

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The following historical combined financial information for the Financial Years Under Review have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

The historical combined financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.3 of this Prospectus and our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus. Our historical combined financial statements have been prepared in accordance with MFRS and IFRS. Our audited combined financial statements for the Financial Years Under Review were not subject to any audit qualifications, modification and disclaimer.

12.1.1 Combined Statements of Profit or Loss and Other Comprehensive Income

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	103,525	121,400	150,962
Less: Cost of sales	(55,732)	(69,656)	(85,816)
GP	47,793	51,744	65,146
Other income	920	1,340	909
Net gain/ (loss) on impairment of financial instruments	218	270	(56)
Selling and distribution expenses	(17,464)	(20,604)	(24,474)
Administrative expenses	(10,861)	(12,880)	(14,580)
Profit from operations	20,606	19,870	26,945
Finance costs	(1,574)	(2,286)	(2,712)
PBT	19,032	17,584	24,233
Tax expense	(1,371)	(1,847)	(3,612)
PAT	17,661	15,737	20,621
EBIT ⁽¹⁾	20,305	19,570	26,544
EBITDA ⁽¹⁾	27,264	28,070	36,181
GP margin (%) ⁽²⁾	46.17	42.62	43.15
PBT margin (%) ⁽³⁾	18.38	14.48	16.05
PAT margin (%) ⁽³⁾	17.06	12.96	13.66
EPS (sen) ⁽⁴⁾	4.70	4.19	5.49
Diluted EPS (sen) ⁽⁵⁾	3.73	3.33	4.36

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT	17,661	15,737	20,621
Less:			
Interest income	(301)	(300)	(401)
Add:			
Finance cost	1,574	2,286	2,712
Tax expense	1,371	1,847	3,612
EBIT	20,305	19,570	26,544
Add:			
Depreciation	6,959	8,500	9,637
EBITDA	27,264	28,070	36,181

12. FINANCIAL INFORMATION (CONT'D)

- (2) Calculated based on GP divided by revenue.
- (3) PBT margin and PAT margin are calculated based on the respective PBT and PAT for the Financial Years Under Review divided by revenue.
- (4) Calculated based on PAT divided by our issued share capital of 375,616,500 Shares in issue before IPO.
- (5) Calculated based on PAT divided by our enlarged issued share capital of 473,179,500 Shares in issue after IPO.

12.1.2 Combined Statements of Financial Position

	Audited		
	As at 30 June		
	2021	2022	2023
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	41,935	62,822	67,663
Right-of-use assets	23,180	22,353	29,661
Deferred tax assets	159	80	89
Total non-current assets	65,274	85,255	97,413
Current assets			
Inventories	13,241	25,040	20,394
Trade receivables and other receivables	15,689	22,880	24,542
Current tax assets	1,086	2,565	1,570
Return assets	98	114	156
Short term funds	17,408	13,478	18,100
Cash and bank balances	6,485	9,859	11,615
Total current assets	54,007	73,936	76,377
Total assets	119,281	159,191	173,790
Equity			
Invested equity	6,600	6,600	6,700
Retained earnings	53,035	67,572	87,194
Total equity	59,635	74,172	93,894
Non-current liabilities			
Borrowings	30,926	43,540	48,665
Lease liabilities	5,634	3,007	2,122
Deferred tax liabilities	427	159	574
Total non-current liabilities	36,987	46,706	51,361
Current liabilities			
Trade and other payables	10,948	12,769	10,086
Borrowings	7,835	22,843	16,262
Lease liabilities	3,575	2,031	1,770
Refund liabilities	139	152	205
Current tax liabilities	162	518	212
Total current liabilities	22,659	38,313	28,535
Total liabilities	59,646	85,019	79,896
Total equity and liabilities	119,281	159,191	173,790

12. FINANCIAL INFORMATION (CONT'D)**12.1.3 Historical combined statements of cash flows**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cash flows from operating activities			
PBT	19,032	17,584	24,233
Adjustments for:			
Amortisation of government grant	(36)	(36)	(53)
Inventories written off	176	11	11
Bad debts written off	78	98	98
Depreciation of right-of-use assets	3,636	3,368	2,545
Depreciation of property, plant and equipment	3,323	5,132	7,092
Finance costs	1,574	2,286	2,712
Interest income	(301)	(300)	(401)
Impairment loss on trade receivables	-	51	91
Reversal of impairment loss on trade receivables	(218)	(321)	(35)
(Gain)/Loss on disposal of property, plant and equipment	(6)	(112)	8
Gain on lease modification	(3)	-	-
Gain on lease termination	-	-	*
Unrealised loss/(gain) on foreign exchange	9	-	(32)
Fair value (gain)/loss on short term funds	(299)	60	(46)
Operating profit before working capital changes	26,965	27,821	36,223
Changes in working capital:			
Inventories	(2,944)	(11,811)	4,635
Trade and other receivables	(1,994)	(7,018)	(1,758)
Trade and other payables	(113)	1,817	(2,960)
Return assets	(1)	(15)	(42)
Refund liabilities	12	12	53
Cash generated from operations	21,925	10,806	36,151
Interest received	248	262	361
Tax refunded	85	13	1,124
Tax paid	(3,709)	(3,174)	(3,639)
Net cash from operating activities	18,549	7,907	33,997
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	6	116	51
Purchase of property, plant and equipment	(15,800)	(24,605)	(11,940)
Purchase of right-of-use assets	(135)	(3,275)	(1,854)
Net (placement)/withdrawal of short term fund	(12,476)	3,869	(4,576)
Withdrawal of fixed deposits	-	-	570
Net cash (used in)/from investing activities	(28,405)	(23,895)	(17,749)

12. FINANCIAL INFORMATION (CONT'D)

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cash flows from financing activities			
Government grant received	240	-	303
Net (repayments)/drawdown of bankers' acceptance	(631)	12,315	(7,018)
Net drawdowns/(repayments) of term loans	16,732	15,380	(1,638)
Net repayments of lease liabilities	(3,087)	(4,867)	(2,121)
Interest paid	(1,610)	(2,231)	(2,704)
Dividends paid to shareholders	(2,500)	(1,200)	(1,000)
Issuance of ordinary shares	400	*	100
Net cash from/(used in) financing activities	9,544	19,397	(14,078)
Net (decrease)/ increase in cash and cash equivalents	(312)	3,409	2,170
Effect of foreign exchange rates changes on cash and cash equivalents	(9)	-	-
Cash and cash equivalents at beginning of financial years	4,475	4,154	7,563
Cash and cash equivalents at end of financial years	4,154	7,563	9,733

Note:

* Negligible.

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) Based on the latest unaudited financial information as at 31 October 2023; and
(ii) After adjusting for the effects of Acquisitions, IPO and utilisation of proceeds.

	<u>Unaudited</u> As at 31 October 2023 RM'000	<u>As adjusted</u> After our IPO, Listing and Use of IPO Proceeds RM'000
Borrowings		
Current		
<i>Secured and guaranteed</i>		
Bank overdrafts	251	251
Trade financing	11,248	11,248
Term loans	6,651	6,651
	18,150	18,150
Non-current		
<i>Secured and guaranteed</i>		
Term loans	46,906	46,906
Total borrowings	65,055	65,055
Current		
<i>Unsecured and unguaranteed</i>		
Lease liabilities owing to non-financial institutions	82	82
<i>Secured and guaranteed</i>		
Lease liabilities owing to financial institutions	1,676	1,675
	1,758	1,758
Non-current		
<i>Unsecured and unguaranteed</i>		
Lease liabilities owing to non-financial institutions	166	166
<i>Secured and guaranteed</i>		
Lease liabilities owing to financial institutions	1,354	1,354
	1,520	1,520
Total indebtedness	68,333	68,333
Total equity/capitalisation	107,537	⁽¹⁾ [•]
Total capitalisation and indebtedness	175,871	[•]

Note:

- ⁽¹⁾ Calculated after taking into account our IPO based on the IPO Price and the estimated listing expenses

12. FINANCIAL INFORMATION (CONT'D)

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Accountants' Report and related notes as set out in Section 13 of this Prospectus.

12.3.1 Overview of our business operations

We are principally a manufacturer of beverages namely drinking water and carbonated drinks. We mainly manufacture our own brand of beverages. We also carry out contract manufacture of drinking water under private labels. A small proportion of our Group's revenue is contributed by sales of other products including plastic bottles, plastic containers and battery water.

Please refer to Section 7 of this Prospectus for further information about our business activities.

12.3.2 Segmental analysis by revenue

As a manufacturer of beverages, our main revenue is derived from the manufacture of drinking water and carbonated drinks. Our other revenue is derived from sales of other products including plastic bottles, plastic containers and battery water. For the Financial Years Under Review, all of our revenue was transacted in RM.

Our revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Our total revenue increased at a CAGR of 20.76% between FYE 2021 and FYE 2023 from RM103.53 million in FYE 2021 to RM150.96 million in FYE 2023.

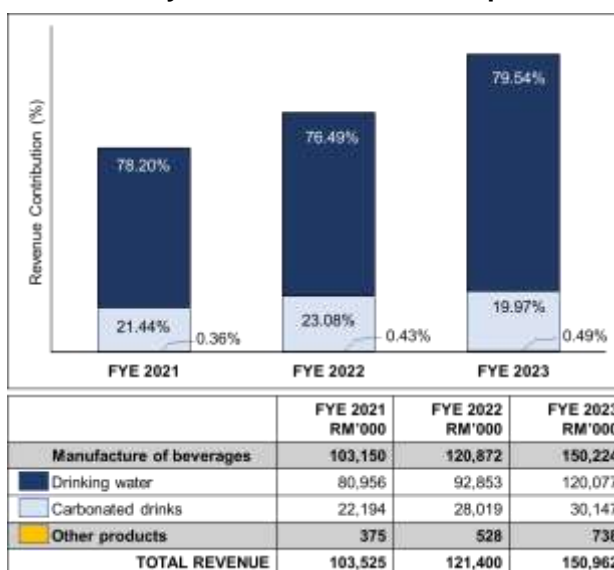
The growth was contributed by the overall increase in revenue from the manufacture of beverages and other products.

Our revenue from the manufacture of beverages accounted for 99.64% (RM103.15 million), 99.57% (RM120.87 million) and 99.51% (RM150.22 million) of our total revenue for FYE 2021, FYE 2022, and FYE 2023 respectively.

Revenue from other products accounted for 0.36% (RM0.38 million), 0.43% (RM0.53 million) and 0.49% (RM0.74 million) of our total revenue for FYE 2021, FYE 2022, and FYE 2023 respectively.

Within the beverages segment, sales of drinking water accounted for 78.20% (RM80.96 million), 76.49% (RM92.85 million) and 79.54% (RM120.08 million) of our total revenue for FYE 2021, FYE 2022, and FYE 2023 respectively. The increase in our Group's revenue was mainly contributed by revenue from the sales of drinking water which increased at a CAGR of 21.78% between FYE 2021 and FYE 2023. This was mainly driven by the increase in sales volume of drinking water which grew at a CAGR of 16.28% between FYE 2021 and FYE 2023 from 167.63 million bottles in FYE 2021 to 226.64 million bottles in FYE 2023. The increase in sales volume between FYE 2021 and FYE 2023 was mainly contributed by an increase in demand of drinking water from our major customers, namely retailers partly due to an increase in the number of our customer's retail outlets, coupled with securing sales from new customers.

Revenue by business activities and products



12. FINANCIAL INFORMATION (CONT'D)

We mainly market our drinking water under our two main brands, namely “Sasa” and “K2”. For the FYE 2023, sales of our own brands of drinking water accounted for RM117.14 million or 77.60% of our total revenue. In FYE 2023, sales of “Sasa” and “K2” brands of drinking water collectively accounted for RM64.82 million or 42.94% and RM51.33 million or 34.00% of our total revenue respectively. Meanwhile, our other brands of drinking water namely “Sabah Water” and “Al-Nafura” collectively only accounted for RM0.99 million which represented less than 0.66% of our total revenue in FYE 2023. As at the LPD, we have discontinued the “Al-Nafura” brand of drinking water to focus on our main brands.

Within drinking water subsegment, we also carry out contract manufacture of drinking water under private labels for petrol stations, hypermarkets, wholesalers and hotels. Revenue derived from sales of private label drinking water accounted for 1.17% (RM1.21 million), 2.01% (RM2.45 million) and 1.94% (RM2.93 million) of our total revenue in for FYE 2021, FYE 2022 and FYE 2023.

Carbonated drinks are the second largest revenue contributor within our beverages segment. We manufacture carbonated drinks under our own brand namely “2more” for flavoured carbonated drinks and “TRITONiC” for isotonic drinks. Revenue from carbonated drinks accounted for 21.44% (RM22.19 million), 23.08% (RM28.02 million) and 19.97% (RM30.15 million) of our total revenue for FYE 2021, FYE 2022, and FYE 2023 respectively. The increase in our Group’s revenue was also contributed by revenue derived from carbonated drinks which increased at a CAGR of 16.55% between FYE 2021 and FYE 2023.

We primarily serve the market in Sabah, Malaysia where revenue from customers in this said market accounted for 98.77% (RM102.26 million), 98.76% (RM119.89 million) and 98.72% (RM149.03 million) of total revenue for the FYE 2021, FYE 2022, and FYE 2023 respectively. This is followed by Sarawak and Labuan, which cumulatively accounted for 1.23% (RM1.27 million), 1.24% (RM1.51 million) and 1.28% (RM1.93 million) of our total revenue for the FYE 2021, FYE 2022, and FYE 2023 respectively.

Please refer to Section 12.3.2(i) of this Prospectus for the year-on-year analysis of revenue by business activities and products.

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12. FINANCIAL INFORMATION (CONT'D)**(i) Revenue by business activities and products**

The table below sets out the breakdown of our total revenue by business activities and products:

Revenue	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Manufacturing of beverages	103,150	99.64	120,872	99.57	150,224	99.51
Drinking water	80,956	78.20	92,853	76.49	120,077	79.54
Carbonated drinks ⁽¹⁾	22,194	21.44	28,019	23.08	30,147	19.97
Other products	375	0.36	528	0.43	738	0.49
Plastic bottles and containers	358	0.32	493	0.40	709	0.47
Battery water	17	0.02	35	0.03	29	0.02
Total	103,525	100.00	121,400	100.00	150,962	100.00

Note:

- (1) Includes a small proportion of revenue from fruit drinks of 0.17% (RM0.21 million) of our total revenue in FYE 2022. No revenue for fruit drinks were recorded for the FYE 2021 and FYE 2023.

The table below sets out the sales volume for our beverages:

	FYE 2021	FYE 2022	FYE 2023
	Sales volume (million bottles)	Sales volume (million bottles)	Sales volume (million bottles)
Manufacturing of beverages			
Drinking water	167.63	183.62	226.64
Carbonated drinks ⁽¹⁾	33.54	41.02	37.21

Note:

- (1) Includes a small proportion of sales volume from fruit drinks of 0.18 million bottles in FYE 2022. No sales volume for fruit drinks were recorded for the FYE 2021 and FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Revenue by geographical markets**

The table below sets out the breakdown of our total revenue by geographical markets:

Revenue	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Sabah	102,256	98.77	119,893	98.76	149,032	98.72
West Coast Division	35,459	34.25	42,393	34.92	53,376	35.36
Sandakan Division	26,268	25.37	28,718	23.66	35,601	23.58
Tawau Division	21,414	20.69	25,880	21.32	31,701	21.00
Interior Division	11,409	11.02	13,198	10.87	17,101	11.33
Kudat Division	7,706	7.44	9,704	7.99	11,253	7.45
Other markets⁽¹⁾	1,269	1.23	1,507	1.24	1,930	1.28
Total	103,525	100.00	121,400	100.00	150,962	100.00

Note:

(1) Includes Federal Territory of Labuan and Sarawak.

(iii) Commentary on revenue**(a) FYE 2022 compared to FYE 2021**

Our total revenue increased by 17.27% or RM17.87 million from RM103.53 million in FYE 2021 to RM121.40 million in FYE 2022. This was due to the overall increase in revenue from sales of drinking water, carbonated drinks and other products, as follows:

Drinking water

In FYE 2022, revenue from the sales of drinking water increased by 14.70% or RM11.90 million driven mainly by the following:

- Increase in revenue from our brands of drinking water by 13.37% or RM10.67 million contributed mainly by an increase in sales orders and volume of "Sasa" and "K2" brands of drinking water. Sales orders for "Sasa" increased by 14.06% or RM6.13 million to RM 49.73 million while "K2" increased by 16.00% or RM5.50 million to RM 39.88 million respectively (FYE 2021: RM43.60 million for "Sasa" and RM34.38 million for "K2"). Meanwhile, sales volume of "Sasa" and "K2" brands collectively increased from 161.30 million bottles for FYE 2021 to 176.69 million bottles for FYE 2022. The increase in sales volume was due to a combination of increased orders from existing customers as well as new orders from new customers. This was largely contributed from our major customer namely Bataras Group which represented 14.41% of the total drinking water sales volume growth in FYE 2022, partly due to our commencement of sales to Bataras Group's 8 new outlets in FYE 2022.

We also recorded increased sales volume to other major customers, namely Eco Water, Sabanah Group, MU Group and Tan Tong Guan Sdn Bhd, which cumulatively represented 28.21% of the total drinking water sales volume growth in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

The overall increase in sales volume for drinking water was partly contributed by our increased sales and marketing activities in FYE 2022 with the increase of 6 personnel in our sales and marketing team, and increased advertisement and promotional expenses by 48.32% or RM0.59 million in FYE 2022. Some of the sales and marketing activities that we carried out in FYE 2022 includes official drinks sponsor for events such as running events, marathons, sports competition, festivals, carnivals as well as school and corporate events.

- Increase in the selling price of 1,500ml, 500ml and 230ml packaging of drinking water by an average of approximately 6% mainly due to increment in average purchase price of plastic resin by 52.78% in FYE 2022.

Carbonated drinks

In FYE 2022, revenue from the sales of carbonated drinks grew by 26.25% or RM5.83 million driven mainly by the following:

- Increase in sales orders of our brands namely “2more” flavoured carbonated drinks by 24.46% or RM4.96 million to RM25.22 million while “TRITONiC” isotonic drinks by 34.20% or RM0.66 million to RM2.59 million (FYE 2021: RM20.26 million for “2more” and RM1.93 million for “TRITONiC”). Similarly, sales volume also increased for “2more” and “TRITONiC” brands collectively from 33.54 million bottles for FYE 2021 to 40.84 million bottles for FYE 2022. The increase in sales volume was mainly due to the increased orders from existing customers. This was largely contributed from our major customer namely Bataras Group which represented 42.08% of the total carbonated drinks sales volume growth in FYE 2022, partly due to our commencement of sales to Bataras Group’s new 8 outlets in FYE 2022. We also recorded increased sales volume to other major customers such as Sabahah Group, Mu Group, Eco Water, Tan Tong Guan Sdn Bhd and ST Food Sdn Bhd which cumulatively represented 9.75% of the total carbonated drinks sales volume growth in FYE 2022. This was partly attributed to increased sales and marketing activities in FYE 2022, as mentioned above.
- Increase in the selling price of 330ml and 1,250ml packaging of carbonated drinks by an average of approximately 5%. The increment in the selling price was mainly due to the increase in average purchase price of plastic resin by 52.78%, certain artificial flavourings by 8% and artificial sweetener by 25% in FYE 2022.

Other products

Revenue from the sales of other products recorded an increase of 40.80% or RM0.15 million in FYE 2022. This was mainly contributed by the increase in sales of plastic bottles and containers by RM0.13 million to customers who were mainly food and condiment manufacturers as well as food trading companies. This was partly contributed by the increase in sales volume of plastic containers coupled with the increase in selling price of plastic bottles by an average of approximately 7%, in view of the increase in plastic resin prices, as mentioned above.

Geographical markets

In terms of geographical markets, Sabah is our main market which grew by 17.25% or RM17.64 million in FYE 2022. This was mainly contributed by the following:

12. FINANCIAL INFORMATION (CONT'D)

- Increase in revenue of drinking water from the Sabah market by RM11.69 million in FYE 2022 where West Coast Division, Interior Division, Sandakan Division, Kudat Division and Tawau Division contributed an increase of RM5.11 million, RM2.08 million, RM1.56 million, RM1.49 million and RM1.45 million respectively. This was mainly attributed to the increase in sales volume from existing customers and orders from new customers, coupled with the increment in selling prices of drinking water in FYE 2022, as mentioned above; and
- Increase in revenue of carbonated drinks from the Sabah market by RM5.79 million in FYE 2022 where Tawau Division, West Coast Division and Sandakan Division contributed the largest increases by RM2.36 million, RM1.83 million and RM0.81 million respectively. This was mainly attributed to the increase in sales volume from existing customers, coupled with the increment in selling prices for carbonated drinks in FYE 2022, as mentioned above.

In addition, our total revenue was also contributed by the increase in revenue from other markets by 18.75% or RM0.24 million. This was mainly contributed by Sarawak market attributed by the increase in revenue of drinking water by RM0.18 million. This was mainly driven by the increase in sales volume from existing customers.

(b) FYE 2023 compared to FYE 2022

Our total revenue increased by 24.35% or RM29.56 million from RM121.40 million in FYE 2022 to RM150.96 million. This was due to the overall increase in revenue from sales of drinking water, carbonated drinks and other products, as follows:

Drinking water

In FYE 2023, revenue from the sales of drinking water increased by 29.32% or RM27.22 million driven mainly by the following:

- Increase in revenue from our brands of drinking water by 29.57% or RM26.74 million largely due to an increase in sales orders and volume of “Sasa” and “K2” brands of drinking water. Sales orders for “Sasa” increased by 30.35% or RM15.09 million to RM64.82 million while “K2” increased by 28.70% or RM11.45 million to RM 51.33 million (FYE 2022: RM49.73 million for “Sasa” and RM39.88 million for “K2”). Meanwhile, sales volume of “Sasa” and “K2” brands collectively increased from 176.69 million bottles for FYE 2022 to 219.24 million bottles for FYE 2023. The increase in sales volume was due to a combination of increased orders from existing customers as well as orders from new customers. We recorded increased sales volume to our major customers namely Bataras Group, Eco Water and Mu Group, which cumulatively represented 14.43% of the total drinking water sales volume growth in FYE 2023. The increase in sales to Bataras Group was partly due to the commencement of sales to Bataras Group’s 4 new outlets in FYE 2023.

In addition, we secured 547 new customers in FYE 2023 which contributed sales volume of 11.13 million bottles or representing 25.88% of the total drinking water sales volume growth in FYE 2023. There were increased efforts by our sales team to conduct proactive visits to potential customers to secure new sales in FYE 2023.

- Increase in the selling price of drinking water of 1,500ml, 500ml and 230ml packaging by an average of approximately 8% mainly due to increment in average purchase price of plastic resin by 52.78% in FYE 2022 and imposition of the minimum wage in May 2022.

12. FINANCIAL INFORMATION (CONT'D)**Carbonated drinks**

In FYE 2023, revenue from the sales of carbonated drinks grew by 7.59% or RM2.13 million driven mainly by the following:

- Increase in revenue of “2more” flavoured carbonated drinks by 6.45% or RM1.63 million to RM26.85 million in FYE 2023 (FYE 2022: RM25.22 million). This was mainly due to the increase in the selling price of “2more” flavoured carbonated drinks by an average of approximately 17% in FYE 2023. The increment in the selling price was mainly due to the increase in the cost of plastic resin, flavourings and sugar coupled with the increase in minimum wages in May 2022. The average purchase price of plastic resin increased 52.78% in FYE 2022, while the average purchase price of certain artificial flavouring, artificial sweeteners and coarse sugar increased by 6%, 49%, and 16% in FYE 2023 respectively. Meanwhile, the sales volume of “2more” flavoured carbonated drinks decreased from 36.90 million bottles for FYE 2022 to 32.94 million bottles in FYE 2023. The decrease in sales volume was partly due to the increase in our selling prices for carbonated drinks.
- Increase in revenue of “TRITONiC” isotonic drinks by 27.54% or RM0.71 million to RM3.30 million in FYE 2023 (FYE 2022: RM2.59 million). This was due to the increase in sales volume and selling price in FYE 2023. Sales volume of “TRITONiC” isotonic drinks increased from 3.94 million bottles in FYE 2022 to 4.27 million bottles in FYE 2023. Similarly, selling price of “TRITONiC” isotonic drinks increased by an average of approximately 17% in FYE 2023 due to increase in material costs, as explained above.

Other products

Revenue from the sales of other products recorded an increase of 39.77% or RM0.21 million in FYE 2023. This was mainly contributed by the increase in the sales of plastic bottles and containers by RM0.22 million to customers who were mainly food and condiment manufacturers as well as food trading companies. This was partly contributed by the increase in sales volume of plastic bottles from 0.44 million bottles in FYE 2022 to 0.65 million bottles in FYE 2023, coupled with the increase in selling price of plastic bottles by an average of approximately 39%, in view of the increase in plastic resin prices, as mentioned above. This was offset by a decrease in sales of battery water by RM0.01 million.

Geographical markets

In terms of geographical markets, Sabah is our main market which grew by 24.30% or RM29.14 million in FYE 2023. This was mainly contributed by the following:

- Increase in revenue of drinking water from the Sabah market by RM26.84 million in FYE 2023 where West Coast Division, Sandakan Division, Tawau Division, Interior Division and Kudat Division contributed an increase of RM11.03 million, RM6.05 million, RM4.51 million, RM3.90 million and RM1.34 million respectively. This was mainly attributed to the increase in sales volume from existing customers and orders from new customers, coupled with the increment in selling prices of drinking water in FYE 2023, as mentioned above; and
- Increase in revenue of carbonated drinks to Sabah market by RM2.09 million in FYE 2023 where Tawau Division and Sandakan Division contributed the largest increases by RM1.33 million and RM0.61 million respectively. This was mainly due to the increase in selling prices of carbonated drinks in FYE 2023, as mentioned above.

12. FINANCIAL INFORMATION (CONT'D)

In addition, our total revenue was also contributed by the increase in revenue from other markets by 28.07% or RM0.42 million. This was mainly attributed to the increase in revenue of drinking water from Labuan and Sarawak market by RM0.26 million and RM0.13 million respectively. This was mainly driven by the increase in sales volume from existing customers.

12.3.3 Segmental analysis by cost of sales**(i) Cost of sales by compositions**

The table below sets out the breakdown of our cost of sales by compositions:

Cost of sales	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Material costs	37,704	67.65	49,559	71.15	61,096	71.20
Plastic bottles and packaging material costs	25,101	45.04	35,410	50.84	44,159	51.46
Beverage input material costs ⁽¹⁾	5,821	10.44	6,389	9.18	7,490	8.73
Others ⁽²⁾	6,782	12.17	7,751	11.13	9,447	11.01
Direct overhead costs	13,233	23.75	14,193	20.37	17,552	20.45
Depreciation costs	5,743	10.30	7,169	10.29	8,088	9.42
Electricity costs	4,402	7.90	4,775	6.85	5,859	6.83
Others ⁽³⁾	3,088	5.55	2,248	3.23	3,606	4.20
Direct labour costs	4,795	8.60	5,904	8.48	7,168	8.35
Total	55,732	100.00	69,656	100.00	85,816	100.00

Notes:

- (1) Includes flavourings and food ingredients, payment for public water supply (including water used for general purposes) and liquid carbon dioxide.
- (2) Includes SST expenses paid by manufacturing entities, cost of consumables, and freight and handling charges.
- (3) Includes repair and maintenance costs, insurance costs, testing and quality control expenses, and fuel and oil costs.

(ii) Cost of sales by business activities and products

The table below sets out the breakdown of our cost of sales by business activities and products:

Cost of sales	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Manufacturing of beverages	55,528	99.63	69,319	99.52	85,287	99.38
Drinking water	43,066	77.27	52,683	75.64	67,307	78.43
Carbonated drinks ⁽¹⁾	12,462	22.36	16,636	23.88	17,980	20.95
Other products	204	0.37	337	0.48	529	0.62
Plastic bottles and containers	195	0.35	317	0.46	511	0.60
Battery water	9	0.02	20	0.02	18	0.02
Total	55,732	100.00	69,656	100.00	85,816	100.00

12. FINANCIAL INFORMATION (CONT'D)**Note:**

- (1) Includes a small proportion of cost to produce fruit drinks in FYE 2022.

(a) Material costs

Material costs mainly consists of costs of input materials for plastic bottles such as plastic resins and PET preforms, labelling and packaging materials such as stretch and shrink films, paper cartons, bottle caps, labels and stickers, plastic cups, and straws as well as input materials for beverage products such as flavourings and food ingredients, public water supply and liquid carbon dioxide. It also includes SST expenses paid by manufacturing entities, cost of consumables, and freight and handling charges for the purchase of materials.

Material costs constituted the largest component in our cost of sales which accounted for 67.65% (RM37.70 million), 71.15% (RM49.56 million) and 71.20% (RM61.10 million) of our total cost of sales for the FYE 2021, FYE 2022 and FYE 2023 respectively.

For FYE 2022, our material costs increased by 31.44% or RM11.86 million which was in line with the increase in our revenue by 17.27% or RM17.87 million as a result of the overall increase in sales of drinking water, carbonated drinks and other products. The increase in material costs was partially due to the increase in the prices of some of our major input materials such as plastic resin for the production of bottles, and flavourings for carbonated drinks. Our average purchase price for plastic resin increased by 52.78% from RM3.24/kg in FYE 2021 to RM4.95/kg in FYE 2022. Prices of plastic resin, which is a by-product of petrochemicals, increased when crude oil prices spiked in 2022 amidst the conflict between Russia and Ukraine causing disruption in supply. Additionally, our purchase prices of certain flavourings also increased in FYE 2022 from an average increment of 8% from an average of approximately RM52/kg in FYE 2021 to an average of approximately RM56/kg for certain artificial flavourings and an increment of 25% from RM165/kg in FYE 2021 to RM207/kg in FYE 2022 for artificial sweetener. The increase in purchase price of artificial flavourings and artificial sweeteners in FYE 2022 was partly due to the supplier's higher input costs and supply chain disruptions, as well as effects of foreign exchange appreciation as some of our flavourings are purchased from Singapore and denominated in SGD.

For FYE 2023, our material cost increased by 23.28% or RM11.54 million which was in line with the increase in our revenue by 24.35% or RM29.56 million as a result of the overall increase in sales of drinking water, carbonated drinks and other products. The increase in material costs was partially due to the increase in prices of some of our major input materials for carbonated drinks such as sugar and flavourings. Our average purchase price for coarse sugar increased by 16.31% from RM2.82/kg in FYE 2022 to RM3.28/kg in FYE 2023. Additionally, our purchase prices of certain flavourings also increased in FYE 2023 from an average increment of 6% from an average of approximately RM49/kg in FYE 2022 to an average of approximately RM52/kg in FYE 2023 for certain artificial flavourings and an increment of 49% for artificial sweetener from RM207/kg in FYE 2022 to RM308/kg in FYE 2023. The increase in prices of artificial sweeteners due to higher demand for sugar substitutes. Additionally, the increase in purchase price of certain artificial flavourings and coarse sugar was partly due to the supplier's higher input costs and supply chain disruptions, as well as effects of foreign exchange appreciation as some of our flavourings are purchased from Singapore and denominated in SGD.

(b) Direct overhead costs

Direct overhead costs comprise depreciation of property, plant and equipment ("PPE") for our manufacturing operations, depreciation of right-of-use assets, electricity costs, repair and maintenance costs, insurance costs, testing and quality control expenses, and fuel and oil costs.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2022, our direct overhead costs increased by 7.25% or RM0.96 million mainly due to the increase in depreciation of PPE for our manufacturing operations by RM1.77 million mainly due to the purchase of a new drinking water manufacturing line at KK IZ8 Plant 1 as well as upgrade of the existing drinking water line at Sandakan Sibuga Plant 1. The increase was partially offset by the decrease in repair and maintenance costs by RM0.93 million in FYE 2022. The lower repair and maintenance costs in FYE 2022 compared to FYE 2021 was mainly due to the scheduling of major maintenance works every 2 years and this was conducted in FYE 2021 and FYE 2023.

For FYE 2023, our direct overhead costs increased by 23.67% or RM3.36 million, mainly due to the increase in depreciation of PPE for our manufacturing operations by RM1.66 million attributed largely to the additional machines for the drinking water manufacturing line at KK IZ8 Plant 1, upgrade of existing drinking water manufacturing line at Sandakan Sibuga Plant 1, as well as new PET preform and bottle cap injection moulding machines. The increase in direct overhead costs was also due to the increase in electricity cost by RM1.08 million and repair and maintenance costs by RM1.24 million. The increase in electricity cost was in line with the increase in production volume and revenue in FYE 2023. The increase in repair and maintenance costs was due to the scheduled major maintenance works that is conducted every 2 years, as explained above. This was partially offset by the decrease in depreciation of right-of-use assets by RM0.74 million mainly due to the full settlement of some motor vehicle, and plant and machinery under lease in the early of FYE 2023. As such, these assets were transferred to property, plant and equipment. Furthermore, there were some right-of-use assets that had been fully depreciated during the FYE 2023.

(c) Direct labour costs

Direct labour costs comprise salaries, bonus and allowances, and employee contribution plans for our production floor, technical and IT, as well as quality assurance/control employees who are directly involved in the manufacturing operations of our Group.

For FYE 2022, our direct labour costs increased by 23.13% or RM1.11 million mainly due to the increase in the number of production floor workers by 9 personnel from 200 as at 30 June 2021 to 209 as at 30 June 2022. The increase in the number of production floor workers was mainly for our new drinking water manufacturing line in KK IZ8 Plant 1 which commenced operations in March 2022. In addition, the increase in direct labour cost was also partially due to the implementation of minimum wage increments which came into effect in May 2022.

For FYE 2023, our direct labour increased by 21.41% or RM1.26 million mainly due to the full year effect of the increment of minimum wage coupled with an increase in the number of production floor workers by 5 personnel from 209 as at 30 June 2022 to 214 as at 30 June 2023. The increase in the number of production floor workers were mainly for the operation of the two new PET preform and bottle cap injection moulding machines at KK IZ8 Plant 1.

12. FINANCIAL INFORMATION (CONT'D)**12.3.4 Segmental analysis by GP and GP margin****(i) GP and GP margin by business activities and products**

	Audited								
	FYE 2021			FYE 2022			FYE 2023		
	GP	% of	GP	GP	% of	GP	GP	% of	GP
	RM'000	total	margin	RM'000	total	margin	RM'000	total	margin
		GP	(%)		GP	(%)		GP	(%)
Manufacturing of beverages	47,622	99.64	46.17	51,553	99.63	42.65	64,937	99.68	43.23
Drinking water	37,890	79.28	46.80	40,170	77.63	43.26	52,770	81.00	43.95
Carbonated drinks	9,732	20.36	43.85	11,383	22.00	40.63	12,167	18.68	40.36
Other products	171	0.36	45.60	191	0.37	36.17	209	0.32	28.32
Plastic bottles and containers	163	0.34	45.53	176	0.34	35.70	198	0.30	27.93
Battery water	8	0.02	47.06	15	0.03	42.86	11	0.02	37.93
Total	47,793	100.00	46.17	51,744	100.00	42.62	65,146	100.00	43.15

(a) FYE 2022 compared to FYE 2021

Our total GP increased by 8.27% or RM3.95 million from RM47.79 million in FYE 2021 to RM51.74 million in FYE 2022. Meanwhile, our total GP margin decreased from 46.17% in FYE 2021 to 42.62% in FYE 2022. This was mainly due to the following:

Drinking water

The GP of drinking water increased by 6.02% or RM2.28 million in line with the increase in our revenue for drinking water by 14.70% or RM11.90 million.

Meanwhile, our GP margin for drinking water decreased from 46.80% in FYE 2021 to 43.26% in FYE 2022, mainly due to the increase in our input material costs for plastic bottles particularly plastic resins. Our average purchase price of plastic resin increased by 52.78% from RM3.24/kg in FYE 2021 to RM4.95/kg in FYE 2022. Please refer to Section 9.1.2 of this Prospectus for further details on the increases in raw material costs. Despite the increase in our selling prices of drinking water by an average of approximately 6% in FYE 2022, we were unable to pass on the entire increment in cost of plastic resin to our customers in a timely manner, which affected our GP margin for drinking water in FYE 2022.

Carbonated drinks

The GP of carbonated drinks increased by 16.96% or RM1.65 million which was in line with the increase in our revenue for carbonated drinks by 26.25% or RM5.83 million in FYE 2022.

Meanwhile, our GP margin for carbonated drinks decreased from 43.85% in FYE 2021 to 40.63% in FYE 2022, mainly due to the increase in our input material costs of plastic resin, as well as certain flavourings. As mentioned above, our average purchase price of plastic resin increased by 52.78% in FYE 2022. Additionally, our purchase prices of certain flavourings also increased in FYE 2022 where there was an average increment of 8% for artificial flavourings and an increment of 25% for artificial sweetener. Despite the increase in our selling prices of carbonated drinks by an average of approximately 5% in FYE 2022, we were unable to pass on the entire increment in material cost in a timely manner to our customers, which affected our GP margin for carbonated drinks.

12. FINANCIAL INFORMATION (CONT'D)**Other products**

Our GP for other products segment increased by 11.70% or RM0.02 million which was in line with the increase in revenue by 40.80% or RM0.15 million in FYE 2022. Meanwhile, the GP margin decreased from 45.60% in FYE 2021 to 36.17% in FYE 2022 which was largely due to the decrease in GP margin of plastic bottles and containers from 45.53% in FYE 2021 to 35.70% in FYE 2022 attributed to the increase in plastic resin prices as mentioned above.

(b) FYE 2023 compared to FYE 2022

Our total GP increased by 25.90% or RM13.40 million from RM51.74 million in FYE 2022 to RM65.15 million in FYE 2023. Additionally, our total GP margin also increased from 42.62% in FYE 2022 to 43.15% in FYE 2023. This was mainly due to the following:

Drinking water

The GP of drinking water increased by 31.37% or RM12.60 million in line with the increase in our revenue for drinking water by 29.32% or RM27.22 million. Due to the increase in our material costs during the financial year, we had to increase our selling prices for drinking water and hence our GP margin for drinking water remained relatively stable at 43.26% and 43.95% in FYE 2022 and FYE 2023, respectively.

Carbonated drinks

The GP of carbonated drinks increased by 6.89% or RM0.78 million which was in line with the increase in our revenue for carbonated drinks by 7.59% of RM2.13 million in FYE 2023. Due to the increase in our material costs during the financial year, we had to increase our selling prices for carbonated drinks and hence, our GP margin for carbonated drinks remained relatively stable at 40.63% and 40.36% in FYE 2022 and FYE 2023, respectively.

Other products

Our GP for other products segment increased by 9.42% or RM0.02 million which was in line with the increase in revenue by 39.77% or RM0.21 million in FYE 2023. Meanwhile, the GP margin decreased from 36.17% in FYE 2022 to 28.32% in FYE 2023 which was largely due to the decrease in GP margin for plastic bottles and containers from 35.70% in FYE 2022 to 27.93% in FYE 2023 attributed to the increase in plastic resin prices as mentioned above.

The increment in our Group's overall GP margin from 42.62% in FYE 2022 to 43.15% in FYE 2023 was mainly due to the increase in revenue and GP contribution from drinking water in FYE 2023. The revenue contribution from drinking water, which has a GP margin of 43.95%, grew from 76.49% against total revenue in FYE 2022 to 79.54% against total revenue in FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**12.3.5 Other income**

The table below presents the breakdown of our other income:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Other income						
Interest income ⁽¹⁾	301	32.72	300	22.39	401	44.12
Disposal of recyclable and scrap items ⁽²⁾	83	9.02	251	18.73	356	39.16
Gain on foreign exchange ⁽³⁾	9	0.98	23	1.72	33	3.63
Wage subsidy ⁽⁴⁾	38	4.13	495	36.94	-	-
Gain on disposal of PPE	6	0.65	112	8.36	-	-
Fair value gain on money market fund	299	32.50	-	-	46	5.06
Others ⁽⁵⁾	184	20.00	159	11.86	73	8.03
Total	920	100.00	1,340	100.00	909	100.00

Notes:

- (1) Interest income earned from short term money market funds, fixed deposits and current account.
- (2) Includes sales of recyclable items such as PET bottles, PET preforms, paper cartons and other packaging materials, and scrap items such as scrap iron, used battery, jumbo bags and replacement parts. Generally, we would generate waste from our manufacturing operations and this includes defective and deformed PET bottles or preforms.
- (3) Realised and unrealised gain.
- (4) Wage subsidy received from the Government as part of the economic stimulus package amidst the COVID-19 relief fund which is non-recurring.
- (5) Includes amortisation amount of approximately RM0.04 million for each of the Financial Years Under Review for government grant income received from SIRIM Berhad and Kementerian Pembangunan Perindustrian Sabah in FYE 2021 of RM0.24 million for solar PV system (non-recurring), amortisation amount of approximately RM0.02 million for FYE 2023 for government grant income received from Malaysia Digital Economy Corporation in 2023 of RM0.08 million namely the Global Technology Grant for investment in automated manufacturing (non-recurring), income from vending machine sales to employees, income from transportation of goods on behalf of our wholesale customer to their end customer, and reversal of bad debt written off.

FYE 2022 compared to FYE 2021

In FYE 2022, our other income increased by 45.65% or RM0.42 million which was mainly due to the following:

- increase in wage subsidies of RM0.46 million provided by the Malaysian Government as part of the economic stimulus package amidst the COVID-19 relief fund;
- increase in income from the disposal of recyclable and scrap items of RM0.17 million; and
- increase in gains on disposal of PPE of RM0.11 million attributed to the disposal of 4 units of delivery trucks which were more than 15 years old and 1 unit of motor vehicle.

The increase in other income was partially offset by a decrease in fair value gains on money market fund by RM0.30 million as our money market fund recorded a fair value loss as at FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2023 compared to FYE 2022**

In FYE 2023, our other income decreased by 32.16% or RM0.43 million which was mainly due to the decrease in wage subsidies of RM0.50 million and gains on disposal of PPE of RM0.11 million as we did not receive these incomes in FYE 2023.

The decrease in other income was partially offset by the increase in other income from interest income by RM0.10 million, and gain from disposal of recyclable and scrap items of RM0.11 million.

12.3.6 Selling and distribution expenses

The table below presents the breakdown of our selling and distribution expenses:

Selling and distribution expenses	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Transportation and distribution costs ⁽¹⁾	8,836	50.60	10,649	51.69	12,670	51.77
Staff related costs ⁽²⁾	6,528	37.38	7,035	34.14	9,029	36.89
Advertisement and promotional expenses ⁽³⁾	1,217	6.97	1,805	8.76	1,439	5.88
Others ⁽⁴⁾	883	5.05	1,115	5.41	1,336	5.46
Total	17,464	100.00	20,604	100.00	24,474	100.00

Notes:

- (1) Includes mainly logistic fees, fuel and oil costs, repair and maintenance costs, delivery incentives (incentives given to our delivery and warehouse employees to encourage higher delivery volume), vehicle running expenses and freight charges.
- (2) Includes staff salaries, sales commission, allowances, overtime, bonuses, employee contributions, and other related expenses of our sales and marketing, warehouse as well as delivery/transportation employees.
- (3) Includes promotion and sampling expenses, advertisement fee, gondola and display rental, CSR and sponsorship expenses, and event expenses.
- (4) Includes depreciation of forklifts, insurance costs, rental of warehouse and equipment, legal and professional fee and entertainment expenses.

FYE 2022 compared to FYE 2021

In FYE 2022, our selling and distribution expenses increased by 17.98% or RM3.14 million which was mainly due to the following:

- increase in transportation and distribution costs by 20.52% or RM1.81 million mainly due to the increase of logistic fees by RM0.96 million arising from the engagement of external logistic service providers, as well as an increase in fuel and oil costs by RM0.39 million and repair and maintenance costs of RM0.27 million arising from the utilisation of our own delivery trucks.

12. FINANCIAL INFORMATION (CONT'D)

- increase in staff related costs by 7.77% or RM0.51 million mainly due to the increase in salaries, bonus and employee contributions of RM0.86 million mainly arising from an increase in the number of employees in our sales and marketing team by 6 personnel from 50 as at 30 June 2021 to 56 as at 30 June 2022, as we resumed and increased our sales and marketing activities after the COVID-19 pandemic restrictions in 2021 and our warehouse and delivery/transportation team by 23 personnel from 157 as at 30 June 2021 to 180 as at 30 June 2022, in line with the increase in our sales volume and delivery of goods, coupled with the purchase of additional delivery trucks in FYE 2022. The increase in staff related costs was also partly due to the increment in annual salary and minimum wage. This was partially offset by lower allowances and overtime expenses of RM0.44 million.
- increase in advertisement and promotional expenses by 48.32% or RM0.59 million mainly due to the increase of RM0.54 million in promotion and sampling expenses such as display rack, umbrella and ice tanks with new designs. This was mainly due to the increase in our sales and marketing activities and resumption of our events sponsorship activities in FYE 2022 after the COVID-19 pandemic restrictions in 2020 and 2021.

FYE 2023 compared to FYE 2022

In FYE 2023, our selling and distribution expenses increased by 18.78% or RM3.87 million which was mainly due to the following:

- increase in transportation and distribution costs by 18.98% or RM2.02 million mainly due to the increase of logistic fee by RM1.69 million arising from the engagement of external logistic service providers, as well as increase in fuel and oil costs by RM0.37 million and repair and maintenance costs of RM0.16 million arising from the utilisation of our own delivery trucks. The increase in expenses was partially offset by the decrease in delivery incentives by RM0.14 million due to the revision of delivery target for incentives.
- increase in staff related costs by 28.34% or RM1.99 million mainly due to the increase in salaries, bonus and employee contributions of RM2.17 million mainly arising from an increase in the number of employees in our warehouse and delivery/transportation team by 27 personnel from 180 as at 30 June 2022 to 207 as at 30 June 2023. This was offset by lower allowances and overtime of RM0.48 million.

The increase in selling and distribution expenses was partially offset by the decrease in advertisement and promotional expenses by 20.28% or RM0.37 million largely due to the decrease in promotion and sampling expenses by RM0.32 million. This was largely attributed to the decrease in purchases of marketing items that was mentioned above as we were able to reuse the items purchased from the previous year.

12. FINANCIAL INFORMATION (CONT'D)**12.3.7 Administrative expenses and net gain/(loss) on impairment of financial instruments**

The table below presents the breakdown of our administrative expenses, and net gain/(loss) on impairment of financial instruments:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<u>Administrative expenses</u>						
Directors' fees and remuneration	6,982	64.29	7,847	60.92	8,813	60.45
Staff related costs ⁽¹⁾	1,480	13.63	1,594	12.38	1,897	13.01
Professional fees ⁽²⁾	292	2.69	812	6.30	1,064	7.30
PPE costs ⁽³⁾	810	7.46	864	6.71	974	6.68
Others ⁽⁴⁾	1,297	11.93	1,763	13.69	1,832	12.56
Total administrative expenses	10,861	100.00	12,880	100.00	14,580	100.00
 Net gain/(loss) on impairment of financial instruments	 218	 100.00	 270	 100.00	 (56)	 100.00

Notes:

- (1) Includes salaries and allowances, overtime, bonuses, employee contributions of our finance, accounts and admin, human resources and procurement employees, and other staff related expenses such as seminar and training, staff welfare and amenities, medical fees, and work pass fees.
- (2) Includes legal, auditors, secretarial and other professional fees for IPO related expenses.
- (3) Includes depreciation of PPE and right-of-use assets, assessment and quit rent, vehicle running expenses, insurance costs, repair and maintenance costs, rental of machinery and equipment.
- (4) Includes mainly stamp duty and disbursement fees on loan facilities, office expenses, redemption sum, telephone charges, printing and stationery, bank charges, bad debts written off, donation, electricity and water, service tax expense, pest control, fuel and oil, advertisement fees, security charges, fair value loss on money market fund and loss on foreign exchange.

FYE 2022 compared to FYE 2021

For FYE 2022, our administrative expenses increased by 18.59% or RM2.02 million mainly due to the following:

- increase in directors' fees and remunerations by 12.39% or RM0.87 million mainly from the increase in directors' bonus and remunerations;
- increase in professional fees by 178.08% or RM0.52 million mainly due to increase in fees paid to professionals for our IPO listing exercise;
- increase in other administrative expenses by 35.93% or RM0.47 million mainly from the increase of stamp duties for new banking facilities obtained in FYE 2022, as well as increase in travelling and accommodation expenses mainly incurred by machinery supplier to install new plant and machinery.
- increase in staff related costs by 7.20% or RM0.11 million mainly from increase in staff salaries and allowances, as well as increase in the number of employees in our finance, accounts and admin department by 2 personnel from 16 personnel as at 30 June 2021 to 18 personnel as at 30 June 2022;

12. FINANCIAL INFORMATION (CONT'D)

In FYE 2021, there was net gain on the impairment on financial instruments of RM0.22 million which comprised of the reversal of impairment loss on trade receivables. The reversal of impairment loss on trade receivables were recognised based on the expected credit losses ("ECL") computed in accordance with MFRS 9. The amount of ECL were assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

In FYE 2022, the net gain on impairment of financial instruments of RM0.27 million was due to the reversal of impairment loss on trade receivables of RM0.32 million and offset by expected credit loss charged for the FYE 2022 of RM0.05 million.

FYE 2023 compared to FYE 2022

For FYE 2023, our administrative expenses increased by 13.20% or RM1.70 million mainly due to the following:

- increase in directors' fees and remunerations by 12.31% or RM0.97 million mainly from the increase in directors' bonus and remunerations;
- increase in staff related costs by 19.01% or RM0.30 million mainly due to increase in staff salaries and allowances arising from an increase in the number of employees in our finance, accounts, and admin as well as human resources department by 2 personnel from 24 as at 30 June 2022 to 26 personnel as at 30 June 2023, coupled with increment of salary; and
- increase in professional fees by 31.03% or RM0.25 million mainly due to increase in fees paid to professionals for our IPO listing exercise.

In FYE 2023, there was net loss on the impairment on financial instruments of RM0.06 million due to the expected credit loss charged for the FYE 2023 of RM0.09 million and offset by the reversal of impairment loss on trade receivables of RM0.03 million.

12.3.8 Finance costs

The table below presents the breakdown of our finance costs:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- term loans	919	58.39	1,474	64.48	2,136	78.76
- lease liabilities	564	35.83	510	22.31	272	10.03
- bankers' acceptances	89	5.65	295	12.90	303	11.17
- bank overdraft	2	0.13	2	0.09	1	0.04
- revolving credit	-	-	5	0.22	-	-
Total	1,574	100.00	2,286	100.00	2,712	100.00

FYE 2022 compared to FYE 2021

For FYE 2022, our finance costs increased by 45.24% or RM0.71 million mainly due to an increase in interest expense on term loans of RM0.56 million attributed to the drawdown of new term loans for the purchase of machinery and equipment for Sandakan Sibuga Plant 1 and KK IZ8 Plant 1, construction of Phase 2 KK IZ8 Plant 1, as well as for the purchase of Sandakan Sibuga DC 1. Additionally, our interest expense on banker's acceptances increased by RM0.21 million mainly due to higher utilisation of facilities during the financial year.

12. FINANCIAL INFORMATION (CONT'D)

The increase in finance costs was partially offset by a decrease of RM0.05 million in interest expense on lease liabilities mainly due to repayment on lease liabilities.

FYE 2023 compared to FYE 2022

For FYE 2023, our finance costs increased by 18.64% or RM0.43 million mainly due to an increase in interest expense on term loans of RM0.66 million mainly attributed to the drawdown of new term loans for the purchase of Sandakan Sibuga Plant 2, Sandakan Sibuga DC 2 and Lahad Datu DC 2. The increase in finance costs was partially offset by a decrease of RM0.24 million in interest expense on lease liabilities mainly due to repayment on lease liabilities.

12.3.9 PBT, PAT and Tax Expense

The table below presents our PBT, PAT and effective tax rate:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	19,032	17,584	24,233
PBT margin (%)	18.38	14.48	16.05
Tax expense (RM'000)	1,371	1,847	3,612
Effective tax rate (%)	7.20	10.50	14.91
Statutory tax rate (%)	24.00	24.00	24.00
PAT (RM'000)	17,661	15,737	20,621
PAT margin (%)	17.06	12.96	13.66

FYE 2022 compared to FYE 2021

Our PBT decreased by 7.61% or RM1.45 million in FYE 2022, which was mainly due to the higher rate of increase in our cost of sales by 24.98% compared to an increase of 17.27% in our revenue which resulted in a lower growth of 8.27% or RM3.95 million in our GP. In addition, the decrease in our PBT was attributed to an increase in our selling and distribution expenses, administrative expenses and finance costs by 17.98%, 18.59% and 45.24% respectively, as discussed in their respective sections above.

Our PBT margin decreased from 18.38% in FYE 2021 to 14.48% in FYE 2022. This was due to a decrease in GP margin from 46.17% in FYE 2021 to 42.62% in FYE 2022, arising mainly from an increase in prices of our major input material costs such as plastic resin for the production of bottles. Our average purchase price for plastic resin increased by 52.78% from RM3.24/kg in FYE 2021 to RM4.95/kg in FYE 2022.

Correspondingly, our PAT decreased by 10.89% or RM1.92 million in FYE 2022 and our PAT margin decreased from 17.06% in FYE 2021 to 12.96% in FYE 2022.

For the FYE 2021 and FYE 2022, our effective tax rate was 7.20% and 10.50%, respectively, which was lower than the statutory tax rate of 24%.

12. FINANCIAL INFORMATION (CONT'D)

The lower effective tax rates in FYE 2021 were mainly attributed to the tax effect of the following which reduced tax expense:

- utilisation of tax incentives of RM1.91 million mainly from reinvestment allowance;
- over provision of deferred tax in prior years of RM1.41 million relating to the overprovision of taxable temporary differences arising from qualifying assets such as buildings, and plant and machinery;
- over provision of income tax in prior years of RM0.44 million;
- non-taxable income of RM0.13 million; and
- effect of income subject to lower tax rates of RM0.07 million.

These were partially offset by tax effects on non-deductible expenses mainly from the depreciation of non-qualifying assets which increased our tax expense by RM0.77 million.

The lower effective tax rates in FYE 2022 were mainly attributed to the tax effect of the following which reduced tax expense:

- utilisation of tax incentives of RM1.94 million mainly from reinvestment allowances;
- over provision of deferred tax in prior years of RM1.48 million mainly from the overprovision of taxable temporary differences arising from qualifying asset such as buildings, and plant and machinery;
- effect of income subject to lower tax rates of RM0.10 million; and
- non-taxable income of RM0.06 million.

These were partially offset by tax effects on non-deductible expenses mainly from depreciation of non-qualifying assets and under-provision of income tax which increased our tax expense by RM1.13 million and RM0.08 million respectively.

FYE 2023 compared to FYE 2022

Our PBT increased by 37.81% or RM6.65 million in FYE 2023, which was in line with the increase in our revenue and GP for FYE 2023. This was mainly contributed by the increased sales of drinking water and carbonated drinks. For further information on the analysis of our revenue, please refer to Section 12.3.2(iii)(b) of this Prospectus.

Our PBT margin increased from 14.48% in FYE 2022 to 16.05% in FYE 2023 which in line with the improvement in GP margin from 42.62% in FYE 2022 to 43.15% in FYE 2023. The improvement in PBT margin was also partially due to the decrease in proportion of total operational expenses (selling and distribution expenses, administrative expense and finance costs) in FYE 2023 compared to the previous financial year. Our proportion of total operational expenses was lower at 27.67% against our total revenue in FYE 2023, compared to 29.46% against our total revenue in FYE 2022.

For the FYE 2023, our tax expenses were RM3.61 million which was higher compared to the previous financial year. This was a result of the overall increase in our PBT in FYE 2023.

Correspondingly, our PAT increased by 31.04% or RM4.88 million in FYE 2023 and our PAT margin increased from 12.96% in FYE 2022 to 13.66% in FYE 2023.

For the FYE 2023, our effective tax rate was 14.91%, which was lower than the statutory tax rate of 24%. The lower effective tax rates were mainly due to the tax effect of the following which reduced tax expense:

- utilisation of tax incentives of RM1.83 million mainly from reinvestment allowances. As at 30 June 2023, there is RM13.69 million of reinvestment allowance that has yet to be utilised;
- over provision of deferred tax in prior years of RM0.66 million mainly from the unabsorbed reinvestment allowances;
- effects of income subject to lower tax rates of RM0.13 million;
- over provision of income tax in prior years of RM0.11 million; and
- non-taxable income of RM0.10 million.

12. FINANCIAL INFORMATION (CONT'D)

These were partially offset by tax effects on non-deductible expenses mainly legal and professional fees, and depreciation of non-qualifying assets which increased our tax expense by RM0.62 million.

12.3.10 Significant factors materially affecting our operations and financial results

Significant factors affecting our business include, but are not limited to, the following:

(i) Customers' demand for our beverage products

Our business performance is dependent on the customers' demand for our beverage products which is based on purchase orders. In this respect, any reduction in our customers' purchase orders may adversely affect our business operations and financial conditions. As a consumer product, ultimately the demand for our beverage products is also subject to various factors including brand awareness, consumer sentiments, brand preference and lifestyle.

(ii) Impact of increases in the cost of manufacturing of beverage products

We face risks of increases in the cost of manufacturing of beverage products which may adversely affect our financial performance. The increase in our cost may arise from price increases in input materials for our plastic bottles and beverage products, labelling and packaging materials, transportation, utilities as well as labour.

Cost increases will eventually require us to increase our selling prices, which may reduce our competitiveness in the market. This may affect our ability to secure new orders from our customers which may affect our revenue and business growth. Alternatively, if we were to absorb some of these costs to stay competitive, it may reduce our profit margins.

In FYE 2022, we experienced an increase in our input material cost for plastic bottles as the price of plastic resin increased by 52.78% from RM3.24/kg in FYE 2021 to RM4.95/kg in FYE 2022. Prices of plastic resin, which is a by-product of petrochemical, increased when crude oil prices spiked in 2022 amidst the conflict between Russia and Ukraine causing disruption in supply. Additionally, in May 2022, we encountered an increase in staff salaries in view of the increment of the national monthly minimum wages in Malaysia from RM1,200 to RM1,500.

In FYE 2023, we also encountered an increase in prices of some of our major input materials for carbonated drinks such as sugar and flavourings. Our average purchase price for coarse sugar increased by 16.31% from RM2.82/kg in FYE 2022 to RM3.28/kg in FYE 2023. Additionally, our purchase prices of certain flavourings also increased in FYE 2023 where there was an average increment of 6% for certain artificial flavourings and an increment of 49% for artificial sweetener.

Consequently, we increased our selling prices of our drinking water in June 2021 and June 2022, and carbonated drinks in June 2021, December 2021, June 2022 and August 2022. Even so, we were unable to pass on the entire increment in material cost in a timely manner thus affecting our profitability in FYE 2022. Our GP margin decreased from 46.17% in FYE 2021 to 42.62% in FYE 2022, and our PBT decreased by 7.61% or RM1.45 million in FYE 2022.

We currently adopt a yearly review of our beverage products or on ad-hoc basis to take into consideration the effects of the changes in our manufacturing costs. Nevertheless, there is no assurance that we can pass on any future increases in the costs to our customers and in the event, we are unable to do so in a timely manner, we would have to absorb the increases in the costs which would adversely affect our profitability and financial performance.

For further details on risk factors, please refer to Section 9.1.2 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Impact on interest rate fluctuations**

As at 30 June 2023, our total borrowings including finance lease liabilities were RM68.55 million which were all interest bearing, and was based on floating and fixed interest rates. Our finance cost increased from RM1.57 million for the FYE 2021 to RM2.29 million for the FYE 2022 and RM2.71 million for the FYE 2023. In this respect, any increases in interest rates may adversely affect our financial performance. Our finance cost mainly comprises interest charges on banking facilities including term loans, finance lease liabilities, bankers' acceptances, and bank overdraft, that are granted by bank and financial institutions.

Except for finance lease liabilities and certain term loans, all our borrowings were based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. Meanwhile, our finance lease liabilities and certain term loan were charged based on fixed rates.

In this respect, we face financial risks relating to the increase in interest rates which may impact on our financial performance including profitability and margins. For the Financial Years Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(iv) Impact of foreign exchange fluctuations

We are exposed to the risk of foreign exchange fluctuations as part of our purchases are transacted in foreign currencies. Our total purchases of materials that are denominated in foreign currencies accounted for RM12.12 million (34.47%), RM25.42 million (46.21%) and RM 21.98 million (46.00%) of our total purchases for the FYE 2021, FYE 2022 and FYE 2023 respectively. This were transacted in foreign currencies such as USD.

A depreciation of the RM against the currencies which we transact will lead to a higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to a lower cost of purchases in RM after conversion.

For the Financial Years Under Review, we carry out forward hedging and option hedging on USD. Moving forward, any unfavourable foreign exchange fluctuations between foreign currencies and RM may adversely affect our financial performance including our profitability and margins.

(v) Impact of inflation

Our financial performances for the Financial Years Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to pass on all future increases in costs of materials and services of our operations to our customers. Accordingly, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(vi) Government/economic/fiscal/monetary policies

Our business is subject to risks relating to government, economic, fiscal or monetary policies in Malaysia. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 9.2.2 of this Prospectus for further details on political, economic and regulatory risks.

12. FINANCIAL INFORMATION (CONT'D)**12.3.11 Liquidity and capital resources****(i) Working Capital**

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources were mainly banking facilities from financial institutions. These funds were used for our business operations and growth.

As at 30 June 2023, our cash and bank balances amounted to RM11.62 million and our total borrowings (including finance lease liabilities) were RM68.55 million. As at 30 June 2023, our gearing ratio is 0.73 times and the current ratio is 2.68 times. As at the LPD, we have banking facilities of RM173.89 million including term loans, bankers' acceptances, bank overdraft and revolving credit, of which RM75.29 million has yet to be utilised.

Based on the above and taking into consideration our funding requirements for our committed capital expenditure, expected cash flow to be generated from our operations, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for 12 months from the date of this Prospectus.

(ii) Cash Flows

The following is the summary of our combined statements of cash flows for the Financial Years Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net cash from operating activities	18,549	7,907	33,997
Net cash (used in) investing activities	(28,405)	(23,895)	(17,749)
Net cash from/(used in) financing activities	9,544	19,397	(14,078)
Net increase/(decrease) in cash and cash equivalents	(312)	3,409	2,170
Effects of exchange rate changes on cash and cash equivalents	(9)	-	-
Cash and cash equivalents at the beginning of the financial year	4,475	4,154	7,563
Cash and cash equivalents at the end of the financial year ^(a)	4,154	7,563	9,733

Note:

(a) The components of our cash and cash equivalents are set out as below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cash and bank balances	4,360	7,696	9,980
Fixed deposits with licensed banks	2,124	2,163	1,635
	6,484	9,859	11,615
Less:			
Bank overdraft included in borrowings	(206)	(133)	(247)
Fixed deposits pledged	(2,124)	(2,163)	(1,635)
Total	4,154	7,563	9,733

12. FINANCIAL INFORMATION (CONT'D)**(a) Net cash from operating activities****FYE 2021**

For the FYE 2021, our net cash from operating activities was RM18.55 million after taking into account, mainly, the following:

- increase in inventories of RM2.94 million mainly due to the increase in raw materials of RM2.14 million mainly attributed to the increase in the volume for plastic resin as at 30 June 2021;
- increase in trade and other receivables of RM1.99 million mainly due to the increase in deposits of RM0.84 million for the purchase of Keningau Plant and Lahad Datu DC 2, trade receivables of RM0.69 million in view of the increased revenue during the financial year, and prepayments of RM0.53 million relating to advance payment made to overseas suppliers for raw materials and machinery;
- increase in trade and other payables of RM0.10 million mainly due to increase in trade payables by RM1.78 million due to the increased purchases of materials during the financial years, and offset by the decrease in accruals by RM1.35 million mainly for professional fees in relating to our IPO exercise, and other payables by RM0.70 million for renovation works;
- income tax paid of RM3.71 million, which was partially offset by the income tax refund of RM0.09 million; and
- interest received of RM0.25 million from money market fund and current account.

FYE 2022

For the FYE 2022, our net cash from operating activities was RM7.91 million after taking into account, mainly, the following:

- increase in inventories of RM11.81 million mainly due to the increase in raw materials balances as at 30 June 2022 by RM10.38 million mainly attributed to the increase in stock holding of plastic resin by RM7.10 million due to the increasing plastic resin prices;
- increase in trade and other receivables of RM7.02 million mainly due to the increase in trade receivables by RM3.54 million in view of the increased revenue during the financial year, as well as increase in prepayments of RM1.90 million relating to advance payment made to overseas suppliers for raw material and machinery, and increase in deposits by RM1.67 million for the purchase of two warehousing buildings in Industrial Zone 2, Kota Kinabalu;
- increase in trade and other payables of RM1.82 million mainly due to the increase in accruals by RM1.35 million for directors' performance bond and increase in trade payables due to the increase in purchases of materials during the financial year;
- income tax paid of RM3.17 million, which was partially offset by the income tax refund of RM0.01 million; and
- interest received of RM0.26 million from money market funds and current account.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2023**

For the FYE 2023, our net cash from operating activities was RM34.00 million after taking into account, mainly, the following:

- decrease in inventories of RM4.64 million mainly due to the decrease in raw materials of RM6.20 million mainly attributed to the decrease in stock balance of plastic resin as at 30 June 2023 by RM5.37 million;
- increase in trade and other receivables of RM1.76 million mainly due to the increase in deposits by RM2.23 million for the purchase of two warehouse buildings in Industrial Zone 2, Kota Kinabalu, blow moulding machine and shrink film machine, as well as renovation and installation of fire-fighting system for Keningau Plant, and increase in trade receivables in view of the increased revenue during the financial year. This was partially offset by the decrease in prepayments of RM2.81 million;
- decrease in trade and other payables of RM2.96 million mainly due to the decrease in other payables by RM1.62 million mainly attributed to payment made to contractor for KK IZ8 Plant 1 warehouse renovation and decrease in trade payables by RM1.40 million due to the decrease in purchases of materials during the financial year;
- income tax paid of RM3.64 million, which was partially offset by the income tax refund of RM1.12 million; and
- interest received of RM0.36 million from money market funds and fixed deposit.

(b) Net cash (used in) investing activities**FYE 2021**

For the FYE 2021, our net cash used in investing activities was RM28.41 million which was mainly due to the cash used to fund the purchase of PPE of RM15.80 million. This is mainly as follows:

- RM8.15 million for the purchase of plant and machinery including mainly machineries to upgrade drinking water manufacturing line at Sandakan Sibuga Plant 1;
- RM5.32 million mainly for the work-in-progress purchase of Lot 5, Borneo Commercial Centre for Keningau Plant, construction of Phase 2 of KK IZ8 Plant 1 and construction works on extension of the existing warehouse building at Sandakan Sibuga Plant 1; and
- RM1.85 million mainly for installation of electrical and fittings for KK IZ8 Plant 1.

In addition, there was cash outflow from the placement of short term fund amounting to RM12.48 million as well as utilisation of cash of RM0.14 million for the purchase of right-of-use assets amounting to RM0.84 million namely motor vehicle where the remaining RM0.70 million were financed by lease liabilities.

FYE 2022

For the FYE 2022, our net cash used in investing activities was RM23.89 million which was mainly due to the cash used to fund the purchase of PPE of RM24.61 million. This is mainly as follows:

12. FINANCIAL INFORMATION (CONT'D)

- RM14.02 million for the purchase of plant and machinery including mainly machinery for the new drinking water plant in KK IZ8 Plant 1, machinery for Sandakan Sibuga Plant 1, 1 unit of PET preform injection moulding machine and roof-top solar photovoltaic system for KK IZ8 Plant 1;
- RM4.31 million for the work-in-progress renovation to expand Keningau Plant, construction of Phase 3 KK IZ8 Plant 1 and work-in progress purchase of Lahad Datu DC 2;
- RM3.91 million for the purchase of building for Sandakan Sibuga DC 1 and completion of construction of Phase 2 KK IZ8 Plant 1; and
- RM1.57 million mainly for installation of electrical and fittings for KK IZ8 Plant 1.

In addition, we utilised cash of RM3.28 million for the purchase of right-of-use assets amounting to RM3.96 million namely leasehold land and motor vehicles where the remaining RM0.68 million were financed by lease liabilities.

This was partially offset by the cash inflow from the withdrawal of short term funds of RM3.87 million and proceeds from disposal of PPE amounting to RM0.12 million including the disposal of 4 units of delivery trucks that were more than 15 years old and 1 passenger car.

FYE 2023

For the FYE 2023, our net cash used in investing activities was RM17.75 million which was mainly due to the cash used to fund the purchase of PPE of RM11.94 million. This is mainly as follows:

- RM8.44 million for the purchase of plant and machinery including mainly machinery for KK IZ8 Plant 1 such as bottle cap injection moulding machine and machinery for Sandakan Sibuga Plant 1 such as RO water system, labelling machines, bottle unscrambler machine, air conveyor and laser marking machines;
- RM1.38 million for renovation, electrical and fittings mainly for KK IZ8 Plant 1, Sandakan Sibuga Plant 1 and Keningau Plant;
- RM0.81 million for the work-in-progress construction of Keningau Plant; and
- RM0.53 million mainly for the purchase of a building on the leasehold land for our proposed Sandakan Sibuga DC 2 of RM0.15 million, and the remaining RM0.38 million were mainly for the completion of extension works of Lahad Datu DC 2 and KK IZ8 Plant 1.

In addition, there was cash outflow from the placement of short term fund amounting to RM4.58 million as well as utilisation of cash of RM1.85 million for the purchase of right-of-use assets amounting to RM9.91 million namely leasehold land for Sandakan Sibuga Plant 2 and Sandakan Sibuga DC 2, as well as motor vehicles where the remaining RM7.09 million and RM0.97 million were financed by term loan and lease liabilities, respectively.

This was partially offset by the cash inflow of RM0.57 million from the withdrawal of fixed deposits, and RM0.05 million from the proceeds from disposal of PPE including mainly the disposal of 1 unit of forklift.

12. FINANCIAL INFORMATION (CONT'D)**(c) Net cash from/(used in) financing activities****FYE 2021**

For the FYE 2021, our net cash from financing activities was RM9.54 million. This was mainly attributed to the net drawdown of term loans of RM16.73 million to fund the purchase of plant and machinery and the construction of the Phase 2 KK IZ8 Plant 1. In addition, there were proceeds from the issuance of ordinary shares for Syarikat Maju Sasa and Syarikat Rasa Kool amounting to RM0.20 million and RM0.20 million, respectively, as well as government grant received of RM0.24 million from Sustainable Energy Development Authority to perform energy audit.

This was partially offset by the following:

- Net repayments of lease liabilities of RM3.09 million, which comprises lease payments for plant and machinery, motor vehicles, computer and software and buildings;
- payment of dividends to shareholders of RM2.50 million;
- payment of interest amounting to RM1.61 million relating to our borrowings and lease liabilities; and
- net repayments of bankers' acceptance of RM0.63 million, which were used to finance our working capital for the purchase of input materials.

FYE 2022

For the FYE 2022, our net cash from financing activities was RM19.40 million. This was mainly attributed to the net drawdown of term loans of RM15.38 million to fund the purchase of plant and machinery, purchase of a land in Sandakan for Sandakan Sibuga DC 2, and purchase of Lahad Datu DC 2, and the construction of the Phase 3 of KK IZ8 Plant 1. In addition, there were cash inflow from the net drawdown of bankers' acceptances of RM12.31 million used to finance the purchase of input materials.

This was partially offset by the following:

- net repayments of lease liabilities of RM4.87 million, which comprises lease payments for plant and machinery, motor vehicles, computer and software and buildings;
- payment of interest amounting to RM2.23 million relating to our borrowings and lease liabilities; and
- payment of dividends to shareholders of RM1.20 million.

FYE 2023

For the FYE 2023, our net cash used in financing activities was RM14.08 million. This was mainly attributed to the following:

- net repayments of bankers' acceptance of RM7.02 million, which were used to finance our working capital for the purchase of input materials;
- payment of interest amounting to RM2.70 million relating to our borrowings and lease liabilities;

12. FINANCIAL INFORMATION (CONT'D)

- net repayments of lease liabilities of RM2.12 million, which comprises lease payments for plant and machinery, motor vehicles, computer and software and buildings;
- net repayments of term loans of RM1.64 million; and
- payment of dividends to shareholders of RM1.00 million.

This was offset by the cash inflow attributed by government grant received amounting to RM0.30 million for investments in industrial automation and the proceeds from the issuance of ordinary shares for K2 Water amounting to RM0.10 million.

(iii) Borrowings

We utilise banking facilities such as term loan to finance purchase of land, building, plant and machinery, construction of factory building and working capital. Finance lease liabilities are used to finance the purchase of plant and machinery, and motor vehicles. Our total outstanding borrowings (including finance lease liabilities) as at 30 June 2023 stood at RM68.54 million, details of which are set out below. All our borrowings are secured/guaranteed, interest-bearing and denominated in RM.

Type of borrowings	Purpose	Number of borrowing/ facility/ indebtedness	Tenure of facility	Security	Weighted average interest rates (%)	As at 30 June 2023		
						Current	Non-current	Total
						RM'000	RM'000	RM'000
Term loans	To part finance the purchase of land, building, plant and machinery, motor vehicle, construction of building, and working capital	40	3 to 25 years	Land, building, plant and machinery, fixed deposit, corporate guarantee and personal guarantee by directors ⁽¹⁾	4.22	6,804	48,665	55,469
Finance lease liabilities	To part finance the purchase of plant and machinery, and motor vehicles	38	4 to 7 years	Plant and machinery, motor vehicles and personal guarantee by directors ⁽¹⁾	3.11	1,694	1,924	3,618
Bankers' acceptances	To finance working capital	4	90 to 120 days	Building, fixed deposit, and personal guarantee by directors ⁽¹⁾	3.81	9,211	-	9,211
Bank overdrafts	To finance working capital	1	On demand	Land, building, fixed deposit, and personal guarantee by directors ⁽¹⁾	8.51	247	-	247
Total						17,956	50,589	68,545

Note:

- (1) Personal guarantee by directors will be converted to corporate guarantee by Life Water Berhad upon successful listing. Please refer to Section 10.1.5 of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

As at 30 June 2023, our Group's floating and fixed-rate borrowings are set out below:

	RM'000
Floating rate borrowings ⁽¹⁾	32,251
Fixed-rate borrowings ⁽²⁾	36,294
Total borrowings	68,545

Notes:

- (1) Include term loans, bankers' acceptance and bank overdraft.
- (2) Include term loans and finance lease liabilities on plant and machinery and motor vehicle.

As at the LPD, we have banking facilities of RM173.89 million including term loans, bankers' acceptances, bank overdraft and revolving credit, of which RM75.29 million has yet to be utilised, as follows:

Type of banking facilities	Credit limit RM'000	Balance unutilised as at the LPD RM'000
Term loans	127,973	47,336
Bankers' acceptances	38,873	20,905
Bank overdraft	6,045	6,045
Revolving credit	1,000	1,000
Total	173,891	75,286

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. Our Group has not defaulted on payments of principal sums and/or interests concerning any borrowings for the Financial Years Under Review and up to the LPD.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders or securities in our Company.

As at the LPD, save as disclosed above, our Group did not use any other financial instruments.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.12 Treasury policies and objectives**

Our Group's operations have been funded through shareholder's equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers is 7 days to 90 days in FYE 2023.

As at the LPD, our Group's banking facilities from financial institutions mainly consist of the following:

- term loans mainly for the purchase of land, building, plant and machinery, construction of factory building, and working capital;
- trade facilities including bankers' acceptances and invoice financing for working capital purposes;
- bank overdraft for working capital purposes;
- revolving credit for working capital purposes; and
- finance lease liabilities for the purchase of plant and machinery and motor vehicles.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transactions. As at the LPD, our Group has available banking facilities amounting to RM173.89 million including term loans, bankers' acceptances, bank overdraft, and revolving credit, of which RM75.29 million has yet to be utilised.

The main objective of our capital management is to ensure that we maintain a strong credit rating and healthy capital ratios in order to support our business and maximise shareholders' value. We manage our capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Our policy is to maintain the gearing ratio at a level in compliance with the covenants associated with the credit arrangements or bank loans.

12.3.13 Financial instruments for hedging purposes

For the Financial Years Under Review and up to the LPD, we have hedging facility to carry out forward hedging and option hedging on USD.

12.3.14 Material litigation, contingent liabilities and commitment for capital expenditure**(i) Material litigation**

As at the LPD, neither our Company nor our subsidiaries are involved in any material litigation, claim or arbitration either as plaintiff or defendant and we are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business.

(ii) Material contingent liabilities

As at the LPD, our Group do not have any contingent liabilities.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Material commitment for capital expenditures**

As at the LPD, our Group's material capital commitments are summarised as follows:

	Source of funds		
	Capital commitment RM'000	Internally generated funds/bank borrowings RM'000	IPO proceeds RM'000
Approved and contracted for:			
- Purchase of a warehouse building in Kota Kinabalu ⁽¹⁾	4,895	4,895	-
- Purchase of a 8.16 acres land in Kota Kinabalu ⁽²⁾	16,635	16,635	-
- Purchase of a warehouse building in Tawau for Tawau DC ⁽³⁾	3,980	3,980	-
- Purchase of new motor vehicles ⁽⁴⁾	3,465	3,465	-
Approved but not contracted for:			
- Construction of KK IZ8 Plant 2 and relocation of plant and machinery ⁽⁵⁾	20,000	20,000	-
- Construction of Sandakan Sibuga Plant 2 ⁽⁶⁾	[●]	9,000	[●]
- Purchase of automated warehouse racking system ⁽⁷⁾	[●]	-	[●]
- Purchase PET injection moulding machine ⁽⁷⁾	[●]	-	[●]
- Construction of Sandakan Sibuga DC 2 ⁽⁸⁾	[●]	-	[●]
- Renovation of Tawau DC ⁽³⁾	2,356	2,356	-
Total	[●]	60,331	[●]

Notes:

- (1) We have a capital commitment of RM4.89 million for the balance of payment for the purchase of a single storey warehouse building at KKIP Industrial Zone 2 in Kota Kinabalu totalling RM8.15 million. As at the LPD, we have paid 40% (RM3.25 million) for the said property using internally generated funds and bank borrowings. Subsequent to the LPD, the SPA was completed on 4 December 2023 where the remaining 60% amount (RM4.89 million) will be paid using bank borrowings.
- (2) We have a capital commitment of RM16.64 million for the balance of payment of a piece of land measuring 8.16 acres at KKIP Industrial Zone 8 in Kota Kinabalu for RM18.48 million. As at the LPD, we have paid a 10% deposit (RM1.85 million) for the said land using internally generated funds. We expect that the SPA will be completed by March 2024 where the remaining 90% amount (RM16.64 million) will be paid using bank borrowings. We plan to construct a factory building on the said land, as disclosed in notation (5) below.

12. FINANCIAL INFORMATION (CONT'D)

- (3) We have a capital commitment of RM3.98 million for the purchase of a warehouse building in Tawau and RM2.36 million for its renovation works. In September 2023, we have signed an offer to purchase a warehouse building in Tawau for RM3.98 million. We expect to sign the SPA by January 2024 and pay a 10% deposit (RM0.40 million) for the said property using internally generated funds. Subsequently, we expect that the SPA will be completed by April 2024 where the remaining 90% of the amount (RM3.58 million) will be paid using bank borrowings. Upon completion of the purchase of the warehouse building, we intend to renovate the warehouse building where the renovation cost is estimated at RM2.36 million and will be funded entirely using internally generated funds and/or bank borrowings.
- (4) We have a capital commitment of RM3.46 million for the purchase of 16 new delivery trucks.
- (5) We have a capital commitment of RM20.00 million for the construction of KK IZ8 Plant 2 and the relocation of drinking water manufacturing line where the entire RM20.00 million will be funded using internally generated funds and/or bank borrowings.
- (6) We have a capital commitment of RM[●] million for the construction of Sandakan Sibuga Plant 2 and setting up of new drinking water line where RM[●] million will be funded using IPO proceeds while the remaining RM9.00 million will be funded using internally generated funds and/or bank borrowings.
- (7) We have a capital commitment of RM[●] million for the purchase of automated warehouse racking system and 1 unit of PET injection moulding machine for KK IZ8 Plant 1 where the entire RM[●] million will be funded using IPO proceeds.
- (8) We have a capital commitment of RM[●] million for the construction of Sandakan Sibuga DC 2 which will serve as our distribution centre and set-up a depot for our fleet of delivery trucks where the entire RM[●] million will be funded through IPO proceeds.

Please refer to Section 7.20 of this Prospectus for further details of our business strategy and plans.

12.3.15 Material capital expenditure and divestitures**(i) Material capital expenditure**

Our capital expenditures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 2021	FYE 2022	FYE 2023	From 1 July 2023 up to LPD
	RM'000	RM'000	RM'000	RM'000
Leasehold land	-	3,099	8,733	445
Buildings	158	3,908	532	13,696
Motor vehicles	957	1,296	1,521	98
Renovation, electrical and fittings	1,853	1,568	1,381	1,751
Computer and software	112	260	202	436
Plant and machinery	8,151	14,023	8,444	4,866
Equipment, furniture and fittings	95	89	211	90
Work-in-progress	5,318	4,306	810	329
Total	16,644	28,549	21,834	21,711

The above material capital expenditure was for our operations in Malaysia and primarily financed by a combination of bank borrowings, finance lease liabilities and internally generated funds.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2021, our capital expenditure was RM16.64 million which mainly comprised the following:

- RM7.93 million for the purchase of plant and machinery mainly for Sandakan Sibuga Plant 1. This includes, among others, 1 unit of rinsing, filling and capping machine, 1 unit of PET bottle blow moulding machine, 2 units of palletising machines, 3 unit of packing machines, 3 units of labelling machines, 2 units of air compressors and 1 unit of industrial water chiller amounting to RM6.97 million mainly to upgrade our drinking water manufacturing line at Sandakan Sibuga Plant 1;
- RM5.32 million mainly for the work-in-progress purchase of Lot 5, Borneo Commercial Centre for Keningau Plant amounting to RM1.86 million, construction of Phase 2 of KK IZ8 Plant 1 amounting to RM1.76 million, as well as construction works for the extension of existing warehouse building at Sandakan Sibuga Plant 1 amounting to RM1.51 million;
- RM1.85 million mainly for installation of electrical and fittings for KK IZ8 Plant 1; and
- RM0.96 million for the purchase of motor vehicles mainly including 4 units of delivery trucks and 1 unit of forklift.

For the FYE 2022, our capital expenditure was RM28.55 million which mainly comprised the following:

- RM14.02 million for the purchase of plant and machinery mainly for KK IZ8 Plant 1 and Sandakan Sibuga Plant 1 as follows:
 - 1 set of rinsing, filling and capping machine with air conveyor system, 1 unit of PET bottle blow moulding machine, 1 unit of RO membrane filter and 1 unit of water filter for RO water system, 1 unit of industrial water chillers and 2 units of air compressors amounting to RM4.30 million mainly for the new drinking water plant in KK IZ8 Plant 1;
 - 1 unit of PET preform injection moulding machine amounting to RM3.17 million in KK IZ8 Plant 1;
 - 1 unit of packing and palletising machine, 1 unit of labelling machine, 3 units of industrial water chillers and 2 units of air compressors amounting to RM2.96 million for Sandakan Sibuga Plant 1; and
 - roof-top solar photovoltaic system amounting to RM1.42 million for KK IZ8 Plant 1.
- RM4.31 million mainly for the work-in-progress construction to expand Keningau Plant amounting to RM2.22 million, construction of Phase 3 KK IZ8 Plant 1 of RM0.99 million and purchase of Lahad Datu DC 2 of RM0.84 million;
- RM3.91 million mainly for the purchase of building on the leasehold land for Sandakan Sibuga DC 1 amounting to RM2.70 million, the completion of construction of Phase 2 KK IZ8 Plant 1 of RM0.78 million, and completion of construction on the extension of existing building at Sandakan Sibuga Plant 1 of RM0.34 million.
- RM3.10 million mainly for the purchase the leasehold land for Sandakan Sibuga DC 1 in February 2022 amounting to RM3.09 million;
- RM1.57 million mainly for installation of electrical and fittings for KK IZ8 Plant 1; and

12. FINANCIAL INFORMATION (CONT'D)

- RM1.30 million for the purchase of motor vehicles mainly including 5 units of delivery trucks and 3 units of forklifts.

For the FYE 2023, our capital expenditure was RM21.83 million which mainly comprised the following:

- RM8.73 million for the purchase of leasehold lands mainly including a 5.82 acres leasehold land totalling RM4.07 million (including stamp duty and professional fees) in January 2023 for the construction of proposed Sandakan Sibuga Plant 2 and a 3.57 acres leasehold land totalling RM4.05 million (including stamp duty and professional fees) in February 2023 for the construction of proposed Sandakan Sibuga DC 2. The remaining RM0.61 million includes registration fees to transfer land titles of RM0.36 million for Sandakan Sibuga Plant 1's two leasehold lands and land premium of RM0.25 million for Sandakan Sibuga DC 1's land;
- RM8.44 million for the purchase of plant and machinery mainly for KK IZ8 Plant 1, Sandakan Sibuga Plant 1 and Keningau Plant as follows:
 - 1 unit of bottle cap injection moulding machine, 1 set of fire-fighting system and 405 units of foldable metal cages amounting to RM4.31 million for KK IZ8 Plant 1;
 - 1 set of RO water system, 1 unit of bottle unscrambler machine, 2 units of labelling machines, 1 unit of air conveyor system as well as replacement parts for rinsing, filling and capping machine and PET blow moulding machine amounting to RM2.33 million for Sandakan Sibuga Plant 1; and
 - 1 unit of labelling machine amounting to RM0.51 million for Keningau Plant.
- RM1.52 million for the purchase of motor vehicles mainly including 6 units of delivery trucks and 4 units of forklifts.
- RM1.38 million for renovation, electrical and fittings mainly for KK IZ8 Plant 1, Sandakan Sibuga Plant 1 and Keningau Plant;
- RM0.81 million mainly for the work-in progress construction to expand Keningau Plant; and
- RM0.53 million mainly for the purchase a building on the leasehold land for our proposed Sandakan Sibuga DC 2 of RM0.15 million, and the remaining RM0.38 million were mainly for the completion of extension works of Lahad Datu DC 2 and KK IZ8 Plant 1.

From 1 July 2023 up to the LPD, our capital expenditure was RM21.71 million which mainly comprised the following:

- RM13.70 million mainly for the purchase of KK IZ2 DC totalling RM13.37 million (including stamp duty and professional fees);
- RM4.87 million for the purchase of plant and machinery mainly for Keningau Plant, KK IZ8 Plant 1 and Sandakan Sibuga Plant 1 as follows:
 - 1 unit of rinsing, filling and capping machine and 1 unit of storage tank amounting to RM1.92 million for Keningau Plant;
 - 1 unit of PET bottle blow moulding machine, 2 units of bottle moulds, 1 unit of boom lift amounting to RM2.23 million for KK IZ8 Plant; and
 - 1 unit of fire-fighting system and 1 unit of industrial water chiller amounting to RM0.32 million for Sandakan Sibuga Plant 1.

12. FINANCIAL INFORMATION (CONT'D)

- RM1.75 million for renovation, electrical and fittings mainly for Keningau Plant and KK IZ8 Plant 1; and
- RM0.45 million for leasehold land mainly including site clearance and earthworks for the leasehold land for proposed Sandakan Sibuga DC 2.

(ii) Material capital divestitures

Our material capital divestitures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 2021	FYE 2022	FYE 2023	From 1 July 2023 up to LPD
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	-	332	47	-
Plant and machinery	430	-	144	-
Total	430	332	194	-

For the FYE 2021, our material capital divestitures of RM0.43 million include the write off of fire-fighting system for Sandakan Sibuga Plant 1.

For the FYE 2022, our material capital divestitures of RM0.33 million is the disposal of 4 units of delivery trucks and 1 passenger car.

For the FYE 2023, our material capital divestitures of RM0.19 million is the disposal of 1 unit of laser marking machine and 1 unit of forklift.

12.3.16 Key financial ratios

The following table provides the key financial ratios for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover period (days) ⁽¹⁾	36	37	36
Trade payables turnover period (days) ⁽²⁾	25	25	18
Inventory turnover period (days) ⁽³⁾	78	100	97
Current ratio (times) ⁽⁴⁾	2.38	1.93	2.68
Gearing ratio (times) ⁽⁵⁾	0.80	0.96	0.73

Notes:

- (1) Based on average trade receivables as at the beginning and end of the respective financial years over total revenue of the respective financial years and multiplied by 365 days.
- (2) Based on average trade payables as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.
- (3) Based on average inventory as at the beginning and end of the respective financial years over total cost of sales of the respective financial years and multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on total borrowings (including finance lease liabilities) over total equity.

12. FINANCIAL INFORMATION (CONT'D)**(i) Trade receivables**

The breakdown of our Group's trade receivables is as set out below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Trade receivables	11,041	14,314	16,343
Less:			
Impairment loss ^(a)	620	351	407
Net trade receivables	10,421	13,963	15,936
Revenue	103,525	121,400	150,962
Trade receivables turnover period (days) ^(b)	36	37	36

Notes:

- (a) Refers to impairment loss on trade receivables that were recognised based on the expected credit losses ("ECL") computed in accordance with MFRS 9 using lifetime ECL approach. The amount of ECL were assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables. There were no specific impairment losses recognised for the trade receivables in the Financial Years Under Review.
- (b) Computed based on average trade receivables of the respective financial years over total revenue of the respective financial years and multiplied by 365 days.

We mainly deal with our customers on credit terms. A small proportion of our sales are conducted on cash terms. For the Financial Years Under Review, the normal credit terms that we grant to our customers ranges from 7 to 90 days.

As part of our credit control process, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the Financial Years Under Review, our average trade receivables turnover period ranges between 36 days and 37 days, which are within the normal credit period granted to our customers.

For the FYE 2022, our average trade receivables turnover period increased slightly from 36 days in FYE 2021 to 37 days in FYE 2022. This was mainly due to the increase in billings in the last quarter of FYE 2022 where most of our trade receivables are not past due.

For the FYE 2023, our average trade receivables turnover period improved slightly from 37 days in FYE 2022 to 36 days in FYE 2023. This was mainly due to timely collections from customers.

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12. FINANCIAL INFORMATION (CONT'D)

Our trade receivables ageing analysis as at 30 June 2023 is as follows:

	Not past due	Past due (days)				Total
		1 – 30	31 – 60	61 – 90	>90	
Trade receivables (RM'000)	15,001	520	338	70	414	16,343
Less: Impairment loss (RM'000)	(5)	(5)	(21)	(12)	(364)	⁽¹⁾ (407)
Net trade receivables (RM'000)	14,996	515	317	58	50	15,936
<i>Proportion of net trade receivables (%)</i>	<i>94.11</i>	<i>3.23</i>	<i>1.99</i>	<i>0.36</i>	<i>0.31</i>	<i>100.00</i>
Subsequent collections as at the LPD (RM'000)	(14,932)	(508)	(317)	(58)	(50)	(15,865)
Net trade receivables after subsequent collections (RM'000)	64	7	-	-	-	71
<i>Proportion of net trade receivables after subsequent collections (%)</i>	<i>90.14</i>	<i>9.86</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>100.00</i>

Note:

- (1) Approximately RM43,000 of the trade receivables impaired has also been collected from our customers as at the LPD.

As at the LPD, 99.55% of our net trade receivables outstanding as at 30 June 2023 has been collected from our customers. The remaining RM0.07 million or 0.45% of our net trade receivables are still outstanding, as at the LPD. Subsequent to the LPD, the remaining RM0.07 million has been collected.

(ii) Trade payables

The breakdown of our Group's trade payables is as set out below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Trade payables	4,687	5,042	3,644
Cost of sales	55,732	69,656	85,816
Trade payables turnover period (days) ^(a)	25	25	18

Note:

- (a) Computed based on average trade payables of the respective financial years over the total cost of sales of the respective financial years and multiplied by 365 days.

We deal with some of our suppliers, particularly our plastic resin suppliers, on cash terms while for other suppliers, we deal with them on credit terms. For suppliers that grants us credit terms, there are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Normal credit terms (days)	60 to 90	7 to 90	7 to 90

For the Financial Years Under Review, our average trade payables turnover period, which ranges from 18 days to 25 days, fell within the credit period given by our suppliers.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2021 and FYE 2022, our average trade payables turnover period maintained at 25 days. In FYE 2023, our average trade payables turnover period improved to 18 days. This was mainly due to the lower purchases of materials at the end of FYE 2023 compared to the last quarter of FYE 2022. Due to the decrease in PET resin prices at the end of FYE 2023 and the supply of PET resin has stabilised, we reduced our purchases of PET resin at the end of FYE 2023 and reduced our stock level of PET resin back to 2 to 3 months.

Our trade payables ageing analysis as at 30 June 2023 is as follows:

	Not past due	Past due (days)				Total
		1-30	31-60	61-90	>90	
Trade payables (RM'000)	2,728	331	104	113	368	3,644
<i>Proportion of trade payables (%)</i>	<i>74.86</i>	<i>9.08</i>	<i>2.86</i>	<i>3.10</i>	<i>10.10</i>	<i>100.00</i>
Subsequent payments as at the LPD (RM'000)	(2,728)	(331)	(104)	(113)	(368)	(3,644)
Net trade payables after subsequent payments (RM'000)	-	-	-	-	-	-
<i>Proportion of trade payables after subsequent payments (%)</i>	-	-	-	-	-	-

As at the LPD, all our trade payables outstanding as at 30 June 2023 has been fully settled.

(iii) Inventory turnover

The breakdown of our Group's inventory is as set out below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Total inventory	13,241	25,040	20,394
Consisting of:			
- Raw materials	9,610	19,992	13,792
- Finished goods	1,475	1,686	2,641
- Consumables and parts	1,839	2,747	3,408
- Stock-in-transit	-	-	13
- Others	317	615	540
Cost of Sales	55,732	69,656	85,816
Inventory turnover period (days) ⁽¹⁾	78	100	97

Note:

- (1) Computed based on the average inventory of the respective financial years over the total cost of sales of the respective financial years and multiplied by 365 days.

Our inventory comprises the following:

- raw materials including plastic resins, PET preform, flavourings, food ingredients, and packaging materials;

12. FINANCIAL INFORMATION (CONT'D)

- finished goods comprise products that have completed its production and that are stored at our warehouse and distribution centre for distribution to customers;
- consumables and parts including spare parts for repair and maintenance of our plant and equipment;
- stock-in-transit are packaging materials purchased in-transit to our warehouse;
- Others including marketing tools for marketing and promotion activities, carbon dioxide gas, and RO system consumables. We maintain a minimum stock level for other materials where marketing tools are purchased as and when required, carbon dioxide gas is refilled every week, and RO system consumables are replenished after every scheduled replacement.

For the FYE 2022, our inventory turnover period increased to 100 days from 78 days in FYE 2021. This was mainly due to the increase in raw materials balance by RM10.38 million as at the end of FYE 2022 comprising mainly PET resins by RM7.10 million. Due to the increasing prices of PET resin at the end of FYE 2022 coupled with the delay in the supply of PET resins, we gradually increased our stock level of PET resin from 2 to 3 months to 4 to 6 months.

For the FYE 2023, our inventory turnover period decreased to 97 days from 100 days in FYE 2022. This was mainly due to the decrease in raw materials balance by RM6.20 million as at the end of FYE 2023 comprising mainly PET resins by RM5.37 million. Due to the decrease in PET resin prices at the end of FYE 2023 and the supply of PET resin has stabilised, we have reduced our stock level of PET resin back to 2 to 3 months.

(iv) Current ratio

The table below sets out a summary of our current ratio for the financial years and period indicated:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Current assets (RM'000)	54,007	73,936	76,377
Current liabilities (RM'000)	22,660	38,313	28,535
Current ratio (times) ^(a)	2.38	1.93	2.68

Note:

- (a) Computed based on current assets over current liabilities

As at 30 June 2022, our current ratio was 1.93 times, which was lower compared to 2.38 times as at 30 June 2021. This was mainly due to an increase in borrowings from banks by RM15.01 million arising from the increase in utilisation of bankers' acceptances by RM12.32 million as at the end of FYE 2022 to fund the purchase of plastic resin.

As at 30 June 2023, our current ratio was 2.68 times, which was higher compared to 1.93 times as at 30 June 2022. This was mainly due to the decrease in borrowings by RM6.58 million largely attributed to the decrease in utilisation of bankers' acceptances by RM7.02 million as at the end of FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**(v) Gearing ratio**

The table below sets out a summary of our gearing ratio for the financial years indicated:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Total borrowings ^(a) (RM'000)	47,577	71,084	68,545
Total equity (RM'000)	59,635	74,172	93,894
Gearing ratio (times) ^(b)	0.80	0.96	0.73

Notes:

- (a) Includes borrowings and finance lease liabilities on plant and machinery, and motor vehicles
- (b) Computed based on borrowings and finance lease liabilities on plant and machinery and motor vehicles over total equity.

As at 30 June 2022, our gearing ratio was 0.96 times, which was higher compared to 0.80 times as at 30 June 2021. This was mainly due to an increase in total borrowings of RM23.51 million including term loans of RM15.38 million for the purchase of plant and machinery, purchase of land in Sandakan for Sandakan Sibuga DC 1 and purchase of Lahad Datu DC 2, as well as the construction of the third phase of KK IZ8 Plant 1, and bankers' acceptances of RM12.31 million for financing of working capital, which more than offset the increase in retained earnings of RM14.54 million.

As at 30 June 2023, our gearing ratio was 0.73 times, which was lower compared to 0.96 times as at 30 June 2022. This was mainly due to the decrease in total borrowings of RM2.54 million arising from the decrease in bankers' acceptances balance as at the end of FYE 2023 of RM7.02 million and offset by the increase in term loans of RM5.45 million for the financing of the purchase bottle cap injection moulding machine, purchase of land for Sandakan Sibuga DC 2 and Sandakan Sibuga Plant 2 as well as for the renovation works for Lahad Datu DC 2. In addition, our total equity increased resulting from the increased retained earnings by RM19.62 million attributed from the higher PAT recorded in FYE 2023.

12.3.17 Order Book

We do not maintain an order book as we are involved mainly in the manufacturing of beverage products whereby our sales are carried out based on purchase orders received from our customers on an ongoing basis.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.18 Trend analysis

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.3.15 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits as well as our liquidity and capital resources, save as disclosed in this section and Sections 7, 8 and 9 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 7 and 9 of this Prospectus.

Our Board is optimistic about the prospects of our Group after taking into consideration our Group's competitive advantages and key strengths, as well as business strategies as set out in Section 7 of this Prospectus.

12.3.19 Significant changes

Save as disclosed in Sections 7 and 9 of this Prospectus in relation to interruptions to our business and operations pursuant to the COVID-19 pandemic, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2023 and up to the LPD.

12.3.20 Accounting policies which are peculiar to our Group

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report included in Section 13 of this Prospectus.

12.4 DIVIDEND POLICY

As we are an investment holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present and future. The payment of dividends by our Subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant.

12. FINANCIAL INFORMATION (CONT'D)

In addition to the factors above which may affect the ability of our Subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our working capital requirements;
- (iv) our other investment plans;
- (v) any material impact on tax laws and other regulatory requirements;
- (vi) any restrictive covenants contained in our current and future financial arrangements; and
- (vii) the general economic and business conditions and other factors deemed relevant by our Board.

We target a payout ratio of not less than 20% of our PAT of each financial year on a consolidated basis after taking into account working capital and maintenance of capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modifications (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 9.3 of this Prospectus for risk relating to investment in our shares.

The dividends declared and paid for the Financial Years Under Review are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Dividend declared and paid	2,500	1,200	1,000
PAT	17,661	15,737	20,621
Dividend payout ratio (%)	14.16	7.63	4.85

Since 1 July 2023 up to the LPD, there is no dividend declared, made or paid by our Group to our shareholders. During the Financial Years Under Review, all the dividend declared and paid was funded entirely by internally generated funds.

As at the LPD, we intend to declare and pay dividend of up to RM4.00 million for FYE 2024, the timing of which is expected to be by June 2024, prior to our Listing. The dividend will be funded by internally generated funds sourced from our operations. The dividend to be paid will not affect the execution and implementation of our future plans or business strategies.

12. FINANCIAL INFORMATION (CONT'D)**12.5 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023**

Tel : +603 2616 2888
 Fax : +603 2616 3190 / 3191
 www.bdo.my

Level 8
 BDO @ Menara CenTARa
 360 Jalan Tuanku Abdul Rahman
 50100 Kuala Lumpur
 Malaysia

The Board of Directors
 Life Water Berhad
 CL075356375 & CL075356366,
 Batu 8, Jalan Lintas Sibuga
 90000 Sandakan
 Sabah

Date: 22 December 2023

Our Ref: BDO/PZH/AMY/PYL/lml

Dear Sirs,

Life Water Berhad ("LW" or the "Company") and its combining entities ("Group")
 Report on the Compilation of Pro Forma Statements of Financial Position Included in the
 Prospectus

We have completed our assurance engagement to report on the compilation of the pro forma statements of financial position of the Group as at 30 June 2023 ("Pro Forma Statements of Financial Position"). The Pro Forma Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Statements of Financial Position are described in the Notes thereon to the Pro Forma Statements of Financial Position and are in accordance with the Prospectus Guidelines issued by Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the Notes to the Pro Forma Statements of Financial Position on the financial position of the Group as at 30 June 2023 had the Listing been affected as at 30 June 2023. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the Group's audited combined statements of financial position as at 30 June 2023.

Directors' Responsibility for the Pro Forma Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (CONT'D)

Our Independence and Quality Control

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

The firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance and Related Services Engagements* and accordingly requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in Notes to the Pro Forma Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

12. FINANCIAL INFORMATION (CONT'D)

Reporting Accountants' Responsibility (continued)

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Statements of Financial Position of the Group have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Pang Zhi Hao
03450/09/2025 J
Chartered Accountant

12. FINANCIAL INFORMATION (CONT'D)

*Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position*

1. INTRODUCTION AND BASIS OF PREPARATION**1.1 Introduction**

The Pro Forma Statements of Financial Position of Life Water Berhad (“Company”) and its combining entities (collectively referred to as the “Group”) as at 30 June 2023 (“Pro Forma SOFP”) together with the notes thereon, for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (“Listing”).

1.2 Basis of preparation

The Pro Forma SOFP have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2023, which were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma SOFP have been prepared for illustrative purposes only to show the effects of the transactions as set out in Note 2 on the audited combined statements of financial position of the Group as at 30 June 2023 had the transactions been effected on 30 June 2023, and should be read in conjunction with the notes thereon. Due to its nature, the Pro Forma SOFP is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

The audited combined statements of financial position of the Group for the financial year ended 30 June 2023 used in the preparation of the Pro Forma SOFP was not subject to any audit qualification.

2. LISTING SCHEME

The Acquisition of Life Water Industries Sdn. Bhd., Green Borneo Industries Sdn. Bhd., Life Water Marketing Sdn. Bhd., Syarikat Maju Sasa Sdn. Bhd., Syarikat Rasa Kool Sdn. Bhd., K2 Water Sdn. Bhd. and Cyplast Industries Sdn. Bhd. (as defined in Note 2.1) and Initial Public Offering (“IPO”) as disclosed in Notes 2.1 and 2.2 respectively are included in the Pro Forma SOFP to show the effects of the transactions on the audited statements of financial position of the Group as at 30 June 2023 had the transactions been effected on 30 June 2023 in accordance with the Prospectus Guidelines.

2.1 Acquisitions

In conjunction with the listing of and quotation for the entire enlarged issued share capital of LW on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”), the Company had entered into the following conditional share sale agreements (“SSA”):

- (a) on 26 November 2023, the Company entered into the Life Water Industries Sdn. Bhd. (“Life Water Industries”) SSA for the Life Water Industries Acquisition for a total consideration of RM50.92 million, which was fully satisfied by the issuance of 203,690,960 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Life Water Industries Acquisition was arrived at after taking into consideration the audited net assets (“NA”) of Life Water Industries as at 30 June 2023 of RM51.19 million;



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

2. LISTING SCHEME (continued)**2.1 Acquisitions (continued)**

In conjunction with the listing of and quotation for the entire enlarged issued share capital of LW on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), the Company had entered into the following conditional share sale agreements ("SSA"): (continued)

- (b) on 26 November 2023, the Company entered into the Green Borneo Industries Sdn. Bhd. ("Green Borneo Industries") SSA for the Green Borneo Industries Acquisition for a total consideration of RM22.82 million, which was fully satisfied by the issuance of 91,298,280 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Green Borneo Industries Acquisition was arrived at after taking into consideration the audited NA of Green Borneo Industries as at 30 June 2023 of RM22.94 million;
- (c) on 26 November 2023, the Company entered into the Life Water Marketing Sdn. Bhd. ("Life Water Marketing") SSA for the Life Water Marketing Acquisition for a total consideration of RM12.66 million, which was fully satisfied by the issuance of 50,623,796 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Life Water Marketing Acquisition was arrived at after taking into consideration the audited NA of Life Water Marketing as at 30 June 2023 of RM12.72 million;
- (d) on 26 November 2023, the Company entered into the Syarikat Maju Sasa Sdn. Bhd. ("Syarikat Maju Sasa") SSA for the Syarikat Maju Sasa Acquisition for a total consideration of RM2.36 million, which was fully satisfied by the issuance of 9,454,172 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Syarikat Maju Sasa Acquisition was arrived at after taking into consideration the audited NA of Syarikat Maju Sasa as at 30 June 2023 of RM2.38 million;
- (e) on 26 November 2023, the Company entered into the Syarikat Rasa Kool Sdn. Bhd. ("Syarikat Rasa Kool") SSA for the Syarikat Rasa Kool Acquisition for a total consideration of RM3.68 million, which was fully satisfied by the issuance of 14,730,020 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Syarikat Rasa Kool Acquisition was arrived at after taking into consideration the audited NA of Syarikat Rasa Kool as at 30 June 2023 of RM3.70 million;
- (f) on 26 November 2023, the Company entered into the K2 Water Sdn. Bhd. ("K2 Water") SSA for the K2 Water Acquisition for a total consideration of RM1.42 million, which was fully satisfied by the issuance of 5,693,900 new Shares at an issue price of RM0.25 each. The total purchase consideration for the K2 Water Acquisition was arrived at after taking into consideration the audited NA of K2 Water as at 30 June 2023 of RM1.43 million; and
- (g) on 26 November 2023, the Company entered into the Cyplast Industries Sdn. Bhd. ("Cyplast Industries") SSA for the Cyplast Industries Acquisition for a total consideration of RM0.03 million, which was fully satisfied by the issuance of 124,872 new Shares at an issue price of RM0.25 each. The total purchase consideration for the Cyplast Industries Acquisition was arrived at after taking into consideration the audited NA of Cyplast Industries as at 30 June 2023 of RM0.03 million.

2.2 Listing exercise

In conjunction with the Listing, the Company will undertake an IPO comprising of a public issue of 97,563,000 new Shares in the Company ("Public Issue") and offer for sale of existing 28,390,000 Shares in the Company at an issue/offer price of RM[●] per Share.

Upon completion of the Proposed Listing, the enlarged issued share capital of RM[●] comprising 473,179,500 ordinary shares in the Company will be listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

2. LISTING SCHEME (continued)**2.2 Listing exercise (continued)*****Utilisation of proceeds***

The proceeds from the Public issue of RM[●] are expected to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'000	Percentage of gross proceeds %
(i) Purchase of drinking water manufacturing line for Sandakan Sibuga Plant 2	Within 32 months	[●]	[●]
(ii) Set-up second distribution centre in Sandakan	Within 39 months	[●]	[●]
(iii) Expansion of existing plastic packaging facilities in Kota Kinabalu	Within 14 months	[●]	[●]
(iv) Working capital*	Within 6 months	[●]	[●]
(v) Estimated listing expenses^	Within 3 months	[●]	[●]
Total		<u>[●]</u>	<u>[●]</u>

* This utilisation of proceed is not adjusted in the Pro Forma II to the Pro Forma Statement of Financial Position as at 30 June 2023.

^ The estimated listing expenses totaling RM[●] to be borne by the Company comprise underwriting fees, placement fees, brokerage fees, regulatory fees, professional fees and miscellaneous expenses relating to the IPO and the Listing, of which RM[●] had been incurred and charged to profit or loss of the Group as of 30 June 2023. Upon completion of the Listing, a total of RM[●] of the estimated listing expenses is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM[●] will be expensed off to the profit or loss.

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12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

The Pro Forma SOFP of the Group as at 30 June 2023 have been prepared for illustrative purposes only to show the effects on the audited combined statements of financial position of the Group as at 30 June 2023 based on the assumptions that transactions set out in Note 2 had been effected on 30 June 2023, and should be read in conjunction with notes accompanying to the Pro Forma SOFP.

	Note	As at 30 June 2023 RM	Adjustments for Acquisitions RM	<u>Pro Forma I</u> After the Acquisitions RM	Adjustments for listing exercise RM	<u>Pro Forma II</u> After Pro Forma I and listing exercise RM
ASSETS						
Non-current assets						
Property, plant and equipment	3.2.1	-	67,662,411	67,662,411	[•]	[•]
Right-of-use assets		-	29,661,268	29,661,268	-	29,661,268
Deferred tax assets		-	88,790	88,790	-	88,790
		-	97,412,469	97,412,469	[•]	[•]
Current assets						
Inventories		-	20,394,348	20,394,348	-	20,394,348
Trade and other receivables		500	24,541,554	24,542,054	-	24,542,054
Current tax assets		-	1,569,274	1,569,274	-	1,569,274
Return assets		-	155,946	155,946	-	155,946
Short term funds		-	18,100,059	18,100,059	-	18,100,059
Cash and bank balances	3.2.2	100	11,615,363	11,615,463	[•]	[•]
		600	76,376,544	76,377,144	[•]	[•]
TOTAL ASSETS		600	173,789,013	173,789,613	[•]	[•]



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

	Note	As at 30 June 2023 RM	Adjustments for Acquisitions RM	Pro Forma I After the Acquisitions RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM
EQUITY AND LIABILITIES						
Equity attributable to owners of the combining entities						
Share capital	3.2.3	100	93,904,000	93,904,100	[•]	[•]
Merger reserve	3.2.3	-	(87,203,900)	(87,203,900)	-	(87,203,900)
(Accumulated losses)/ Retained earnings	3.2.3	(10,247)	87,204,093	87,193,846	[•]	[•]
TOTAL EQUITY		(10,147)	93,904,193	93,894,046	[•]	[•]
Non-current liabilities						
Borrowings		-	48,664,650	48,664,650	-	48,664,650
Lease liabilities		-	2,122,005	2,122,005	-	2,122,005
Deferred tax liabilities		-	573,812	573,812	-	573,812
		-	51,360,467	51,360,467	-	51,360,467



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

	As at 30 June 2023 RM	Adjustments for Acquisitions RM	Pro Forma I After the Acquisitions RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM
EQUITY AND LIABILITIES (continued)					
Current liabilities					
Trade and other payables	10,747	10,074,987	10,085,734	-	10,085,734
Borrowings	-	16,262,498	16,262,498	-	16,262,498
Lease liabilities	-	1,769,755	1,769,755	-	1,769,755
Refund liabilities	-	204,778	204,778	-	204,778
Current tax liabilities	-	212,335	212,335	-	212,335
	10,747	28,524,353	28,535,100	-	28,535,100
TOTAL LIABILITIES	10,747	79,884,820	79,895,567	-	79,895,567
TOTAL EQUITY AND LIABILITIES	600	173,789,013	173,789,613	[•]	[•]
Net assets (RM)	(10,147)		93,894,046		[•]
Number of ordinary shares assumed in issue	500		375,616,500		[•]
Net assets attributable to equity holders per ordinary share	(20.29)		0.25		[•]



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)**3.1 Pro Forma adjustments to the Pro Forma Statements of Financial Position****3.1.1 Pro Forma I**

Pro Forma I incorporated the effects of acquisitions as set out in Note 2.1.

3.1.2 Pro Forma II

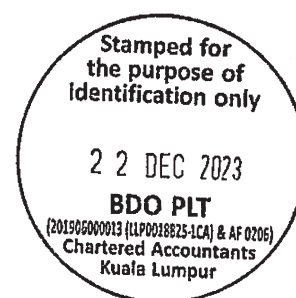
Pro Forma II incorporates the effects of Pro Forma I and the effects of listing exercise as set out in Note 2.2.

3.2 Notes to the Pro Forma Statements of Financial Position**3.2.1 Property, plant and equipment**

	RM
As at 30 June 2023	-
Adjustments for acquisitions	67,662,411
Pro Forma I	67,662,411
Adjustments for utilisation of proceeds	[•]
Pro Forma II	[•]

3.2.2 Cash and bank balances

	RM
As at 30 June 2023	100
Adjustments for acquisitions	11,615,363
Pro Forma I	11,615,463
Proceeds from the public issue	[•]
Adjustments for utilisation of proceeds	[•]
Pro Forma II	[•]



12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)**3.2 Notes to the Pro Forma Statements of Financial Position (continued)****3.2.3 Share capital and reserves**

	Share capital RM	Merger reserve RM	Distributable (Accumulated losses)/ Retained earnings RM	Equity attributable to owners of the combining entities RM
Balance as at 30 June 2023	100	-	(10,247)	(10,147)
Adjustments for acquisitions	93,904,000	(87,203,900)	87,204,093	93,904,193
Pro Forma I	93,904,100	(87,203,900)	87,193,846	93,894,046
Proceeds from the public issue	[•]	-	-	[•]
Estimated listing expenses attributable to IPO	[•]	-	-	[•]
Estimated other listing expenses	-	-	[•]	[•]
	[•]	-	[•]	[•]
Pro Forma II	[•]	(87,203,900)	[•]	[•]



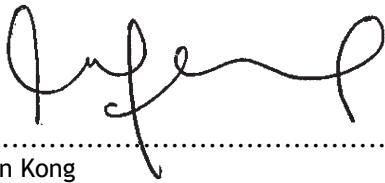
12. FINANCIAL INFORMATION (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Pro Forma Statements of Financial Position

APPROVAL BY THE BOARD OF DIRECTORS

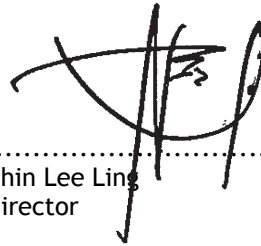
Approved and adopted by the Board of Directors of Life Water Berhad in accordance with a resolution dated 22 December 2023.

Signed on behalf of the Board of Directors.



.....
Liaw Hen Kong
Director

Kuala Lumpur
22 December 2023



.....
Chin Lee Ling
Director