conditional Period or such other period as the parties may agree in writing or no response or outcome has been given to an appeal made by Nestlé Products or the relevant Party (as the case may be) by the expiry of the Conditional Period or such other period as the parties may agree in writing, any party shall be entitled to issue a notice in writing terminating the SPA and the SPA shall be deemed terminated;

(b) **Breach of Closing obligations:** If the Seller or the Nestlé Products fails to comply with any material obligations as set out in the SPA, Nestlé Products, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by Nestlé Products, shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the other, amongst others, to terminate the SPA (other than the surviving provisions) without liability on its part;

(IV) Termination Rights

(a) If, at any time prior to the Closing, the Seller is in breach of any Seller's warranty (or would be if the Seller's warranties were repeated at that time), Nestlé Products shall be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by notice in writing to the Seller to terminate the SPA (other than the surviving provisions).

(b) Any failure by Nestlé Products to exercise the aforementioned right to terminate the SPA shall not constitute a waiver of any other rights of Nestlé Products arising out of any breach of any Seller's warranty.

(V) Costs

Each party shall bear all costs incurred by it in connection with the preparation, negotiation and entry into of the SPA. Nestlé Products shall bear the cost of all stamp duty payable in connection with the purchase of the Sale Shares.

[The rest of this page is intentionally left blank]

KPMG Corporate Advisory Sdn. Bhd.
(Co. No. 567386-P)
Level 10-1, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 7677
Website www.kpmg.com.my

The Board of Directors
Nestlé (Malaysia) Berhad
Level 22, 1 Powerhouse
No.1, Persiaran Bandar Utama
Bandar Utama
47800, Petaling Jaya
Selangor Darul Ehsan
Malaysia

21 February 2023

Dear Sirs

This Indicative Valuation Letter is prepared for inclusion in the Circular to Shareholders of Nestlé (Malaysia) Berhad ("Nesmal" or "Company")

Indicative valuation of a 100% equity interest in Wyeth Nutrition (Malaysia) Sdn Bhd ("Wyeth Malaysia") in relation to the proposed acquisition of the entire equity interest of Wyeth Malaysia by Nesmal

*(The above valuation is hereinafter to be referred to as the **"Indicative Valuation"**)*

1.0 INTRODUCTION

1.1 In accordance with the terms of reference set out in our engagement letter dated 21 October 2022 **("Engagement Letter")**, the Board of Directors of Nestlé (Malaysia) Berhad ("**Nesmal**" or **Company**") has appointed KPMG Corporate Advisory Sdn Bhd **("KPMG")** to perform an indicative valuation of a 100% equity interest in Wyeth Nutrition (Malaysia) Sdn Bhd ("**Wyeth Malaysia**") in relation to the proposed acquisition of the entire equity interest of Wyeth Malaysia by Nestlé Products Sdn Bhd, a wholly owned subsidiary of Nesmal ("**Proposed Acquisition**").

1.2 This Indicative Valuation letter ("**this Valuation Letter**") has been prepared at your request for inclusion in the circular to shareholders of Nesmal to be issued in connection with the Proposed Acquisition. Save and except for this purpose, this Valuation Letter is not to be reproduced, quoted or referred to, in whole, or in part, in any public documents, submissions to any regulatory bodies or announcement without the prior written consent of KPMG in each specific instance.

1.3 This Valuation Letter must be read in conjunction with the key bases and assumptions set out in Section 6.0 herein.

KPMG

2.0 LIMITATIONS

2.1 This Valuation Letter is prepared for the reference of the Board of Directors of Nesmal in accordance with the terms of the Engagement Letter. In our evaluation, we have considered the various factors that we believe are critical in performing the Indicative Valuation. KPMG has not given consideration to the specific investment objectives, financial situation and particular needs of any shareholder or specific group of shareholders of Nesmal. This Valuation Letter is not intended to be and does not constitute a recommendation to any shareholder of Nesmal as to how the shareholder should vote or otherwise act with respect of the resolution in connection with the Proposed Acquisition. We shall not be responsible or liable for any losses or damages however occasioned to any third parties arising out of or related to this Valuation Letter, whether directly or indirectly.

2.2 This Valuation Letter and the information on which this Valuation Letter is prepared are not intended to form the only basis of any decision made in relation to the Proposed Acquisition. This Valuation Letter does not address any other matters such as the underlying business decision to recommend the Proposed Acquisition or its commercial merits, which are matters that are solely the responsibility of the Board of Directors. In addition, we do not advise on any legal, tax, accounting and regulatory matters pertaining to the Proposed Acquisition.

2.3 In preparing this Valuation Letter, we have relied on certain data and information obtained from the management of Wyeth Malaysia (**"Management"**) in the form of financial projections, models, reports, supporting documents, market data, work papers and/or oral representations in meetings and discussions. We do not accept responsibility for such information which remains the responsibility of Management. No attempt has been made by us to verify or audit the reliability of any financial and non-financial data and information given for the purpose of this Indicative Valuation. Additionally, the scope of our work is different from that required for an audit which is based on generally accepted auditing standards and for that reason, it does not provide the same level of assurance as an audit of financial statements.

2.4 For the purpose of the Indicative Valuation, Management has provided us with the financial projections of Wyeth Malaysia, together with the underlying key bases and assumptions. Please note that KPMG, in no way, guarantees or otherwise warrants the achievability of the financial projections or the bases and assumptions used in the financial projections. Financial projections are inherently uncertain and are based on predictions of future events that cannot be assured and are necessarily based on certain assumptions that may or may not materialise. Consequently, actual future results can be significantly more or less favourable than those projected.

[The remaining of this page is intentionally left blank]

KPMG

3.0 BACKGROUND OF THE PROPOSED ACQUISITION

3.1 Nestlé S.A. is a Swiss multinational food and drink processing conglomerate incorporated in Switzerland and listed on the Swiss Stock Exchange. Nestlé S.A., through a holding company subsidiary, holds a 72.61% equity interest of Nesmal which is listed on the Main Market of Bursa Malaysia.

3.2 The Proposed Acquisition involves the acquisition of the entire equity interest of Wyeth Malaysia by Nestlé Products Sdn Bhd (**"Nestlé Products"**), a wholly owned subsidiary of Nesmal, from Wyeth (Hong Kong) Holding Company Limited, an indirect subsidiary of Nestlé S.A.

3.3 We understand from the management of Nesmal that the Proposed Acquisition represents a step forward for Nesmal in terms of further expanding its business in the nutrition category and provides Nesmal with immediate access to Wyeth Malaysia's business and network, which is expected to enable Nesmal to expand its product offerings and increase its market share in the nutrition segment.

3.4 Upon completion of the Proposed Acquisition, Nestlé Products will hold a 100% equity interest in Wyeth Malaysia.

4. 0 OVERVIEW OF WYETH MALAYSIA

4.1 Wyeth Malaysia is principally involved in the trading and dealing of nutritional products in Malaysia. Wyeth Malaysia distributes premium quality nutritional products designed to meet the needs of young children, pregnant and lactating mothers, and elders.

4.2 Pursuant to the General Licence Agreement dated 1 January 2022 entered into between Wyeth Malaysia (as Licensee) and Société des Produits Nestlé S.A. (as Licensor) ("**GLA**"), Wyeth Malaysia is granted by the Licensor an exclusive right and license to use the Trademarks upon the Products and Patents in relation to the Products, in the territory of Malaysia for an indefinite period. The Products prescribed under the GLA are Infant and Follow-on Milk (IFFO), Growing-Up Milk (GUM) for young children, and milk powder-based nutrition formula for pregnant and lactating mothers, and the elders. The Trademarks, amongst others, include "S-26 GOLD", "S-26", "PROMAMA", "ASCENDA", and "ENERCAL PLUS".

4.3 Under the GLA, Wyeth Malaysia is prohibited from using the Know-how and the Patent in relation to the Products to manufacture and/or sell any goods of a similar class or such would compete with the Products without the approval of the Licensor.

4.4 Wyeth Malaysia does not have any manufacturing facilities and Wyeth Malaysia sources the manufacturing of the Products from its affiliated companies. Wyeth Malaysia appoints a distribution company as its exclusive distributor for the Malaysia territory (**"Sole Distributor"**).

[The remaining of this page is intentionally left blank]

KPMG

5.0 BASIS OF THE INDICATIVE VALUATION

5.1 Subject of the Indicative Valuation

This Indicative Valuation seeks to estimate a range of indicative equity values for a 100% equity interest in Wyeth Malaysia.

5.2 Date of the Indicative Valuation

The date of this Indicative Valuation is 31 December 2022 ("**Valuation Date**").

5.3 Basis of Valuation

(i) The standard of value that applies to Indicative Valuation is the Market Value, defined as an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion.

(ii) The premise of valuation is for a going concern use.

(iii) As the Proposed Acquisition involves the entire equity interest of Wyeth Malaysia, this Indicative Valuation is assessed on a control basis.

(iv) This Indicative Valuation does not consider any synergies that may be derived with a particular acquirer.

(v) It must be emphasised that the range of values estimated by us involves a high degree of subjectivity and element of judgment. The final price of the business will reflect the specific circumstances of the buyer and seller, and their perceptions of business and market factors at the point of execution.

6.0 KEY BASES AND ASSUMPTIONS

6.1 This Indicative Valuation is prepared based on the key bases and assumptions as set out below. The Indicative Valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the Indicative Valuation was based.

6.2 We have relied on the financial and non-financial information obtained from the Management on or before 21 February 2023, amongst others, include the following:

(i) Audited Financial Statements of Wyeth Malaysia, and management accounts and schedules for the financial years ended 31 December (**"FYE"**) 2017 to 2021;

(ii) Audited Financial Statements of Wyeth Malaysia for FYE2022;

(iii) Financial projections of Wyeth Malaysia from 1 November 2022 to the financial year ending 31 December 2027 together with the underlying key bases and assumptions (**"Financial Projections"**);

(iv) The General License Agreement between Société des Produits Nestlé S.A. and Wyeth Malaysia dated 1 January 2022 which governs the business of Wyeth Malaysia. Please refer to paragraphs 4.2 and 4.3 above for an overview of the said agreement;

KPMG

(v) The Distribution Agreement dated 9 April 2015 between Wyeth Malaysia and the Sole Distributor and the addendum, supplemental agreement and letters of extension thereto; and

(vi) Management's representations of the business operations of Wyeth Malaysia.

The above financial and non-financial information are collectively referred to as "**Information**".

6.3 Our scope of work does not include procedures to verify the Information. We assume the Information provided by Management, are to the best of their knowledge, true and fair and without material omissions. Additionally, the scope of work is different from that required for an audit which is based on generally accepted auditing standards and for that reason, it does not provide the same level of assurance as an audit of financial statements. We will assume all such information provided to us is accurate, complete and reliable.

6.4 Management represented that Wyeth Malaysia does not have any actual or contingent assets or liabilities, including but not limited to, any contract and/or off-balance sheet financial instruments, no unusual obligations, or commitments other than in the ordinary course of business, nor any pending litigation which would have a material effect on the financial position or business of Wyeth Malaysia.

7.0 Valuation Approach and Method

7.1 VALUATION ANALYSIS

In our valuation assessment of the shares of Wyeth Malaysia, we adopt the Market Approach as the primary method of valuation. In addition to the Market Approach, we apply the Income Approach (commonly known as the Discounted Cash Flow (DCF) method) as sanity check of the reasonableness of the valuation derived based on the Market Approach.

(1) Market Approach

The Market Approach is a relative valuation method which assumes that businesses operating in the same industry will share similar characteristics and the subject business' value will correlate to those characteristics. Therefore, a comparison of the subject business to similar businesses whose financial information and market value or transaction value are publicly available would provide a reasonable basis to estimate the subject business / share value.

Under the Market Approach, reference is made to price multiple benchmarks of comparable businesses/ assets.

In the Market Approach assessment, we apply the Enterprise Value (EV)-to-Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) ("EV/EBITDA") pricing multiple method.

(i) In the application of the EV/EBITDA method, we estimate a level of future maintainable EBITDA of Wyeth Malaysia to be equivalent to FYE2022 EBITDA and apply EV/EBITDA price multiples in the range of 6.0 to 7.0 times, capitalising the maintainable EBITDA into a value to derive the business value (Enterprise Value) of Wyeth Malaysia. The business value is thereafter adjusted for cash and debt position to derive the share value (Equity Value) of Wyeth Malaysia.

KPMG

(ii) The said range of EV/EBITDA multiples is selected after considering the EV/EBITDA price multiples of observed trading price multiples of reference comparable listed companies.

In regard to the selection of reference comparable listed companies ("CoCo") and/or comparable precedent transactions ("CoTrans"), we wish to inform that there were not any direct comparative CoCo or CoTrans similar to Wyeth Malaysia's core business in the trading and dealing of nutrition products without manufacturing activities. As the next best comparatives, we have considered (i) listed companies principally involved in the business of manufacturing and trading/distribution of milk-based products, including infant formula; and (ii) listed companies involved in trading and distribution of food and beverage products without manufacturing.

In our analysis of the abovementioned comparative benchmarks, in view that Wyeth Malaysia has a high dependency on a single principal / licensor and does not have its own distribution network where Wyeth Malaysia appoints a distribution company as its exclusive distributor for the Malaysia territory, we have considered the lower range EV/EBITDA price multiple benchmarks (i.e. First Quartile data) of the comparable companies and adopted EV/EBITDA multiples in the range of 6.0 to 7.0 times in our valuation assessment.

Please refer to Appendix I of this Valuation Letter for analysis of reference comparable listed companies EV/EBITDA price multiples.

(iii) We set out below the Market Approach - EV/EBITDA method valuation analysis of a 100% equity interest of Wyeth Malaysia:

Market Approach – EV/EBITDA Method	**Lower range value RM'mil**	**Higher range value RM'mil**
FYE2022 EBITDA[N1]	22.0	22.0
EV/EBITDA multiple (times)	6.0 x	7.0 x
Enterprise Value	**132.0**	**154.0**
Add: Cash as at 31 December 2022 [N2]	22.0	22.0
Equity Value of a 100% equity interest in Wyeth Malaysia	**154.0**	**176.0**

[N1] *Based on Wyeth Malaysia's Audited Financial Statements for FYE2022*

[N2] *Cash balance as at 31 December 2022 based on Wyeth Malaysia's Audited Financial Statements for FYE2022.*

(2) Income Approach – Discounted Cash Flow ("DCF") Method

We apply the DCF Method as sanity check of the reasonableness of the valuation derived using the Market Approach - EV/EBITDA method.

The DCF Method is an investment appraisal technique, which takes into consideration both the time value of money and the future cash flows of the business over a fixed period of time. Under this approach, the future net cash flows from the business are discounted at a specified discount rate to arrive at the net present value which reflects the business value (Enterprise Value), and thereafter adjusted for cash and debt positions of the business to arrive the share value (Equity Value).

KPMG

In the DCF valuation analysis, we simulate the DCF model taking into consideration the 5-year Financial Projections from FY2023 to FY2027 prepared by Management and Wyeth Malaysia's FYE2022 performance. The key bases and assumptions underlying the 5-year financial projections (FY2023 to FY2027) applied in our DCF model assumes the revenue projection by Management which represents a compounded annual growth rate ("CAGR") of 3.9%. In addition, we apply a growth rate of 2% for the estimation of terminal value in the DCF analysis taking into consideration long-term economic growth of stable economies.

A key assumption of the DCF method is the choice of a discount rate. In our analysis of the appropriate discount rate, we apply the weighted average cost of capital (WACC) approach where we take into consideration the prevailing risk-free rate, market equity risk premium, capital structure as well as the risk profile of Wyeth Malaysia. In our DCF valuation analysis, we apply a discount rate based on WACC in the range of 15% to 17%. Please refer to Appendix II of this Valuation Letter for details of the WACC analysis.

We set out below the Income Approach – DCF method valuation analysis

Income Approach – DCF Method (RM'mil)	**Lower range value**	**Higher range value**
WACC	17.0%	15.0%
Terminal Growth Rate	2.0%	2.0%
Enterprise Value	**132.1**	**151.4**
Add: Cash as at 31 December 2022 [N1]	22.0	22.0
Equity Value of 100% equity interest in Wyeth Malaysia	**154.1**	**173.4**

[N1] *Cash balance as at 31 December 2022 based on Wyeth Malaysia's Audited Financial Statements for FYE2022.*

8.0 CONCLUSION OF VALUE

Premised on the key bases and assumptions underlying the Indicative Valuation as set out in Section 6.0 and the valuation approach explained in Section 7.0 above, **we arrive at an indicative Equity Value of a 100% equity interest in Wyeth Malaysia in the range of RM154.0 million to RM176.0 million as at the valuation date of 31 December 2022**. Please refer to paragraph 7.1(1) for details of the valuation analysis.

KPMG

9.0 RESTRICTION

This Valuation Letter has been prepared strictly for the exclusive use of Nesmal for inclusion in its circular to shareholders to be issued in relation to the Proposed Acquisition and is not intended for general circulation or publication and is not to be reproduced, quoted, or referred to, in whole or in part, in any public documents, submissions to any regulatory bodies or announcement without the prior written consent of KPMG in each specific instance. 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 use of, or reliance on Valuation Letter, in whole or in part.

Neither KPMG nor any of its members of employees undertakes responsibility arising in any way whatsoever to any person in respect of Valuation Letter, including any error or omission therein, however caused.

Yours faithfully,

For and on behalf of
KPMG Corporate Advisory Sdn Bhd

Choo Soke Yee (Emily)
Executive Director, Advisory
Corporate Finance

KPMG

Appendix I – Price Multiples of Reference Comparable Listed Companies

(i) Set out below are the trading EV/EBITDA multiples of reference listed companies involved in milk-based products manufacturing and distribution/trading:

Company Name	Country	Latest audited accounts date	Market Cap 31-Dec-22	EBITDA 31-Dec-22	EV/EBITDA Multiple: Latest audited accounts	EV/EBITDA Multiple: Trailing 12 months to 31-Dec-22
			USD' mil	USD' mil	times	times
Danone S.A.	France	31-Dec-2021	32,949	4,795	10.2x	9.3x
Fonterra Co-operative Group Limited	New Zealand	31-Jul-2022	2,656	1,113	5.3x	5.2x
China Feihe Limited	Hong Kong	31-Dec-2021	7,722	997	7.3x	5.9x
Morinaga Milk Industry Co., Ltd.	Japan	31-Mar-2022	1,713	311	6.0x	6.5x
Health and Happiness (H&H) International Holdings Limited	Hong Kong	31-Dec-2021	1,379	250	8.5x	10.0x
Ausnutria Dairy Corporation Ltd	Hong Kong	31-Dec-2021	967	158	8.0x	5.7x
The a2 Milk Company Limited	New Zealand	30-Jun-2022	3,416	121	15.0x	23.8x
Synlait Milk Limited	New Zealand	31-Jul-2022	489	67	10.1x	10.7x
Dutch Lady Milk Industries Berhad	Malaysia	31-Dec-2021	442	63	6.8x	6.1x
Nutridar Company	Jordan	31-Dec-2021	12	2	41.9x *	9.0x
Average					**8.6x**	**9.2x**
First quartile – Bottom 25% (EV/EBITDA range considered) #					**6.8x**	**5.9x**
Median – Middle 50%					**8.0x**	**7.8x**
Third quartile – Top 25%					**10.1x**	**9.9x**

(ii) Set out below are the trading EV/EBITDA multiples of reference listed companies involved in distribution business for the food and beverage sector without manufacturing:

Company Name	Country	Latest audited accounts date	Market Cap 31-Dec-22	EBITDA 31-Dec-22	EV/EBITDA multiple: Latest audited accounts	EV/EBITDA multiple: Trailing 12 months to 31-Dec-22
			USD' mil	USD' mil	times	times
PT Tigaraksa Satria Tbk	Indonesia	31-Dec-2021	420	41	8.8x	9.0x
Lacto Japan Co., Ltd.	Japan	30-Nov-2021	166	26	11.9x	12.6x
Premier Marketing Public Company Limited	Thailand	31-Dec-2021	155	13	10.6x	11.5x
Kim Teck Cheong Consolidated Berhad	Malaysia	30-Jun-2022	31	8	4.8x	5.9x
Tait Marketing & Distribution Co., Ltd.	Taiwan	31-Dec-2021	104	8	10.5x	11.6x
BORATR CO., Ltd.	South Korea	31-Dec-2021	56	8	10.5x	4.6x
O'will Corporation	Japan	31-Mar-2022	26	6	4.6x	4.3x
Winner Group Enterprise Public Company Limited	Thailand	31-Dec-2021	43	5	9.4x	9.6x
PT Kurniamitra Duta Sentosa, Tbk	Indonesia	31-Dec-2021	30	4	8.3x	7.0x
Supreme Consolidated Resources Berhad	Malaysia	30-Sep-2022	19	3	7.4x	7.4x
Khong Guan Limited	Singapore	31-Jul-2022	29	3	7.5x	7.5x
Hosen Group Ltd.	Singapore	31-Dec-2021	13	3	6.4x	4.9x
Vadilal Enterprises Limited	India	31-Mar-2022	36	2	10.2x	17.7x
Kuze Co., Ltd.	Japan	31-Mar-2022	26	3	n.m	10.1x
Average					**8.5x**	**8.8x**
First Quartile – Bottom 25% (EV/EBITDA range considered) #					**7.4x**	**6.2x**
Median – Middle 50%					**8.8x**	**8.3x**
Third Quartile – Top 25%					**10.5x**	**11.1x**

Source: KPMG's analysis and S&P Capital IQ

** Deemed as outlier data point and is excluded from calculation*

 # It is to note that price multiples of listed company often reflect trading price of small parcel of shares (i.e. non-control basis). In our valuation of 100% shares of Wyeth Malaysia, we have considered the risk profile of Wyeth Malaysia and adopted EV/EBITDA multiple in the lower range of 6 to 7 times, and after taking into consideration the application of control premium and discount for illiquidity due to the non-listed status of Wyeth Malaysia's shares, of which the control premium and discount for illiquidity generally off set each other.

KPMG

Appendix II – Discount Rate (WACC) Analysis

Set out below is the WACC analysis as at valuation date of 31 December 2022.

Weighted Average Cost of Capital (WACC)Analysis	Malaysia		Source and Description
	Lower Range	Higher Range	
Risk Free Rate (Rf)	4.10%	4.10%	Yield for 10 years Malaysia Government Securities as at 31 December 2022
Levered / Regeared beta (β)	0.64	0.64	KPMG's analysis derived from peer group (Source: Capital IQ)
Developed Market Risk Premium (MRP)	6.00%	6.00%	KPMG's analysis taking into consideration US long term market return
Country Risk Premium (CRP)	2.07%	2.07%	KPMG's analysis taking into consideration country risk premium published by Damodaran (using Moody's country rating) in January 2023
Specific Risk Premium (α)	5.00%	7.00%	KPMG's analysis for additional risk premium taking into consideration size premium and forecasting risks in view that Wyeth Malaysia has a high dependency on a single principal/licensor, and Wyeth Malaysia does not have its own manufacturing facilities and distribution network.
Cost of Equity (Ke)	15.00%	17.00%	**Ke = Rf + [β x MRP] + CRP + α**
Cost of Debt (Kd)	5.63%	5.63%	KPMG's analysis
Tax rate (t)	24.00%	24.00%	Statutory Tax Rate of Malaysia.
After-tax Kd (Kd^{AT})	**4.28%**	**4.28%**	**Kd^{AT} = Kd (1 - t)**
% Debt	0%	0%	KPMG's analysis taking into consideration debt/equity capital structure of Wyeth Malaysia
% Equity	100%	100%	
Computed WACC	**15.00%**	**17.00%**	**WACC = (Ke x E%) + (Kd^{AT} x D%)**
Adopted WACC range	**15.00% to 17.00%**		

1. HISTORY AND BUSINESS

Globally, the S-26 brand has an established history of providing quality infant nutrition products. The brand was first introduced in the 1960s, and since then, it has been a trusted and respected name in the industry. The brand's reputation has been built on its commitment to producing scientifically formulated and nutritionally complete products that are tailored to the specific needs of infants and young children. Over the years, the S-26 brand has invested heavily in research and development to ensure that their products meet the latest nutritional guidelines and recommendations. They have a team of experts, including paediatricians, nutritionists, and scientists, who work together to create products that are safe, effective, and nutritionally balanced. The brand is also dedicated to using only the highest-quality ingredients and adheres to strict manufacturing standards to ensure the purity and quality of their products.

In Malaysia, Wyeth Malaysia was incorporated on 29 January 1993 as a private company limited by shares and is duly registered under the Act.

Pursuant to the acquisition of Pfizer Nutrition by Nestlé S.A. in 2012, Wyeth Malaysia became part of the Nestlé S.A. Group.

As at the LPD, Wyeth Malaysia has a total issued share capital of RM1,969,505 comprising 1,969,505 Wyeth Malaysia Shares, which are held entirely by Wyeth HK.

Wyeth Malaysia is principally engaged in the business of trading and dealing in nutritional products. Wyeth Malaysia distributes premium quality nutritional products designed to meet the needs of young children, pregnant and lactating mothers, and the elderly. The principal market of Wyeth Malaysia's operations is Malaysia. The brands that Wyeth Malaysia carries are S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS.

S-26 is a brand of growing up milk that was created by a team of scientists and nutritionists to support the growth and development of children. The brand offers two types of growing up milk: S-26 PROGRESS and S-26 PROMISE, which are formulated with Nutrissentials to support learning and establish a strong foundation for growth. The brand's most advanced products are S-26 GOLD PROGRESS and S-26 GOLD PROMISE, which contain key nutrients such as Sphingomyelin and DHA to support brain development 10 times faster. In addition to its growing up milk, S-26 also offers catch-up growth milk formula (ASCENDA) to support height and weight increase, as well as a complete and balanced adult nutrition product (ENERCAL PLUS) to build and repair muscle tissues and support digestion.

Pursuant to the GLA, Wyeth Malaysia is granted by SPN an exclusive license to use the trademarks upon the products, know-how and patents in relation to the products, in Malaysia for an indefinite period.

The brands that are licensed under the agreement with SPN are premium nutritional products scientifically designed to meet the needs of young children, pregnant and lactating mothers, and the elderly.

Presently, Wyeth Malaysia imports the products from Wyeth Nutritionals (Singapore) Pte. Ltd., a subsidiary within the Nestlé S.A. Group which is based in Singapore. Wyeth Malaysia may also source its products from other affiliated companies within the Nestlé S.A. Group.

Wyeth Malaysia outsources the distribution of the products in Malaysia to a third-party distributor, who manages the transportation and storage of the products, as well as distribution of the products to all channels within Malaysia e.g. supermarkets, hypermarkets and pharmacies.

Wyeth Malaysia does not own any material asset.

Wyeth Malaysia commands around 9.5% of market share in Infant milk category for age 0-5 years. Its portfolio is focused on the premium segment where Wyeth Malaysia is the no. 3 player, as well as the fastest growing player at the expense of competitors, with an increase of market share from 15.4% in FYE 2021 to 16.6% in FYE 2022 within this segment. *(Source: Nestle Products' calculation based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ.))*

2. BOARD OF DIRECTORS AND DIRECTORS' SHAREHOLDINGS

As at the LPD, the directors of Wyeth Malaysia are as below:

Name	Nationality	Designation
Juan Jose Aranols Campillo	Spanish	Director / Manager
Syed Saiful Islam (Alternate Director to Juan Jose Aranols Campillo)	Bangladeshi	Director and Alternate Director
Alessandro Monica (Alternate Director to Syed Saiful Islam)	Italian	Alternate Director

None of the directors of Wyeth Malaysia hold any shares in Wyeth Malaysia.

3. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

As at the LPD, Wyeth Malaysia has a total issued share capital of RM1,969,505 comprising 1,969,505 Wyeth Malaysia Shares.

The details of the substantial shareholders of Wyeth Malaysia are as follows:

Substantial shareholders	Country of incorporation	Equity interest			
		Direct		Indirect	
		Number of Wyeth Malaysia Shares	%	Number of Wyeth Malaysia Shares	%
Wyeth HK	Hong Kong	1,969,505	100.00	-	-
SPN[(3)]	Switzerland	-	-	[(1)]1,969,505	100.00
Nestlé S.A.[(4)]	Switzerland	-	-	[(2)]1,969,505	100.00

Notes:

(1) Deemed interested by virtue of SPN's shareholdings in Wyeth HK pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of Nestlé S.A.'s shareholdings in SPN pursuant to Section 8 of the Act.

(3) SPN is a private company limited by shares was incorporated on 15 December 1936 under the laws of Switzerland. The principal activities of SPN are manufacturing, selling and distribution of food, dietary, pharmaceutical, medical, cosmetic and hygienic products in Switzerland and abroad. Additionally, SPN may also, in any manner, provide any services and deploy any activity in the field of human and animal nutrition, dietetics, infant care, education, advertising, catering, pharmaceutical, medical, cosmetic and hygienic products.

As at the LPD, the issued share capital of SPN is CHF8,900,000 comprising 89,000,000 ordinary shares in SPN, which is entirely held by Nestlé S.A..

As at the LPD, the directors of SPN are as follows:

1. *Stefan Helfenstein*
2. *Michèle Burger*
3. *Thomas Hauser*
4. *Myrtha Rivas Hurtado*
5. *Blaise Revillard*
6. *Philippe Vossen*

None of the directors of SPN holds any shares in SPN.

(4) *Nestlé S.A. is a public company limited by shares incorporated on 6 August 1866 under the laws of Switzerland. Nestlé S.A. shares are listed on the SIX Swiss Exchange in Switzerland. The principal activity of Nestlé S.A. is participating in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries.*

As at the LPD, the issued share capital of Nestlé S.A. is CHF275,000,000 comprising 2,750,000,000 ordinary shares in Nestlé S.A.. Save for BlackRock, Inc.(a global investment manager who disclosed holding of 5.04% of Nestlé S.A.'s share capital), Nestlé S.A. is not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital of Nestlé S.A..

As at the LPD, the directors of Nestlé S.A. are as follows:

1. *Paul Bulcke*
2. *Henri de Castries*
3. *Marc Schneider*
4. *Renato Fassbind*
5. *Pablo Isla*
6. *Patrick Aebischer*
7. *Dirk (Dick) Boer*
8. *Hanne Jimenez de Mora*
9. *Chris Leong*
10. *Eva Cheng*
11. *Luca Maestri*
12. *Dinesh Paliwal*
13. *Kimberly A. Ross*
14. *Lindiwe Majele Sibanda*

4. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Wyeth Malaysia does not have any subsidiary or associated company.

[The rest of this page is intentionally left blank]

5. FINANCIAL SUMMARY

A summary of the financial information of Wyeth Malaysia for the audited FYE 2020 to FYE 2022 is set out below:

	Audited		
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**
Revenue	150,313	181,849	203,467
Gross profit	50,714	57,211	72,233
PBT	4,038	8,180	22,990
PAT	2,402	5,732	16,924
EBITDA	4,249	7,318	22,087
Shareholders fund / NA	4,395	7,727	19,051
Borrowings	-	(5)100,489	-
Number of Wyeth Malaysia Shares ('000)	1,970	1,970	1,970
Paid up capital (RM)	1,970	1,970	1,970
EPS (RM)(1)	1.22	2.91	8.59
NA per Wyeth Malaysia Share (RM)(2)	2.23	3.92	9.67
Current ratio (times)(3)	1.09	1.05	1.32
Gearing ratio (times)(4)	-	13.00	-

Notes:

(1) Computed based on PAT divided by the number of Wyeth Malaysia Shares in issue.

(2) Computed based on NA divided by the number of Wyeth Malaysia Shares in issue.

(3) Computed based on current assets divided by current liabilities.

(4) Computed based on total borrowings divided by NA.

(5) The borrowings were mainly utilised for the purpose of short term advances by Wyeth Malaysia to the other subsidiaries of Nestle S.A. Group in Malaysia. The short term advances were subsequently repaid in full to Wyeth Malaysia in FYE 2022.

During the years under review:

(i) there were no exceptional and/or extraordinary items;

(ii) there have been no accounting policies adopted by Wyeth Malaysia which are peculiar to Wyeth Malaysia because of the nature of its business or the industry in which it is involved in; and

(iii) there have been no audit qualifications to the financial statements of Wyeth Malaysia.

FYE 2020 vs FYE 2019

For the FYE 2020, Wyeth Malaysia recorded 9.0% increase in revenue from FYE 2019 of RM137.9 million to RM150.3 million. The improvement in sales is attributable to core product momentum, as well as the launch of the ASCENDA brand, which addresses the demand and need-state of the catch-up-growth segment. Aside from this, strategic investment was placed behind high ROI marketing investments which drove returns and ultimately profit improvement for Wyeth Malaysia. As a result, Wyeth Malaysia's PAT improved by 111% from RM1.1 million to RM2.4 million.

FYE 2021 vs FYE 2020

In FYE 2021, Wyeth Malaysia continues on with its strategy in portfolio and marketing investment from FYE 2020, contributing to strong brand equity and thus, a continuation of the growth momentum. As a result, Wyeth Malaysia was able to achieve a sustainable and outstanding growth in revenue of 21% in FYE 2021 from RM150.3 million in FYE 2020 to RM181.8 million. The growth is driven by both volume and value, and Wyeth Malaysia outperforms the category which was declining by -2.7% in FYE 2021[(1)]. In tandem with the higher revenue achieved and strong ROI in marketing investment, PAT improves by 139%, from RM2.4 million to RM5.7 million.

FYE 2022 vs FYE 2021

The category has seen a rebound post COVID-19 pandemic in FYE 2022, and registered a growth of +8% contributed by both volume and pricing. That being said, Wyeth Malaysia grew by +11.9%, from RM181.8 million to RM203.5 million, ahead of the category growth, gaining market share from its competitors, leveraging on its strong brand equity[(1)].

In FYE 2022, Wyeth Malaysia has implemented a change in business model from Principal to Cost Plus model. In Principal model, Wyeth Malaysia is a limited risk distributor where profit for Wyeth Malaysia is based on Resale Minus Target Margin set by Principal. With the move to cost plus model 2022, it enables Wyeth Malaysia to purchase from affiliated factories using cost plus transfer price, thereby allowing Wyeth Malaysia to have a full control of it's profitability, hence, moving away from being a limited risk distributor.

The significant increase in profit in FYE 2022 from RM5.7 million to RM16.9 million is as a result of the change in the business model, where Wyeth Malaysia purchase from affiliated factory at a lower cost, adopting the cost plus model. Aside from this, Wyeth Malaysia continues on it's journey to improve the ROI on its marketing spend, contributing to its improvement in PAT.

Note:

(1) Nestle Products' calculation based in part on data reported by NielsenIQ through its Retail Index Service for the Infant Milk category for Peninsular Malaysia Market. (Copyright © 2023, NielsenIQ)

[The rest of this page is intentionally left blank]

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Wyeth Malaysia is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of Wyeth Malaysia and its directors are not aware of any proceeding, pending or threatened, against Wyeth Malaysia or of any facts likely to give rise to any proceeding which may materially and adversely affect the business or financial position of Wyeth Malaysia.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

As at the LPD, the directors of Wyeth Malaysia are not aware of any material commitments contracted or known to be contracted by Wyeth Malaysia which may have a material impact on the financial position of Wyeth Malaysia.

7.2 Contingent liabilities

As at the LPD, the directors of Wyeth Malaysia are not aware of any contingent liabilities contracted or known to be contracted by Wyeth Malaysia which may have a material impact on the financial position of Wyeth Malaysia.

8. MATERIAL CONTRACTS

As at the LPD, Wyeth Malaysia has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two years preceding the LPD.

[The rest of this page is intentionally left blank]

WYETH NUTRITION (MALAYSIA) SDN. BHD.
199301002691 (257428-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Contents	**Page**

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are trading and dealing in nutritional products. There has been no significant change in the nature of the principal activities during the year.

Results

	RM'000
Profit for the year	16,924

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amount of dividend paid by the Company since 31 December 2021 was as follows:

	RM'000
In respect of the year ended 31 December 2021:	
First tax exempt (single-tier) final dividend of 284.26 sen per share, on 1,970,000 ordinary shares, declared on 12 May 2022 and paid on 23 August 2022	5,600

The Directors do not recommend any dividend to be paid for the year ended 31 December 2022.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Directors

The names of the Directors of the Company in office since the beginning of the year to the date of this report are:

Juan Jose Aranols Campillo
Syed Saiful Islam (Appointed on 1 August 2022)
Craig Grant Connolly (Resigned on 1 August 2022)

Directors' benefits

Neither at the end of the year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares granted under the Performance Stock Unit Plan ("PSUP") and Restricted Stock Unit Plan ("RSUP") of the ultimate holding company.

Since the end of the previous year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for certain Directors who received remuneration of a fixed salary of a full-time employee from a related corporation.

Directors' indemnity

A related company of the Company maintains a liability insurance for the Directors on a group basis. The total amount of sum insured for the Directors of the Company is limited to a maximum liability of RM44,044,000 in aggregate on a group basis.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the year in shares in the ultimate holding company during the year were as follows:

	Number of ordinary shares			
	1.1.2022/At the date of appointment	Acquired	Sold	31.12.2022
Direct interest:				
Ordinary shares of the ultimate holding company (Nestlé S.A.)				
Juan Jose Aranols Campillo	13,732	3,495	4,000	13,227
Syed Saiful Islam	-	782	-	782

None of the Directors in office at the end of the year had any interest in shares in the Company during the year.

Holding companies

The immediate holding company is Wyeth (Hong Kong) Holding Company Limited, a company incorporated in Hong Kong. The ultimate holding company is Nestlé S.A., a company incorporated in Switzerland and is listed on the Swiss Stock Exchange ("SIX").

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Other statutory information (contd.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Company which has arisen since the end of the year.

(f) In the opinion of the Directors:

   (i) 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 year which will or may affect the ability of the Company to meet its obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Company for the year in which this report is made.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration for the statutory audit is as follows:

	RM'000
Ernst & Young PLT	42

Signed by the Board in accordance with a resolution of the Directors dated 20 February 2023.

Juan Jose Aranols Campillo

Syed Saiful Islam

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Juan Jose Aranols Campillo and Syed Saiful Islam, being the two Directors of Wyeth Nutrition (Malaysia) Sdn. Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 61 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the year then ended.

Signed by the Board in accordance with a resolution of the Directors dated 20 February 2023.

Juan Jose Aranols Campillo

Syed Saiful Islam

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Syed Saiful Islam, being the Director primarily responsible for the financial management of Wyeth Nutrition (Malaysia) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 61 are in my opinion 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 Syed Saiful Islam
at Petaling Jaya, Selangor Darul Ehsan
on 20 February 2023

Syed Saiful Islam

Before me,

PESURUHJAYA SUMPAH
No: B338
GUNA PAPOO
BC/G/293
1.1.2021-31.12.2023
MALAYSIA

No 45-1, Jalan Sepah Puteri 5/1B,
Pusat Dagangan Sri Utama, PJU 5
Kota Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan.
Tel: 03-61401284

EY
Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

199301002691 (257428-D)

Independent auditors' report to the member of Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Wyeth Nutrition (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2022, and 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 11 to 61.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 audit 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 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 Directors of the Company are responsible for the other information. The other information comprises the Directors' 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 other information and we do not express any form of assurance conclusion thereon.

EY
Building a better working world

199301002691 (257428-D)

Independent auditors' report to the member of
Wyeth Nutrition (Malaysia) Sdn. Bhd. (contd.)
(Incorporated in Malaysia)

Report on the audit of the financial statements (contd.)

Information other than the financial statements and auditors' report thereon (contd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are 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 Directors are 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 Directors either intend to liquidate the Company or to cease operations, or have 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.

EY
Building a better
working world

199301002691 (257428-D)

Independent auditors' report to the member of
Wyeth Nutrition (Malaysia) Sdn. Bhd. (contd.)
(Incorporated in Malaysia)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the 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 Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

EY
Building a better working world

199301002691 (257428-D)

Independent auditors' report to the member of
Wyeth Nutrition (Malaysia) Sdn. Bhd. (contd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the member 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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 February 2023

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Non-current assets			
Plant and equipment	4	193	129
Right-of-use assets	5	82	114
Deferred tax assets	6	-	47
Trade and other receivables	7	295	127
		570	417
Current assets			
Inventories	8	22,462	22,554
Trade and other receivables	7	32,084	132,044
Current tax assets		-	212
Cash and bank balances	9	22,011	197
		76,557	155,007
Total assets		77,127	155,424
Equity and liabilities			
Equity attributable to owner of the Company			
Share capital	10	1,970	1,970
Retained earnings		17,081	5,757
Total equity		19,051	7,727
Current liabilities			
Loans and borrowings	11	-	100,489
Lease liabilities	5	63	77
Trade and other payables	12	57,662	47,095
Current tax liabilities		278	-
		58,003	147,661
Non-current liability			
Lease liabilities	5	18	36
Deferred tax liabilities	6	55	-
		73	36
Total liabilities		58,076	147,697
Total equity and liabilities		77,127	155,424

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Revenue	13	203,467	181,849
Cost of sales		(131,234)	(124,638)
Gross profit		72,233	57,211
Selling and distribution expenses		(46,065)	(46,538)
Administrative expenses		(4,162)	(3,271)
Other expenses		(98)	(275)
Operating profit		21,908	7,127
Finance income		2,731	2,825
Finance costs		(1,649)	(1,772)
Net finance income		1,082	1,053
Profit before tax	14	22,990	8,180
Income tax expense	16	(6,066)	(2,448)
Profit for the year		16,924	5,732

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2022

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2022		1,970	5,757	7,727
Total comprehensive income for the year		-	16,924	16,924
Dividends to owner	17	-	(5,600)	(5,600)
At 31 December 2022		1,970	17,081	19,051
At 1 January 2021		1,970	2,425	4,395
Total comprehensive income for the year		-	5,732	5,732
Dividends to owner	17	-	(2,400)	(2,400)
At 31 December 2021		1,970	5,757	7,727

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before tax		22,990	8,180
Adjustments for:			
Depreciation of plant and equipment:	4	90	109
Depreciation of right-of-use assets	5	91	82
Finance costs		1,649	1,772
Finance income		(2,731)	(2,825)
Net reversal of slow moving inventories	14	-	(232)
Net unrealised foreign exchange differences	14	195	(6)
Operating cash flows before changes in working capital		22,284	7,080
Changes in working capital:			
Inventories		92	131
Trade and other payables		10,372	7,007
Trade and other receivables		1,890	(8,452)
Cash flows from operations		34,638	5,766
Income tax paid		(5,474)	(1,525)
Net cash flows from operating activities		29,164	4,241
Cash flows from investing activities			
Acquisition of plant and equipment	4	(183)	(185)
Proceed from disposal of plant and equipment		29	-
Finance income received		2,731	2,825
Net cash flows from investing activities		2,577	2,640
Cash flows from financing activities			
Repayment to a related company		-	(5,054)
Repayment from/(Advances to) a related companies		97,902	(97,902)
Finance costs paid		(1,649)	(1,772)
Dividends paid	17	(5,600)	(2,400)
Payment of lease liabilities		(91)	(84)
Net cash flows from/(used in) financing activities		90,562	(107,212)
Net increase/(decrease) in cash and cash equivalents		122,303	(100,331)
Cash and cash equivalents at beginning of year		(100,292)	39
Cash and cash equivalents at end of year	9	22,011	(100,292)

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2022 (contd.)

Reconciliation of movements of liabilities/(assets) to cash flows arising from financing activities

	Lease liabilities RM'000	Amount due from related companies RM'000	Amount due to a related company RM'000	Total RM'000
At 1 January 2022	113	(97,902)	-	(97,789)
Net changes from financing cash flows	(91)	97,902	-	97,811
Addition of lease contracts	59	-	-	59
At 31 December 2022	81	-	-	81
At 1 January 2021	18	-	5,054	5,072
Net changes from financing cash flows	(84)	(97,902)	(5,054)	(103,040)
Addition and modification of lease contracts	179	-	-	179
At 31 December 2021	113	(97,902)	-	(97,789)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information

The Company is a limited liability company, incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company are located at Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The immediate holding company is Wyeth (Hong Kong) Holding Company Limited, a company incorporated in Hong Kong. The ultimate holding company is Nestlé S.A., a company incorporated in Switzerland and is listed on the Swiss Stock Exchange ("SIX").

The principal activities of the Company are trading and dealing in nutritional products. There has been no significant change in the nature of the principal activities during the year.

The financial statements were authorised for issue by the Board of Directors on 20 February 2023.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the company's functional currency. All values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except as follows:

On 1 January 2022, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1, MFRS 9 and MFRS 141: Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment- Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

The adoption of the above amendments did not have any significant impact on the financial statements of the Company.

2.3 Standards issued but not yet effective

The standards, amendments and interpretations that are issued but not yet effective up to the date of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16: Lease Liability is a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above standard and amendments are not expected to have a material impact on the financial statements in the period of initial application.

2.4 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and is recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income ("OCI"), or a financial instrument designated as cash flow hedge, which are recognised in OCI.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.4 Foreign currencies (contd.)

(b) Foreign currency transactions (contd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurements

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2. Summary of significant accounting policies (contd.)

2.5 Financial instruments (contd.)

(a) Financial assets (contd.)

Initial recognition and measurements (contd.)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The measurement of financial assets depends on their classification, as described below:

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and bank balances, trade and other receivables and other non-current financial assets.

The Company does not have financial assets at fair value through profit or loss, financial assets at fair value through OCI with recycling of cumulative gains and losses and financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.5 Financial instruments (contd.)

(a) Financial assets (contd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debts instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sales of collateral held or other credit enhancements that are integral to the contractual terms.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.5 Financial instruments (contd.)

(a) Financial assets (contd.)

Impairment of financial assets (contd.)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within next 12 months ("a 12 months ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, the Company applies simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on historical credit experience. The Company considers forward looking factors do not have significant impact to credit risk given the nature of its industry and the amount of the ECLs is insensitive to changes to forecast economic conditions.

The Company considers a financial assets to be default when internal and external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. Financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

2. Summary of significant accounting policies (contd.)

2.5 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

After initial recognition, it is subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to trade and other payables. For more information, refer to Note 12.

The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.6 Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and fittings	5 years
Information systems	3 - 10 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each year end and adjusted prospectively, if appropriate.

2.7 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.7 Leases (contd.)

Company as lessee (contd.)

(a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 2.11 Impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.7 Leases (contd.)

Company as lessee (contd.)

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of tools and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.8 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.9 Inventories

Inventories are valued at the lower of cost and net realisable value.

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 cost incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.13 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

Companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the defined contribution plan. The Company's contributions are charged to the statement of comprehensive income. Once the contributions have been paid, the Company has no further payment obligations.

2.14 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realised within twelve months after the reporting period; or
(iv) Cash and bank balances unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2. Summary of significant accounting policies (contd.)

2.14 Current versus non-current classification (contd.)

A liability is current when:

(i) It is expected to be settled in normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.15 Revenue

(a) Sale of goods

Revenue is recognised at point in time upon transfer of control of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume rebates. Based on the Company's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Finance income

Finance income is recognised on an accrual basis using the effective interest method.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Finance costs

Finance costs comprise the interest expense on financial debt (including leases) and other expense such as exchange differences on financial debt and results on related foreign currency hedging instruments. Certain borrowing costs are capitalised as explained under Note 2.16.

2.18 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.18 Taxes (contd.)

(b) Deferred tax (contd.)

Deferred tax liabilities are recognised for all taxable temporary differences, except: (contd.)

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.18 Taxes (contd.)

(b) Deferred tax (contd.)

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(c) Sales and services tax ("SST")

Revenue, expenses and assets are recognised net of the amount of SST, except:

(i) when the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

(ii) when receivables and payables are stated with the amount of SST included.

The payable amount of SST to the taxation authority is included as part of payables in the statement of financial position.

2.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.19 Fair value measurement (contd.)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

There is no key estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

3.2 Critical judgement in applying the entity's accounting policies

There is no critical judgement made by management in the process of applying the accounting policies that have a significant effect on the amounts recognised in financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

4. Plant and equipment

	Note	Furniture, fixtures and fittings RM'000	Information systems RM'000	Total RM'000
2022				
Cost				
At 1 January 2022		137	539	676
Additions		-	183	183
Disposal		-	(51)	(51)
At 31 December 2022		137	671	808
Accumulated depreciation				
At 1 January 2022		128	419	547
Charge for the year	14	7	83	90
Disposal		-	(22)	(22)
At 31 December 2022		135	480	615
Net carrying amount		2	191	193
2021				
Cost				
At 1 January 2021		137	421	558
Additions		-	185	185
Disposal		-	(4)	(4)
Written off		-	(63)	(63)
At 31 December 2021		137	539	676
Accumulated depreciation				
At 1 January 2021		113	392	505
Charge for the year	14	15	94	109
Disposal		-	(4)	(4)
Written off		-	(63)	(63)
At 31 December 2021		128	419	547
Net carrying amount		9	120	129

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

5. Leases

The Company leases its office space. The lease of office space typically runs for a period of two years and includes an option to renew the lease for an additional period of two years after the end of the contract term.

The Company also has certain leases of tools and equipment with lease term of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for the leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Note	Buildings 2022 RM'000	2021 RM'000
Cost			
At 1 January		450	271
Additions		59	108
Expiration of lease contracts		(331)	-
Modification of lease contract		-	71
At 31 December		178	450
Accumulated depreciation			
At 1 January		336	254
Charge for the year	14	91	82
Expiration of lease contracts		(331)	-
At 31 December		96	336
Net carrying amount		82	114

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	2022 RM'000	2021 RM'000
At 1 January		113	18
Additions		59	108
Modification of lease contract		-	71
Accretion of interest	14	1	3
Payments		(92)	(87)
At 31 December		81	113
Current		63	77
Non-current		18	36

The maturity analysis of lease liabilities are disclosed in Note 19(b) to the financial statements.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

5. Leases (contd.)

The following are the amounts recognised in profit or loss during the year:

	Note	2022 RM'000	2021 RM'000
Depreciation of right-of-use assets	14	91	82
Finance cost of lease liabilities	14	1	3
Expenses relating to short-term leases	14	155	178
Total amount recognised in profit or loss		247	263

The Company had total cash outflows for leases of RM247,000 (2021: RM265,000). The Company also had non-cash additions (including modification) to right-of-use assets and lease liabilities of RM 59,000 (2021: 179,000) and RM 59,000 (2021: RM179,000) respectively. The Company does not have future cash outflows relating to leases that have not yet commenced as at 31 December 2022 (2021: nil).

	2022 RM'000	2021 RM'000
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	155	178
Included in net cash from financing activities:		
Finance cost of lease liabilities	1	3
Payment of lease liabilities	91	84
Total cash outflows for leases	247	265

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

6. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Plant and equipment	-	1	(8)	-	(8)	1
Right-of-use assets	-	-	(20)	(27)	(20)	(27)
Lease liabilities	19	27	-	-	19	27
Provisions	-	46	(46)	-	(46)	46
	19	74	(74)	(27)	(55)	47
Set off of tax	(19)	(27)	19	27	-	-
	-	47	(55)	-	(55)	47

Movement in temporary differences during the year:

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2022 RM'000
Plant and equipment	11	(10)	1	(9)	(8)
Right-of-use assets	(4)	(23)	(27)	7	(20)
Lease liabilities	4	23	27	(8)	19
Provisions	30	16	46	(92)	(46)
	41	6	47	(102)	(55)

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

7. Trade and other receivables

	Note	2022 RM'000	2021 RM'000
Non-current			
Loans to employees		295	127
Current			
Trade			
Third parties	(a)	31,378	33,276
Amount due from related companies	(b)	193	452
		31,571	33,728
Non-trade			
Amount due from related companies	(b)	-	97,902
Other receivables and deposits	(c)	458	404
Prepayments		55	10
		513	98,316
		32,084	132,044
Total trade and other receivables		32,379	132,171

(a) Trade receivables

Credit risk management with respect to trade receivables is disclosed in Note 19(a) to the financial statements.

(b) Amount due from related companies

The trade receivables due from related companies are subject to the normal trade terms. The non-trade receivables due from related companies are advances to related companies which are unsecured, subject to interest at 2.58% to 3.80% (2021: 2.56% to 3.99%) per annum and repayable on demand.

(c) Other receivables and deposits

Included in other receivables and deposits of the Company are loans to employees of RM89,000 (2021: RM38,000) which are unsecured and interest free and down payment to vendors of RM256,000 (2021: RM224,000).

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

8. Inventories

	2022 RM'000	2021 RM'000
Cost		
Packaging materials	356	368
Work-in-progress	1,066	2,330
Finished goods	21,040	19,856
	22,462	22,554

During the year, the amount of inventories recognised as an expense in the statement of comprehensive income of the Company was RM114,618,000 (2021: RM122,969,000).

9. Cash and bank balances

	2022 RM'000	2021 RM'000
Cash and bank balances	22,011	197

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	Note	2022 RM'000	2021 RM'000
Cash and bank balances		22,011	197
Bank overdraft	11	-	(100,489)
		22,011	(100,292)

10. Capital and reserves

	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid:				
Ordinary shares				
- at 1 January/31 December	1,970	1,970	1,970	1,970

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

11. Loans and borrowings

	Note	2022 RM'000	2021 RM'000
Current			
Bank overdraft - unsecured	9	-	100,489

12. Trade and other payables

	Note	2022 RM'000	2021 RM'000
Trade			
Third parties	(a)	39,697	34,119
Amounts due to related companies	(b)	15,897	11,683
		55,594	45,802
Non-trade			
Other payables		166	139
Accrued expenses		1,902	1,154
		2,068	1,293
Total trade and other payables		57,662	47,095

(a) Third parties

The amount is non-interest bearing. Trade payables are normally settled on a 30 to 150 days (2021: 30 to 150 days) terms.

Included in trade payables is an amount of RM3,879,000 (2021: RM3,629,000) relating to trade payables under supplier financing arrangement.

(b) Amounts due to related companies

The trade payables due to related companies are subject to the normal trade terms.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

13. Revenue

	2022 RM'000	2021 RM'000
Revenue from contracts with customers:		
- Sale of goods	203,467	181,849

14. Profit before tax

The following items have been included in arriving at profit before tax:

	Note	2022 RM'000	2021 RM'000
Auditors' remuneration			
- Statutory audit fees:			
- Auditors of the Company		42	40
- Non-audit fees:			
- Member firms of auditors		63	-
- Others		6	6
Depreciation of plant and equipment	4	90	109
Depreciation of right-of-use assets	5	91	82
Employee benefits expenses	15	13,605	13,702
Net reversal of slow moving inventories		-	(232)
Net foreign exchange loss/(gain):			
- realised		1,122	37
- unrealised		195	(6)
Finance cost of lease liabilities	5	1	3
Finance cost of loans from related companies		10	153
Other finance cost		1,636	1,616
Finance income of advances to related companies		(2,610)	(2,823)
Other finance income		(121)	(2)
Expenses relating to short-term leases	5	155	178

15. Employee benefits expenses

	2022 RM'000	2021 RM'000
Wages, salaries and others	12,240	12,371
Contributions to Employees Provident Fund	1,365	1,331
	13,605	13,702

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

16. Income tax expense

	Note	2022 RM'000	2021 RM'000
Statement of comprehensive income			
Malaysian income tax:			
- Current year		5,873	2,444
- Underprovision in prior years		91	10
		5,964	2,454
Deferred tax:	6		
- Relating to origination and reversal of temporary differences		117	(5)
- Overprovision in prior years		(15)	(1)
		102	(6)
Income tax expense recognised in profit or loss		6,066	2,448

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2022 RM'000	2021 RM'000
Profit before tax	22,990	8,180
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	5,518	1,963
Expenses not deductible for tax purposes	472	476
Underprovision of income tax in prior years	91	10
Overprovision of deferred tax in prior years	(15)	(1)
Income tax expense recognised in profit or loss	6,066	2,448

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

17. Dividends

Dividend paid in respect of ordinary shares for the years are as follows:

	2022 RM'000	2021 RM'000
In respect of the year ended 31 December 2021:		
Dividend on ordinary shares:		
- First tax exempt (single-tier) interim dividend of 284.26 sen per share on 1,970,000 ordinary shares, and paid on 23 August 2022	5,600	-
In respect of the year ended 31 December 2020:		
Dividend on ordinary shares:		
- First tax exempt (single-tier) interim dividend of 121.83 sen per share on 1,970,000 ordinary shares, and paid on 19 August 2021	-	2,400
	5,600	2,400

18. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost:

	Carrying amount RM'000	Amortised cost RM'000
2022		
Financial assets		
Trade and other receivables (excluding prepayments)	32,324	32,324
Cash and bank balances	22,011	22,011
	54,335	54,335
Financial liabilities		
Trade and other payables	(57,662)	(57,662)
Lease liabilities	(81)	(81)
	(57,743)	(57,743)

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

18. Financial instruments (contd.)

(a) Categories of financial instruments (contd.)

The table below provides an analysis of financial instruments categorised as amortised cost: (contd.)

	Carrying amount RM'000	Amortised cost RM'000
2021		
Financial assets		
Trade and other receivables (excluding prepayments)	132,161	132,161
Cash and bank balances	197	197
	132,358	132,358
Financial liabilities		
Trade and other payables	(47,095)	(47,095)
Lease liabilities	(113)	(113)
	(47,208)	(47,208)

(b) Net gains and losses arising from financial instruments

	2022 RM'000	2021 RM'000
Net gains/(losses) on:		
Financial assets at amortised cost		
- Mandatorily required by MFRS 9	2,731	2,825
Financial liabilities at amortised cost	(2,966)	(1,803)
	(235)	1,022

19. Financial risk management objectives and policies

The Company is exposed to the financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth. The Company trades only with recognised and creditworthy third parties. It's the Company's policy that all customers who wish to trade on credit term are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

The Company's current credit risk grading framework comprise the following categories:

Category	Definition of category	Basis for recognising ECL
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is more than 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL
III	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2022						
Trade receivables - third parties	7	Note 1	Lifetime ECL (simplified)	31,378	-	31,378
Other receivables	7	I	12-month ECL	369	-	369
Loans to employees	7	I	12-month ECL	384	-	384
Amounts due from related companies (trade and non-trade)	7	I	12-month ECL	193	-	193
					-	

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2021						
Trade receivables - third parties	7	Note 1	Lifetime ECL (simplified)	33,276	-	33,276
Other receivables	7	I	12-month ECL	366	-	366
Loans to employees	7	I	12-month ECL	165	-	165
Amounts due from related companies (trade and non-trade)	7	I	12-month ECL	452	-	452
					-	

Note 1 Trade receivables

For trade receivables, the Company has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits. Certain customers are required to have collateral in the form of financial assets and/or bank guarantees.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Company's debt recovery process is as follows:

- Above 30 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the sales management team; and

- Above 90 days past due, the Company will commence a legal proceeding against the customer.

The Company uses a provision matrix to measure ECLs of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the provision matrix and its ECLs is assessed individually by considering historical payment trends and financial strength of the trade receivable.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Recognition and measurement of impairment loss (contd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	Gross Carrying Amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2022			
Not past due	31,378	-	31,378
2021			
Not past due	33,276	-	33,276

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Credit terms

Credit terms of trade receivables range from 1 to 60 days (2021: 1 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Credit risk concentration profile

At the reporting date, approximately 100% (2021: 100%) of the Company's trade receivables were due from 1 (2021: 1) major customer who is reputable and located in Malaysia.

Other receivables

ECL is determined individually after considering the historical default experience and financial strength. Based on management's assessment, the probability of the default of these receivables is low and hence, the ECL is insignificant.

Cash and bank balances

The cash and bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Amounts due from related companies

Risk management objectives, policies and processes for managing the risk

The Company has trade and non-trade related amounts due from related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers amounts due from related companies to be of low credit risk. The Company assumes that there is a significant increase in credit risk when the related companies' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the amounts due from related companies when they are payable, the Company considers the amounts due from related companies to be in default when the related companies are not able to pay when demanded. The Company considers the amounts due from related companies to be credit impaired when:

- The related companies are unlikely to repay the outstanding amounts to the Company in full;
- The amounts due from related companies are overdue for more than 365 days; or
- The related companies are continuously loss making and are having a deficit shareholders' fund.

The Company determines the probability of default for the amounts due from related companies individually using internal information available.

As at the year end, there were no indications of impairment loss in respect of amounts due from related companies.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatched of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
2022					
Non-derivative financial liabilities					
Trade and other payables	57,662	-	57,662	57,662	-
Lease liabilities	81	2.65 - 3.83	85	67	18
	57,743		57,747	57,729	18

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Maturity analysis (contd.)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
2021					
Non-derivative financial liabilities					
Bank overdraft - unsecured	100,489	2	100,489	100,489	-
Trade and other payables	47,095	-	47,095	47,095	-
Lease liabilities	113	2.65	116	79	37
	147,697		147,700	147,663	37

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

(i) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Euro ("EUR"), Thai Baht ("THB"), Singapore Dollar ("SGD"), U.S. Dollar ("USD") and Australian Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

The Company manages the net exposure to foreign currency risks by monitoring the exposure to such risks on an ongoing basis.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in			
	EUR RM'000	SGD RM'000	USD RM'000	AUD RM'000
2022				
Trade payables	(120)	(5,599)	(1)	-
Amounts due to related companies	(206)	(14,396)	(857)	(82)
Exposure in the statement of financial position	(326)	(19,995)	(858)	(82)

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(c) Market risk (contd.)

(i) Foreign currency risk (contd.)

	Denominated in THB RM'000	USD RM'000	AUD RM'000
2021			
Trade payables	(51)	(1)	-
Amounts due to related companies	-	452	-
Amounts due to related companies	(1)	(67)	(28)
Exposure in the statement of financial position	(52)	384	(28)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Company's profit before tax to a reasonably possible change in the EUR, THB, SGD, USD and AUD exchange rates against the functional currency of the Company, with all other variables held constant.

		2022 RM'000	2021 RM'000
EUR/RM	- strengthened 10% (2021:10%)	(33)	-
	- weakened 10% (2021:10%)	33	-
THB/RM	- strengthened 10% (2021:10%)	-	(5)
	- weakened 10% (2021:10%)	-	5
SGD/RM	- strengthened 10% (2021:10%)	(2,000)	-
	- weakened 10% (2021:10%)	2,000	-
USD/RM	- strengthened 10% (2021:10%)	(86)	38
	- weakened 10% (2021:10%)	86	(38)
AUD/RM	- strengthened 10% (2021:10%)	(8)	(3)
	- weakened 10% (2021:10%)	8	3

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(c) Market risk (contd.)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in the market interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company uses the expertise of Nestlé Treasury Centre ("NTC"), Asia Pacific based in Singapore for cash management and financing needs.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	2022 RM'000	2021 RM'000
Fixed rate instruments		
Financial liabilities	(81)	(113)
Floating rate instruments		
Financial liabilities	-	(100,489)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) profit or loss before tax by RM nil (2021: RM1,004,000) on the floating rate financial instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

19. Financial risk management objectives and policies (contd.)

(d) Fair values

The carrying amounts of cash and bank balances, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value.

	Fair value of financial instruments not carried at fair value			
	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2022				
Financial asset				
Loans to employees	384	384	384	384
2021				
Financial asset				
Loans to employees	165	165	165	165

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the year (2021: no transfer in either directions).

Level 3 fair value

<u>Loans to employees</u>

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

20. Capital management

The Company's capital is represented by its total equity in the statement of financial position. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the Company's capital management objectives. The Directors monitor the adequacy of capital on an ongoing basis.

There was no change to the Company's approach to capital management during the year.

21. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company and its immediate holding company and certain members of senior management of the Company.

The Company has related party relationship with its related companies.

199301002691 (257428-D)

Wyeth Nutrition (Malaysia) Sdn. Bhd.
(Incorporated in Malaysia)

21. Related parties (contd.)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. Other than as disclosed elsewhere in the financial statements, the significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 7 and 12.

	Note	2022 RM'000	2021 RM'000
Related companies			
Purchases of goods and services	(a)	114,876	125,632
Finance costs		10	153
Finance income		(2,610)	(2,823)
Management fees		2,571	-
Royalty expenses		13,807	-
IT shared services		1,081	395

(a) Purchases from related companies are based on normal trade terms. Balances outstanding are unsecured.

Compensation of key management personnel

There was no compensation paid by the Company to key management personnel during the year (2021: nil).

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company have seen and approved this Document and they individually and collectively accept full responsibility for the accuracy of the information given 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, the omission of which would make any statement in this Document false or misleading.

2. CONSENT AND CONFLICT OF INTERESTS

(i) MIDF Investment

MIDF Investment, the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Document of its name and all references thereto in the form and context in which it appears in this Document.

MIDF Investment is not aware of any conflict of interest which exists or is likely to exist by virtue of MIDF Investment's appointment as the Principal Adviser for the Proposed Acquisition.

(ii) KAF IB

KAF IB, the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which it appears in this Document.

KAF IB confirms that there is no conflict of interest situation that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition.

(iii) KPMG

KPMG, the Independent Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Letter and all references thereto in the form and context in which it appears in this Document.

KPMG confirms that there is no conflict of interest situation that exists or is likely to exist in relation to its role as the Independent Valuer for the Proposed Acquisition.

3. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments contracted or known to be contracted by Nesmal which may have a material impact on the financial position of Nesmal.

4. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities contracted or known to be contracted by Nesmal which may have a material impact on the financial position of Nesmal.

5. MATERIAL CONTRACTS

Save for the SPA, as at the LPD, Nesmal Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two years preceding the LPD.

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save as disclosed below, Nesmal Group is not engaged in any other material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceeding, pending or threatened, against the Company or of any facts likely to give rise to any proceeding which may materially affect the business or financial position of the Company.

(i) **Writ of summons by Mad Labs Sdn. Bhd. against Nestlé Products Sdn. Bhd.**
(Civil Suit No. WA-22NCVC-121-03/2019)

Nestlé Products, the wholly owned subsidiary of Nesmal was served with a sealed Writ of Summons and Statement of Claim dated 6 March 2019, filed by Mad Labs Sdn. Bhd. ("**Mad Labs**"). The claim by Mad Labs against Nestlé Products is for amongst others, the sum of RM139,344,262.25. An amended Writ of Summons dated 21 March 2019 was further filed by Mad Labs and served subsequently on 25 March 2019.

In the Statement of Claim, Mad Labs is alleging inter alia, the unauthorised and/or unlawful use of Mad Lab's QR Code, breach of an implied contract between Mad Labs and Nestlé Products by reason of Nestlé Products's continued use of the QR Code, unjust enrichment of Nestlé Products by the use of the QR Code, compensation for the services which Mad Labs has rendered to Nestlé Products and Nestlé Products's negligence in using Mad Labs's QR Code on its products/packaging. Nestlé Products has filed and served its Statement of Defence dated 22 April 2019 to dispute the claims made by Mad Labs. In addition to filing the Statement of Defence, Nestlé Products has separately filed an action at the Intellectual Property Court ("**IP Court**") against Mad Labs and its sole Director and shareholder, Chow Kien Loon ("**CKL**") for amongst others, to challenge the ownership of Mad Labs in the QR Code, negligence, unlawful interference with trade as well as defamation and trade libel. Mad Labs and CKL have been served the sealed Writ of Summons and Statement of Claim dated 23 April 2019 filed by Nestlé Products through its solicitors.

On 9 December 2019, the Kuala Lumpur High Court has allowed the consolidation and transfer of Mad Labs' claim to the IP Court to be heard together with Nestlé Products's claim. The high court trial at the IP Court which commenced on 10 June 2021 remains on-going. Parties have since completed cross-examining and re-examining all trial witnesses that were called/subpoenaed and filed the first round of written submissions on 3 January 2023. The IP Court has directed for Parties to file their reply submissions on 20 February 2023 and Parties' representing solicitors are to attend court on 10 and 24 March 2023 to further provide oral submissions.

Based on the initial opinion rendered by solicitors representing Nestlé Products, Messrs. Zaid Ibrahim & Co., Nestlé Products has a reasonably strong case against Mad Labs and CKL.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Nesmal's registered office at Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Monday to Friday (except for public holidays) from the date of this Document to the date of the forthcoming EGM:

(i) SPA;

(ii) The constitution of Nesmal and Wyeth Malaysia;

(iii) Audited consolidated financial statements of Nesmal for FYE 2021 and FYE 2022;

(iv) Audited financial statements of Wyeth Malaysia for FYE 2021 and FYE 2022;

(v) Valuation Letter as set out in Appendix II of this Document;

(vi) The letters of consent and declaration of conflict of interest referred to in Section 2 of this Appendix V; and

(vii) The relevant cause papers for material litigations, claims and arbitration as referred to in Section 6 of this Appendix V.

[The rest of this page is intentionally left blank]

Nestlé. Good food, Good life

NESTLÉ (MALAYSIA) BERHAD
Registration No.: 198301015532 (110925-W)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Extraordinary General Meeting ("EGM")** of the Company will be held on a virtual basis through live streaming from the broadcast venue at **Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 26 April 2023 at 12.30 p.m. or 30 minutes after the conclusion of the 39th Annual General Meeting** for the transaction of the following business:

AGENDA

ORDINARY RESOLUTION

Proposed Acquisition of 100% Equity Interest in Wyeth Nutrition (Malaysia) Sdn. Bhd. ("WNM") by Nestlé Products Sdn. Bhd. ("NPSB"), a wholly-owned subsidiary of Nestlé (Malaysia) Berhad ("Nesmal"), from Wyeth (Hong Kong) Holding Company Limited ("WHK"), for a cash consideration of RM165.0 million ("Proposed Acquisition")

"THAT, subject to the conditions precedent stipulated in accordance with the Share Purchase Agreement dated 22 February 2023 entered into between NPSB and WHK in respect of the Proposed Acquisition ("SPA") being fulfilled or waived, approval be and is hereby given to the Company, through NPSB, to acquire 1,969,505 ordinary shares, representing 100% equity interest in WNM for a cash consideration of RM165.0 million, to be fully satisfied in cash, in accordance with the terms and conditions as stipulated in the SPA.

AND THAT, the Board of Directors of the Company ("Board"), save for Juan Jose Aranols Campillo, Syed Saiful Islam and Alessandro Monica (alternate director to Juan Jose Aranols Campillo) who are deemed interested in the Proposed Acquisition, be and is hereby authorised and empowered to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company, all such agreements, arrangements and documents as the Board may deem fit, necessary, expedient and/or appropriate in order to implement, finalise, give full effect to and complete the Proposed Acquisition (including without limitation, to delegate such authority to the designated officer(s)), with full powers to assent to and/or accept any conditions, variations, modifications and/or amendments in any manner as may be imposed or permitted by any relevant authorities and/or parties in connection with the Proposed Acquisition in the best interest of the Company."

BY ORDER OF THE BOARD

TENGKU IDA ADURA TENGKU ISMAIL
Company Secretary
(SSM PC No. 201908001581)
(MACS 01686)

Petaling Jaya
24 March 2023

Notes:

Virtual Extraordinary General Meeting ("EGM")

(i) The EGM of the Company will be conducted on a virtual basis through live streaming and Remote Participation and Electronic Voting ("RPEV") facilities which will be made available on the online portal of Boardroom Share Registrars Sdn. Bhd. at https://meeting.boardroomlimited.my. Please refer to the Administrative Details for the EGM for the procedures to register, participate and vote remotely via the RPEV facilities.

(ii) For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the EGM. Members/Proxies/Corporate Representatives will not be allowed to attend this EGM in person at the broadcast venue on the day of the EGM.

Appointment of Proxy

(iii) A member of the Company entitled to attend and vote at the virtual meeting is entitled to appoint a proxy to attend and vote in his place. A proxy may, but need not be, a member of the Company.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, he may appoint not more than two proxies in respect of each Securities Account he holds with ordinary shares of the Company standing to the credit of the said Securities Account. 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.

Where an authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) An authorised nominee or an exempt authorised nominee with more than one Securities Account must submit a separate instrument of proxy for each securities account.

(vii) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the office of the Poll Administrator, Boardroom Share Registrars Sdn. Bhd. (Registration No.: 199601006647 (378993-D)) at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at its website at https://investor.boardroomlimited.com ("eProxy Lodgement"). All proxy forms submitted must be received by the Company not less than 48 hours before the time appointed for the holding of the meeting (i.e. Monday, 24 April 2023 at 12.30 p.m.) or any adjournment thereof. In default the instrument of proxy shall not be treated as valid.

(viii) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at Tuesday, 18 April 2023 shall be entitled to attend, speak and vote at the meeting or appoint proxies to attend, speak and vote on his/her behalf.

Please scan this QR code to access the Circular to Shareholders dated 24 March 2023 in relation to the Proposed Acquisition. ("Circular").
This Circular is also available at our corporate website Nes.tl/shareholders_meetings2023 and will be sent by electronic mail to Shareholders who have maintained their e-mail addresses in the Record of Depositors with Bursa Malaysia Depository Sdn. Bhd.

PROXY FORM

Nestlé (Malaysia) Berhad
Registration No.: 198301015532 (110925-W) (Incorporated in Malaysia)

No. of shares held	
CDS Account No.	

I/We ______________________ NRIC/Passport/Company No. ______________________
of ______________________

being a member of Nestlé (Malaysia) Berhad, hereby appoint the person(s) below as my/our proxy to vote for *me/us on *my/our behalf at the **Extraordinary General Meeting** of the Company to be held on a virtual basis through live streaming from the broadcast venue at **Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia** on **Wednesday, 26 April 2023** at **12.30 p.m. or 30 minutes after the conclusion of the 39th Annual General Meeting** and at any adjournment thereof.

** Delete if not applicable*

Option#	Name of Proxy(ies)	MyKAD/ Registration No.	Email Address/ Tel No.	Proportion of shareholding to be represented
	Chairman of Meeting			%
	Appoint ONE proxy only (Please complete details of proxy below)			
				%
	Appoint MORE THAN ONE proxy (Please complete details of proxies below)			%
Proxy 1				%
Proxy 2				%

 # Please tick (√) ONE box only.

My/Our proxy is to vote as indicated with an "X" below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Ordinary Resolution	For	Against
Proposed Acquisition of 100% Equity Interest in Wyeth Nutrition (Malaysia) Sdn. Bhd. by Nestlé Products Sdn. Bhd., a wholly-owned subsidiary of Nestlé (Malaysia) Berhad, from Wyeth (Hong Kong) Holding Company Limited, for a cash consideration of RM165.0 million.		

Note: Please refer to the Notice of EGM for full details of the Resolution.

Dated this ______________ day of ______________ 2023
Witnessed by : ______________________

Signature : ______________________
Address/ : ______________________
Contact No. ______________________

Company Stamp : ______________________
Occupation : ______________________

____
Signature of Shareholder or Common Seal

Notes:

Virtual Extraordinary General Meeting ("EGM")

(i) The EGM of the Company will be conducted on a virtual basis through live streaming and Remote Participation and Electronic Voting ("RPEV") facilities which will be made available on the online portal of Boardroom Share Registrars Sdn. Bhd. at https://meeting.boardroomlimited.my. Please refer to the Administrative Details for the EGM for the procedures to register, participate and vote remotely via the RPEV facilities.

(ii) For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the EGM. Members/ Proxies/Corporate Representatives will not be allowed to attend this EGM in person at the broadcast venue on the day of the EGM.

Appointment of Proxy

(iii) A member of the Company entitled to attend and vote at the virtual meeting is entitled to appoint a proxy to attend and vote in his place. A proxy may, but need not be, a member of the Company.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, he may appoint not more than two proxies in respect of each Securities Account he holds with ordinary shares of the Company standing to the credit of the said Securities Account. 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.

Where an authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) An authorised nominee or an exempt authorised nominee with more than one Securities Account must submit a separate instrument of proxy for each securities account.

(vii) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the office of the Poll Administrator, Boardroom Share Registrars Sdn. Bhd. (Registration No.: 199601006647 (378993-D)) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at its website at https://investor.boardroomlimited.com ("eProxy Lodgement"). All proxy forms submitted must be received by the Company not less than 48 hours before the time appointed for the holding of the meeting (i.e. Monday, 24 April 2023 at 12.30 p.m.) or any adjournment thereof. In default the instrument of proxy shall not be treated as valid.

(viii) In respect of deposited securities, only members whose names appeared in the Record of Depositors as at Tuesday, 18 April 2023 shall be entitled to attend, speak and vote at the meeting or appoint proxies to attend, speak and vote on his/her behalf.

Please fold here to seal

Affix Postage Stamp

Poll Administrator

Boardroom Share Registrars Sdn. Bhd.

(Registration No.: 199601006647 (378993-D))

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13

46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (03) 7890 4700 Fax: (03) 7890 4670

Please fold here to seal