

4. PARTICULARS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

The Application for our IPO will open at 10.00 a.m. on [●] and close at 5.00 p.m. on [●]. Late Applications will not be accepted.

4.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

<u>Events</u>	<u>Tentative date</u>
Issuance of Prospectus / Opening of application for our IPO Shares	[●]
Closing of application for our IPO Shares	[●]
Balloting of application for our IPO Shares	[●]
Allotment/transfer of our IPO Shares to successful applicants	[●]
Listing on the Main Market of Bursa Securities	[●]

In the event there is any change to the indicative timetable above, we will advertise the notice of the changes in widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and make an announcement on Bursa Securities' website.

4.3 DETAILS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions set out in Section 4.3.5 of this Prospectus.

4.3.1 Public Issue

A total of 97,563,000 Issue Shares representing approximately 20.62% of our enlarged Shares are offered at our IPO Price. Our Issue Shares will be allocated in the following manner:

(i) Malaysian Public

23,660,000 Issue Shares, representing 5.00% of our enlarged Shares will be made available for application by the Malaysian Public through a balloting process as follows:

- (a) 11,830,000 Issue Shares made available to Bumiputera Malaysian Public; and
- (b) 11,830,000 Issue Shares made available to Malaysian Public.

4. PARTICULARS OF OUR IPO (CONT'D)**(ii) Eligible Persons**

14,195,000 Issue Shares, representing 3.00% of our enlarged Shares will be reserved for application by the Eligible Persons as follows:

Eligible Persons	No. of persons	Aggregate number of Issue Shares allocated
Our Directors ⁽¹⁾	4	700,000
Eligible employees of our Group ⁽²⁾	[●]	7,478,000
Persons who have contributed to the success of our Group ⁽³⁾	[●]	6,017,000
Total	[●]	14,195,000

Notes:

- (1) The allocation to our Directors is based on, among others, their respective roles, responsibilities and contributions to our Company. The number of Issue Shares allocated to each Director is as follows:

Name	Designation	Number of Issue Shares allocated
Datuk Petrus Gimbad	Independent Non-Executive Chairman	200,000
Ang Seng Wong	Independent Non-Executive Director	200,000
Tan Mui Ping	Independent Non-Executive Director	200,000
Selma Enolil Binti Mustapha Khalil	Independent Non-Executive Director	100,000
Total		700,000

- (2) The allocation to the eligible employees of our Group who are confirmed full-time employees is based on, among others, their job grade, performance, length of service and their past contribution to our Group. The number of Issue Shares to be allocated to our Key Senior Management/ Key Technical Personnel are as follows:

Name	Designation	Number of Issue Shares allocated
Christina Yap Chui Fui	Financial Controller	440,000
Chin Lee Yung @ Rina Chin	Operations Manager	440,000
Chin Chun Ming	Technical Manager	440,000
Total		1,320,000

- (3) The allocation to the persons who have contributed to the success of our Group is based on, among others, the nature and terms of their business relationship with us, their length of business relationship with our Group and the level of contribution and support to the success of our Group. This may include, amongst others, our suppliers and customers who have contributed to the success of our Group.

(iii) Private placement to selected investors

560,000 Issue Shares, representing 0.12% of our enlarged Shares will be made available by way of private placement to selected investors.

4. PARTICULARS OF OUR IPO (CONT'D)

(iv) Private placement to identified Bumiputera investors approved by the MITI

59,148,000 Issue Shares, representing 12.50% of our enlarged Shares will be made available by way of private placement to identified Bumiputera investors approved by the MITI.

Our Public Issue is expected to raise gross proceeds of RM[●] million and will accrue entirely to our Company. The Public Issue will increase our issued Shares from 375,616,500 Shares to 473,179,500 Shares.

Save for the allocation made available for Application as disclosed in Section 4.3.1(ii) of this Prospectus, to the extent known to our Company, none of our substantial shareholders, Directors or Key Senior Management/ Key Technical Personnel have indicated to us that they intend to subscribe for the IPO Shares and there are no persons who have indicated to us that they intend to subscribe for more than 5.00% of the Issue Shares allocated under Section 4.3.1(i) of this Prospectus for the Malaysian Public.

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4. PARTICULARS OF OUR IPO (CONT'D)

4.3.2 Offer for Sale

The Selling Shareholders will offer 28,390,000 Offer Shares, representing 6.00% of our enlarged Shares by way of private placement to selected investors at our IPO Price. The Offer Shares to be offered by the Selling Shareholders and their shareholdings in our Company before and after our IPO are as follows:

Name/ Address	Nature of relationship	After the Acquisitions but before the Share Transfer and our IPO		Offer Shares offered			After the Share Transfer and our IPO	
		No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)
Liaw Hen Kong Lot 33, Lorong Reservoir 1A Taman Reservoir, Phase 1A, Jalan Bundusan 88300 Kota Kinabalu Sabah	Promoter, substantial shareholder and Managing Director	93,904,300	25.00	7,097,500	1.89	1.50	⁽³⁾ -	-
Chin Lee Ling Lot 33, Lorong Reservoir 1A Taman Reservoir, Phase 1A, Jalan Bundusan 88300 Kota Kinabalu Sabah	Promoter, substantial shareholder and Executive Director	93,904,000	25.00	7,097,500	1.89	1.50	⁽⁴⁾ -	-
Tan Hwong Kuen House No. 7 Taman Puncak Luyang Jalan Kolam Luyang 88300 Kota Kinabalu Sabah	Promoter, substantial shareholder and Non- Independent Non- Executive Senior Director	93,904,000	25.00	7,097,500	1.89	1.50	86,806,500	18.35

4. PARTICULARS OF OUR IPO (CONT'D)

Name/ Address	Nature of relationship	After the Acquisitions but before the Share Transfer and our IPO		Offer Shares offered			After the Share Transfer and our IPO	
		No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)
Lim Young Piau Unit 3A-2, Level 3A The Peak Condominium Jalan Signal Hill Park 88400 Kota Kinabalu Sabah	Promoter, substantial shareholder and Non- Independent Non- Executive Senior Director	93,904,000	25.00	7,097,500	1.89	1.50	86,806,500	18.35

Notes:

- (1) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged Shares of 473,179,500 Shares after our IPO.
- (3) Liaw Hen Kong will transfer 86,806,800 Shares to Scarecrow Holding under the Share Transfer.
- (4) Chin Lee Ling will transfer 86,806,500 Shares to Scarecrow Holding under the Share Transfer.

Based on the IPO Price, the Offer for Sale is expected to raise gross proceeds of RM[●] million, which will accrue entirely to the Selling Shareholders. The Offer Shares are not underwritten as they will be made available for subscription by way of private placement to selected investors, the expenses of which will be fully borne by the Selling Shareholders.

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4. PARTICULARS OF OUR IPO (CONT'D)

4.3.3 Share Transfer

Upon completion of our IPO, 2 of our Promoters, namely Liaw Hen Kong and Chin Lee Ling will hold an aggregate of 173,613,300 Shares.

During the prescription period (one day after the launching date of the Prospectus up to a period of 30 days), the Promoters will transfer a total of 173,613,300 Shares to Scarecrow Holding (an investment holding company incorporated with the intention to hold their investment) at a consideration of RM[●] million which will remain as an amount owing from Scarecrow Holding to the Promoters. The consideration of RM[●] million was derived based on the IPO Price per Share.

Pursuant thereto, the Share Transfer will be completed upon the relevant Shares being credited into the CDS account of Scarecrow Holding prior to our Listing.

Further details of the Share Transfer are set out below:

Shareholders	No. of Shares					
	Before our IPO and Share Transfer	(1)%	To be transferred to Scarecrow Holding	(2)%	After the Share Transfer and our IPO	(2)%
Liaw Hen Kong	93,904,300	25.00	86,806,800	18.35	(3)-	-
Chin Lee Ling	93,904,000	25.00	86,806,500	18.35	(4)-	-
Scarecrow Holding	-	-	173,613,300	36.68	173,613,300	36.68

Notes:

- (1) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged Shares of 473,179,500 Shares after our IPO.
- (3) Liaw Hen Kong will offer 7,097,500 Offer Shares under the Offer for Sale.
- (4) Chin Lee Ling will offer 7,097,500 Offer Shares under the Offer for Sale.

The purpose of the Share Transfer is to consolidate the shareholding interest of Liaw Hen Kong and Chin Lee Ling in our Company under a single investment holding company, namely Scarecrow Holding.

4.3.4 Summary of our IPO Shares to be allocated and underwritten

A summary of our IPO Shares to be allocated (subject to the clawback and reallocation provisions set out in Section 4.3.5 of this Prospectus) is as follows:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1)(%)	No. of Shares	(1)(%)	No. of Shares	(1)(%)
Malaysian Public (via balloting)	23,660,000	5.00	-	-	23,660,000	5.00
Eligible Persons	14,195,000	3.00	-	-	14,195,000	3.00
Private placement to selected investors	560,000	0.12	28,390,000	6.00	28,950,000	6.12
Private placement to identified Bumiputera investors approved by the MITI	59,148,000	12.50	-	-	59,148,000	12.50
Total	97,563,000	20.62	28,390,000	6.00	125,953,000	26.62

4. PARTICULARS OF OUR IPO (CONT'D)

Note:

- (1) Based on our enlarged Shares of 473,179,500 Shares after our IPO.

The 23,660,000 Issue Shares made available for Application by the Malaysian Public and 14,195,000 Issue Shares made available to the Eligible Persons under Sections 4.3.1(i) and 4.3.1(ii) of this Prospectus, respectively are fully underwritten by our Underwriter.

All the 28,950,000 IPO Shares made available to selected investors by way of private placement under Sections 4.3.1(iii) and 4.3.2 of this Prospectus and 59,148,000 Issue Shares made available to identified Bumiputera investors approved by the MITI via private placement under Section 4.3.1(iv) of this Prospectus are not underwritten. Irrevocable undertakings will be obtained from selected investors to subscribe for the IPO Shares available under the private placement.

4.3.5 Clawback and reallocation

Our IPO shall be subject to the following clawback and reallocation provisions:

- (i) any unsubscribed IPO Shares not taken up by the respective Eligible Persons (“**Excess Issue Shares**”) will be re-offered to the Eligible Persons (excluding eligible Directors) who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis and in the following priority:
- (a) firstly, allocation on a pro-rata basis to the eligible employees of our Group who have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for;
- (b) secondly, allocation of any surplus Excess Issue Shares after (i) above on a pro-rata basis to persons who have contributed to the success of our Group and have applied for the Excess Issue Shares based on the number of Excess Issue Shares applied for; and
- (c) thirdly, to minimise odd lots.
- (ii) Our Board reserves the right to allot Excess Issue Shares applied in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess Issue Shares application, in full or in part, without assigning any reason.
- (iii) Once completed, the steps involving items (a) to (c) above will not be repeated. Should there be any balance of Excess Issue Shares thereafter, such balance will be made available to the Malaysian Public and/or selected investors via private placement. Any unsubscribed Issue Shares by the Malaysian Public will be made available for Application by way of private placement to selected investors. Any unsubscribed Issue Shares by identified Bumiputera investors approved by the MITI (“**MITI Tranche**”) will firstly be offered to Malaysian institutional investors. Subsequently, any MITI Tranche that is not taken up shall be made available for Application by the Bumiputera public investors as part of the balloting process. Thereafter, any MITI Tranche that is not taken up by Bumiputera public investors will be made available for application by the Malaysian Public as part of the balloting process and/or by the Eligible Persons and/or by way of private placement to selected investors. The MITI Tranche will not be underwritten by the Underwriter.
- (iv) Any Issue Shares not taken up by the selected investors after being reallocated from the Malaysian Public and/or Eligible Persons shall be taken up by our Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

4. PARTICULARS OF OUR IPO (CONT'D)

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of the Listing Requirements and to establish a liquid market for our Shares.

There is no minimum subscription amount to be raised from our IPO. All the IPO Shares are either subscribed by the Malaysian Public, Eligible Persons and/or selected investors, pursuant to their irrevocable undertakings or fully underwritten by our Underwriter. The number of IPO Shares offered under the Public Issue will not be increased via any over-allotment or "greenshoe" option.

Details on the underwriting arrangement are set out in Section 4.9 of this Prospectus.

4.3.6 Minimum and over subscription

There is no minimum level of proceeds to be raised by us under our IPO. However, in order to comply with the public shareholding spread requirements of the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, we are required to have a minimum of 25% of our Shares for which listing is sought must be in the hands of a minimum of 1,000 public shareholders, each holding not less than 100 Shares upon our admission to the Main Market.

We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing. In such an event, we will return in full, without interest, all monies paid in respect of all Application. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

Upon completion of our IPO, our enlarged issued share capital would be as follows:

Details	No. of Shares	RM
Total number of Shares as at the date of this Prospectus	375,616,500	93,904,100
New Shares to be issued pursuant to the Public Issue	97,563,000	⁽¹⁾ [•]
Enlarged total number of Shares upon Listing	473,179,500	[•]
Offer for Sale	28,390,000	[•]
IPO Price		[•]
Pro forma NA per Share as at 30 June 2023 after the Acquisitions, Public Issue and the intended use of proceeds		[•]
Market capitalisation upon Listing based on our IPO Price and the enlarged total number of 473,179,500 Shares upon Listing		[•]

4. PARTICULARS OF OUR IPO (CONT'D)

Note:

- (1) Calculated based on the IPO Price and before deducting the estimated listing expenses of approximately RM[●] million which are directly attributable to our Public Issue.

As at the date of this Prospectus, we have only one class of shares, being ordinary shares, all of which rank equally amongst one another.

Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules.

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

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

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

Each shareholder presents either in person, by proxy, by attorney or by other duly authorised representative shall have one vote. On a poll, each shareholder presents either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price of RM[●] per IPO Share was determined and agreed upon between our Directors and our Promoters, together with MIDF Investment, being our Principal Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:

- (i) our EPS of 5.49 sen (based on the existing number of issued Shares of 375,616,500 Shares) for the FYE 2023 based on our PAT of RM20.62 million and 4.36 sen (based on the enlarged number of issued Shares of 473,179,500 Shares upon Listing) which translates into PE Multiple of [●] times and [●] times respectively;
- (ii) our detailed financial performance and operating history are outlined in Sections 12 and 7.1.2 of this Prospectus respectively;
- (iii) our competitive strengths, as outlined in Section 7.4 of this Prospectus, which are summarised as follows:
 - (a) proven track record of approximately 21 years as a manufacturer of beverages with a portfolio of established brands of beverages in the Sabah market;
 - (b) wide distribution network in place to provide customer convenience and accessibility;
 - (c) estimated 10% share of the bottled water market in Malaysia; and
 - (d) experienced Executive Directors and key management personnel.

4. PARTICULARS OF OUR IPO (CONT'D)

- (iv) our business strategies and prospects which include the expansion of manufacturing facilities, warehousing facilities, geographical markets and beverage products as outlined in Section 7.20 of this Prospectus;
- (v) overview and outlook of the industry in which our Group operates as described in Section 8 of this Prospectus; and
- (vi) our prevailing market conditions including among others, market performance of key global indices, domestic and foreign exchanges, and investors' sentiments.

You should also note that the market price of our Shares upon Listing is subject to market forces and other uncertainties which may affect the price of our Shares. You are reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.6 DILUTION

Dilution is the amount by which our IPO Price to be paid by applicants/subscribers and/or purchasers of our IPO Shares in our IPO exceeds our pro forma combined NA per Share after our IPO.

Our pro forma combined NA per Share as at 30 June 2023 before adjusting for the gross proceeds from our IPO and based on the issued share capital of 375,616,500 Shares was approximately RM0.25 per Share.

Pursuant to the Public Issue of 97,563,000 new Shares at our IPO Price of RM[●], our pro forma combined NA per Share as at 30 June 2023 (after adjusting for the gross proceeds and deducting the estimated listing expenses) based on the enlarged issued share capital upon our Listing, would have been approximately RM[●] per Share. This represents an immediate increase in the pro forma combined NA per Share of RM[●] per Share to our existing shareholders and an immediate dilution in the pro forma combined NA per Share of RM[●] per Share or [●]% to our new investors.

The following illustrates the dilution per Share as at 30 June 2023:

	<u>RM</u>
IPO Price	[●]
Pro forma NA per Share as at 30 June 2023 before our Public Issue	0.25
Pro forma NA per Share as at 30 June 2023 after the Acquisitions, Public Issue and the intended use of proceeds	[●]
Increase in the pro forma NA per Share attributable to existing shareholders	[●]
Dilution in the pro forma NA per Share to new investors	[●]
Dilution in the pro forma NA per Share to new investors as a percentage of our IPO Price	[●]%

Please refer to Section 12.5 of this Prospectus for further details of our Group's pro forma NA per Share as at 30 June 2023.

4. PARTICULARS OF OUR IPO (CONT'D)

4.6.1 Effective cost per Share

Save as disclosed below, there has been no acquisition of any of our Shares by our Promoters, substantial shareholders, Directors and/or Key Senior Management/ Key Technical Personnel or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares since our incorporation:

<u>Name</u>	<u>No. of Shares held after the Share Transfer but before our IPO</u>	<u>Total consideration (RM'000)</u>	<u>Average cost per Share (RM)</u>
<u>Promoters/ substantial shareholders/ Directors/ Key Senior Management/ Key Technical Personnel</u>			
Liaw Hen Kong	7,097,500	1,774	0.25
Chin Lee Ling	7,097,500	1,774	0.25
Tan Hwong Kuen	93,904,000	23,476	0.25
Lim Young Piau	93,904,000	23,476	0.25
<u>Substantial shareholder</u>			
Scarecrow Holding	173,613,300	[•]	[•]

4.7 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to approximately RM[•] million in the following manner:

<u>Details of use of proceeds</u>	<u>Estimated timeframe for use from the date of our Listing</u>	<u>RM'000</u>	<u>%</u>
Purchase of drinking water manufacturing line for Sandakan Sibuga Plant 2	Within 32 months	[•]	[•]
Set-up second distribution centre in Sandakan	Within 39 months	[•]	[•]
Expansion of existing plastic packaging facilities in Kota Kinabalu	Within 14 months	[•]	[•]
Working capital	Within 6 months	[•]	[•]
Estimated listing expenses	Within 3 months	[•]	[•]
Total		[•]	[•]

Moving forward, our strategy is to leverage on our core competency and strength as a manufacturer of drinking water and carbonated drinks to serve the Sabah market. We will continue to focus on our core competencies in beverage manufacturing with an objective of strengthening our market presence. Further details of our Group's business strategies and plans are set out in Section 7.20 of this Prospectus.

To support these strategies, the gross proceeds from the Public Issue of RM[•] million are expected to be utilised for the following purposes:

4.7.1 Purchase of drinking water manufacturing line for Sandakan Sibuga Plant 2

As part of our expansion plans in Sandakan, we intend to set-up one additional drinking water manufacturing plant in Sandakan by 2027.

In January 2023, we acquired a vacant land measuring 5.82 acres along Jalan Lintas Sibuga in Sandakan for RM3.87 million using internally generated funds and bank borrowings. We intend to construct a factory building i.e. Sandakan Sibuga Plant 2 with an estimated total built-up area of 50,000 sq. ft. comprising factory and office. The construction of Sandakan Sibuga Plant 2 is anticipated to commence by first half of 2025 and complete by second half of 2026.

4. PARTICULARS OF OUR IPO (CONT'D)

In addition, we plan to purchase 1 new drinking water manufacturing line comprising RO water system, PET blow moulding machine, rising, filling and capping machine, air conveyors, labelling machine, packing machine and palletising machine with an annual production capacity of 178 million litres.

The rationale of establishing an additional drinking water manufacturing line in Sandakan are as follows:

(i) Growing demand for our drinking water in Sandakan and Tawau Divisions of Sabah

Sales of our drinking water to customers in the Sandakan and Tawau Divisions of Sabah represented 18.18% (RM27.45 million) and 13.48% (RM20.36 million) of our total revenue in FYE 2023. Revenue for Sandakan and Tawau Divisions of Sabah grew a CAGR of 17.63% and 21.60% respectively between FYE 2021 and FYE 2023.

The following table depicts our revenue which were generated from sales of drinking water to customers located in Sandakan and Tawau Divisions of Sabah for the Financial Years Under Review:

Revenue from drinking water	FYE 2021		FYE 2022		FYE 2023	
	RM'000	* %	RM'000	* %	RM'000	* %
Sandakan Division ⁽¹⁾	19,840	19.16	21,399	17.63	27,451	18.18
Tawau Division ⁽²⁾	13,766	13.30	15,844	13.05	20,356	13.48

Notes:

* Proportion against total revenue of RM103.53 million, RM121.40 million and RM150.96 million for the FYE 2021, FYE 2022 and FYE 2023, respectively.

(1) Sandakan Division includes Sandakan, Telupid, Beluran, Kinabatangan, and Tongod districts.

(2) Tawau Division includes Lahad Datu, Semporna, Kunak and Tawau districts.

(ii) Increased production output and utilisation of our manufacturing facility in Sandakan.

Production output of drinking water at Sandakan Sibuga Plant 1 increased from 66.43 million litres in FYE 2021 to 72.24 million litres and 85.27 million litres in FYE 2022 and FYE 2023 respectively. The utilisation rates also increased from 62.13% in FYE 2021 to 72.99% in FYE 2023. Additionally, from 1 July 2023 up to the LPD, the utilisation rate of our Sandakan Sibuga Plant 1 increased to 85.66%.

The new drinking water manufacturing line is expected to be purchased by first half of 2026 and Sandakan Sibuga Plant 2 is expected to commence operations by first half of 2027.

The following table sets out the estimated cost of setting up the Sandakan Sibuga Plant 2 for the manufacturing of drinking water:

Set-up of drinking water manufacturing line at Sandakan Sibuga Plant 2	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Construction of factory building	9,000	-	(¹)9,000
Purchase of drinking water manufacturing line	[•]	[•]	-
Total estimated cost	[•]	[•]	9,000

4. PARTICULARS OF OUR IPO (CONT'D)

Note:

- (1) As at the LPD, we have secured a term loan amounting to RM6.57 million to fund the construction of factory building.

The total estimated cost of setting up Sandakan Sibuga Plant 2 is at RM[●] million. We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from the Public Issue to fund the abovementioned plans. The remaining RM9.00 million will be funded using internally generated funds and/or bank borrowings.

Please refer to Section 7.20.1(iii) of this Prospectus for further details.

4.7.2 Set-up second distribution centre in Sandakan

As part of our expansion plan, we intend to set-up a second distribution centre in Sandakan with a depot for storage of the fleet of delivery trucks i.e. Sandakan Sibuga DC 2 by 2027. In February 2023, we acquired a piece of land measuring 3.57 acres along Jalan Lintas Sibuga in Sandakan for RM4.00 million using bank borrowings. The said land is located directly next to Sandakan Sibuga DC 1 and in close proximity to our existing Sandakan Sibuga Plant 1.

We plan to construct a warehouse with an estimated built-up area of 70,000 sq. ft. which will serve as our distribution centre, and set-up a depot covering a floor area of 10,000 sq. ft. to park the fleet of delivery trucks. After obtaining the approval of land conversion, development plan and building plan, the construction of the warehouse is anticipated to commence by first half of 2026 and we expect to commence operations by second half of 2027.

Currently, our Sandakan Sibuga Plant 1 and Sandakan Sibuga DC 1 have an approximate built-up area of warehousing space of 35,069 sq ft and 46,962 sq ft, respectively. As at the LPD, this warehousing space is 100% utilised. Meanwhile, currently, our delivery trucks are parked at Sandakan Sibuga DC 1.

As our warehousing space at Sandakan Sibuga Plant 1 and Sandakan Sibuga DC 1 is fully utilised as at the LPD, and Sandakan Sibuga DC 2 will only be operational by second half of 2027, we will manage our warehousing needs in Sandakan between 2024 and 2027 by undertaking the following:

- transfer the carbonated drinks stock immediately after production from Sandakan Sibuga Plant 1 to KK IZ8 Plant 1 and Lahad Datu DC 2 for West Coast Division and Tawau Division market, respectively;
- reducing the storage period of PET preform stock level at Sandakan Sibuga Plant 1 from between 6 and 20 days to between 1 and 2 days, and increasing the quantity of PET preform transported from KK IZ8 Plant 1 to Sandakan Sibuga Plant 1 per trip from 16 pallets per trip to 20 pallets per trip by utilising larger delivery trucks and making 2 trips of delivery per day;
- installation of a 4-layer drive-in racking system, where pallets are stored on rack bays and are accessed by forklifts, in Sandakan Sibuga DC 1 by second half of 2024. Currently, Sandakan Sibuga DC 1 uses the block stacking method on 46,462 sq. ft. of floor space for storage of approximately 1,460 pallets of goods. The proposed 4-layer drive-in racking system will utilise only approximately 3,000 sq. ft. of floor space for storage of approximately 760 pallets of goods, thereby freeing up space for storage of more goods. The cost of the drive-in racking system is estimated to be approximately RM0.20 million, which will be funded using internally generated funds; and
- commencement of operations of Tawau DC by 2025.

As such, there will be no material impact or interruptions to our Group's business operations in the next 3 years.

4. PARTICULARS OF OUR IPO (CONT'D)

The following table sets out the estimated cost for the setting up of Sandakan Sibuga DC2:

Set-up of Sandakan Sibuga DC2	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Preliminaries ⁽¹⁾	[•]	[•]	-
Earthworks	[•]	[•]	-
Piling works	[•]	[•]	-
Building works for 70,000 sq. ft. covered warehousing building including mechanical and electrical works	[•]	[•]	-
External works including drainage, landscaping, fencing, road, and carpark	[•]	[•]	-
Total estimated cost	[•]	[•]	-

Note:

(1) Including insurance costs, temporary hoarding, water and electricity supply, cost of mobilisation and demobilisation of resources, and safety measure.

The total cost of setting-up Sandakan Sibuga DC2 is estimated at RM[•] million. We intend to allocate RM[•] million, representing approximately [•]% of the gross proceeds from the Public Issue to fund the abovementioned plans.

Please refer to Section 7.20.2(ii) of this Prospectus for further details.

4.7.3 Expansion of existing plastic packaging facilities in Kota Kinabalu

We plan to convert KK IZ8 Plant 1 into a dedicated manufacturing plant for our plastic packaging to support our beverage manufacturing operations by 2025.

Moving forward, we intend to purchase the following machinery/systems and install them at the Phase 2 building (i.e. a factory building which currently being used for the production of drinking water, and storage space for plastic resin and drinking water) of KK IZ8 Plant 1:

- Set up an automated warehouse racking system to automate the movement of raw materials and plastic packaging inventories by second half of 2025; and
- Purchase 1 unit of PET preform injection moulding machine to cater for the future production growth of 18g and 26g preforms by end of 2025.

In addition, once the construction of KK IZ8 Plant 2 is completed (i.e. by first half of 2025), we plan to relocate the drinking water line from KK IZ8 Plant 1 to KK IZ8 Plant 2.

(i) Automated warehouse racking system

We plan to set-up an automated warehouse racking system at our existing warehouse space in Phase 2 of KK IZ8 Plant 1 by the second half of 2025.

The rationale for setting up an automated warehouse racking system are as follows:

- **Smaller footprint and ability to maximise factory floor space**

Currently, we are using the block stacking method on approximately 50,000 sq. ft. of space for approximately 4,000 pallets. The block stacking method is where pallets are stacked on top of each other and tightly side-by-side.

The new automated warehouse racking system will only utilise half the floor space (approximately 25,600 sq. ft.) and have approximately the same capacity to accommodate approximately 3,500 pallets to 4,000 pallets.

With the floor space being freed up, we will be able to utilise the space for expansion of our operational facility. We plan to purchase and install 1 unit of 72-cavity PET preform injection moulding machine by the end of 2025 as mentioned below.

4. PARTICULARS OF OUR IPO (CONT'D)

- **Improve warehouse productivity and efficiency**

The automated warehouse racking system will be equipped with several four-way shuttle systems comprising of a series of conveyors and elevators. The shuttle system will improve our warehouse productivity in terms of pallet movement capacity by 25% as it will have the capacity to move approximately 1,050 pallets per day compared to the capacity of approximately 840 pallets per day, as at the LPD.

In addition, the automated warehouse racking system is able to detect errors and discrepancies and will be equipped with a Warehouse Management System (WMS) which enables real-time tracking of inventory levels and locations thereby leading to improved warehouse productivity and efficiency.

- **Reduce the amount of manpower for warehouse operations**

As at the LPD, we have 30 employees comprising storekeepers (responsible for stock count, movement and arrangement), forklift drivers (responsible for operating forklifts) and general workers (responsible for picking, packing, loading and unloading of goods) that are handling our warehouse operations at KK IZ8 Plant 1. With the set-up of the automated warehouse racking system, we are able to reduce the amount of manpower by approximately half of our manpower as at the LPD. The manpower can be transferred to meet the requirements of other functions and expansion of our Group. The automated warehouse racking system will have shuttle systems to transfer goods thereby reducing the requirements for forklifts and general workers for movement of goods. Additionally, with the Warehouse Management System (WMS), this would reduce the requirement of storekeepers for management of stocks.

The total estimated cost to set-up this system is RM[●] million which will be funded using IPO proceeds.

(ii) PET preform injection moulding machine

We plan to purchase 1 unit of 72-cavity PET preform injection moulding machine by the end of 2025. For this new 72-cavity machine, we plan to purchase a new 72-cavity 18g preform mould (for 330 ml bottles) and a new 72-cavity 26g preform mould (for 1500ml bottles), to be used interchangeably within the machine.

As at the LPD, we have 4 units of PET preform injection moulding machines, namely 2 units of 48-cavity machine, and 2 units of 72-cavity machine. The 48-cavity machine produces 48 preforms in every cycle of 20 to 30 seconds, while the 72-cavity machine produces 72 preforms in every 7 to 12.5 seconds.

As the 72-cavity machine has a larger capacity and shorter production time, we intend to purchase an additional 72-cavity machine as part of our future plans.

The rationale of purchasing another PET preform machine is due to its current utilisation rate of the machines that produces 18g and 26g PET preforms, and to cater for future production growth. This is as follows:

- (i) We are utilising one of our 72-cavity PET preform injection moulding machine to produce 26g PET preforms (for 1500ml bottles) with an annual production capacity (based on machine design) of 168.77 million pieces. In FYE 2023, we produced 124.48 million pieces of 26g PET preforms, thus the utilisation rate was 73.76%. This machine commenced operations in April 2019.
- (ii) We are utilising one of our 48-cavity PET preform injection moulding machines to produce 18g PET preforms (for 330ml bottles) with an annual production capacity (based on machine design) of 51.76 million pieces. In FYE 2023, we produced 33.30 million pieces of 18g PET preform and the utilisation rate was 64.34%. This said machine is approximately 9 years old.

4. PARTICULARS OF OUR IPO (CONT'D)

In view of the 73.76% utilisation rate of one of the two 72-cavity machines that we have and the 64.34% utilisation rate of the 48-cavity machine which is 9 years of age, we need to purchase one more unit of 72-cavity machine to cater for the future production growth of 18g and 26g PET preforms.

Meanwhile, the following is the utilisation of the other 2 machines:

- (i) We are using the other 72-cavity PET preform injection moulding machine to produce 11.5g PET preforms (for 500ml bottles) and 7.3g PET preforms (for 250ml bottles) with an annual production capacity (based on machine design) of 246.08 million pieces. In FYE 2023, we produced a total of 100.61 million pieces, including 11.5g and 7.3g PET preforms and the utilisation rate was 40.89%. This machine commenced operations in August 2022.
- (ii) The other 48-cavity PET preform injection moulding machine is no longer being used actively since FYE 2023 as its 13g mould (for 500ml bottles) that was used to produce PET preforms has been replaced by the 11.5g PET preforms with the commencement of the 72-cavity machine as mentioned in (i) above. This machine is approximately 10 years old. We plan to purchase a new mould for this machine to produce a new type of preform for 5700ml bottled. As at the LPD, we purchase the preform for 5700ml bottles from external suppliers.

The total estimated cost for the purchase of this machine and its associated equipment such as compressor, cooling tower and chiller is RM[●] million which will be fully funded using IPO proceeds.

The following table sets out the estimated cost to for the expansion of existing plastic packaging facilities at KK IZ8 Plant 1:

Expansion of existing plastic packaging facilities at KK IZ8 Plant 1	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Purchase and installation of automated warehouse racking system	[●]	[●]	-
Purchase of 1 unit of PET preform injection moulding machine and its ancillary equipment (including the mould)	[●]	[●]	-
Total estimated cost	[●]	[●]	-

The total cost to set-up a plastic packaging plant in KK IZ8 Plant 1 is estimated at RM[●] million. We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from the Public Issue to fund the abovementioned plans.

Please refer to Section 7.20.1(ii) of this Prospectus for further details.

4.7.4 Working capital

Our Group intends to allocate RM[●] million or [●]% of the gross proceeds raised from the Public Issue to supplement its working capital requirements. Our Group's working capital requirements are expected to increase in line with the growth in our Group's business operations.

Our general working capital is as follows:

Details	RM'000	%
Payment of utility expenses and other administration and operation related expenses	[●]	[●]
Payment of staff related expenses ⁽¹⁾ and other statutory contributions	[●]	[●]
Advertising and promotion activities ⁽²⁾ in Sabah, Sarawak and Brunei, mainly participation cost in exhibitions and branding marketing activities	[●]	[●]
Total	[●]	[●]

4. PARTICULARS OF OUR IPO (CONT'D)

Notes:

- (1) Includes staff salaries, sales commission, allowances, overtime, bonuses and other related expenses of our sales and marketing, warehouse as well as delivery/transportation employees.
- (2) Our Group's advertising and promotional expenses amounted to approximately RM1.22 million, RM1.81 million and RM1.44 million for the FYE 2021, FYE 2022 and FYE 2023, respectively.

Pending the receipt of the IPO proceeds, we may utilise our internally generated funds for the working capital requirements. When the IPO proceeds which have been allocated for the working capital requirements are received, we will use the proceeds allocated to replenish our internally generated funds.

In the event of a surplus/deficit in the allocated amount for working capital, such variance will be adjusted to/from the proceeds allocated for business expansion.

4.7.5 Estimated listing expenses

Our listing expenses are estimated to be approximately RM[●] million or [●]% of our IPO proceeds, details of which are as follows:

	RM'000
Professional fees ⁽¹⁾	[●]
Fees payable to authorities	[●]
Brokerage, underwriting and placement fees	[●]
Fees and expenses for printing, advertising and roadshow	[●]
Miscellaneous expenses and contingencies	[●]
Total	[●]

Note:

- (1) Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Company Secretaries.

Pending the receipt of the IPO proceeds, we may utilise our internally generated funds for the listing expenses. When the IPO proceeds which have been allocated for the listing expenses are received, we will use the proceeds allocated to replenish our internally generated funds.

In the event of a surplus/deficit in the allocated amount for estimated listing expenses, such variance will be adjusted to/from the proceeds allocated for business expansion.

We expect to utilise the proceeds allocated for listing expenses within 3 months from our Listing.

Pending the eventual use of proceeds raised from the Public Issue, the proceeds will be placed in interest-bearing short-term deposits or money market instruments with licensed financial institutions.

Our Company will not receive any proceeds from the Offer for Sale. Based on the IPO Price, the gross proceeds from the Offer for Sale of approximately RM[●] million will accrue entirely to the Selling Shareholders. The Selling Shareholders shall bear the entire incidental expenses and fees in relation to the Offer for Sale, amounting to RM[●] million.

The financial impact of the use of proceeds from our Public Issue is illustrated in the Pro Forma Combined Statements of Financial Position as at 30 June 2023 set out in Section 12.5 of this Prospectus.

4.8 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.8.1 Brokerage fee

We will pay brokerage in respect of our Issue Shares, at the rate of 1.00% (exclusive of applicable tax) of our IPO Price in respect of successful applicants which bear the stamp of either the participating organisations of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

Our Placement Agent is entitled to charge brokerage commission to successful applicants under the private placement to selected investors. For avoidance of doubt, such brokerage commission will be paid by successful applicants under the private placement to selected investors and will not be borne by us nor the Selling Shareholders.

4. PARTICULARS OF OUR IPO (CONT'D)

4.8.2 Underwriting commission

We have entered into the Underwriting Agreement with MIDF Investment, our Underwriter for the underwriting of 37,855,000 Issue Shares (“**Underwritten Shares**”). We will pay an underwriting commission of [●]% (exclusive of any applicable tax) of the total value of the Underwritten Shares.

4.8.3 Placement fee

Our Placement Agent has agreed to place out 28,950,000 IPO Shares to selected investors and 59,148,000 Issue Shares to identified Bumiputera investors approved by the MITI. Our Company will pay a placement fee of up to [●]% of the total value of IPO Shares successfully placed out by our Placement Agent.

The Selling Shareholders will bear the placement fee for the 28,390,000 Offer Shares.

4.9 SALIENT TERMS OF THE UNDERWRITING ARRANGEMENT

Pursuant to the Underwriting Agreement entered on [●], our Underwriter has agreed to manage the Underwritten Shares on the terms and conditions as set out in the Underwriting Agreement.

The following are the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

[●].

4.10 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to establish liquidity for our Shares by the listing of and quotation for our entire ordinary shares on the Main Market of Bursa Securities;
- (ii) to enable us to access the equity capital market and to provide us the financial flexibility to pursue growth opportunities;
- (iii) to raise funds for the purposes as set out in Section 4.7 of this Prospectus;
- (iv) to enable our Group to gain recognition through our listing status and further enhance our corporate reputation and brand name which is aimed at expanding our customer base; and
- (v) to provide an opportunity for the Malaysian Public, our eligible Directors, employees as well as persons who have contributed to the success of our Group to participate in our equity.

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