

THIS DOCUMENT HAS NOT BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA ("SC"). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY THE SC. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.



LIFE WATER BERHAD

(Registration No. 202301002484 (1496403-W))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING ("IPO") OF 125,953,000 ORDINARY SHARES IN LIFE WATER BERHAD ("LIFE WATER" OR "COMPANY") ("SHARES") AT AN IPO PRICE OF RM[●] PER SHARE, PAYABLE IN FULL UPON APPLICATION COMPRISING:

- (I) PUBLIC ISSUE OF 97,563,000 NEW SHARES IN THE FOLLOWING MANNER:
- (A) 23,660,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - (B) 14,195,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF LIFE WATER AND ITS SUBSIDIARIES;
 - (C) 560,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
 - (D) 59,148,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY, MALAYSIA;

AND

- (II) OFFER FOR SALE OF 28,390,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS.

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THIS PROSPECTUS, IN CONJUNCTION WITH THE LISTING OF LIFE WATER ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Principal Adviser, Underwriter and Placement Agent



MIDF AMANAH INVESTMENT BANK BERHAD

(Registration No. 197501002077 (23878-X))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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

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

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

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

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

THIS PROSPECTUS IS DATED [●]

All defined terms used in this Prospectus are defined under “Presentation of Financial and Other Information” and “Definitions” commencing on pages viii and x of this Prospectus respectively.

RESPONSIBILITY STATEMENTS

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

MIDF Investment, being our Principal Adviser, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

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

[This Prospectus, together with the Application Form, have also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

OTHER STATEMENTS

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

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

Our Shares are classified as Shariah compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

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

This Prospectus has been prepared and published solely for our IPO under the laws of Malaysia. This Prospectus does not comply with the laws of jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority of any jurisdiction other than Malaysia.

Our Shares being offered in our IPO are offered solely based on the contents of this Prospectus. Our Company, Promoters, Selling Shareholders, Directors, Principal Adviser, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Company, Directors, Promoters, Selling Shareholders, Principal Adviser, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subject to the laws of any countries or jurisdictions other than Malaysia, to consult your legal and/or professional advisers as to whether your application for our IPO would result in the contravention of any laws of such countries or jurisdictions. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any such country or jurisdiction.

Further, it shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion, to treat any acceptances as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus are as per the contents of this Prospectus registered by the SC.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application may be subject to the risk of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which is identical to this Prospectus registered by the SC, shall prevail.

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

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third-Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third-Party Internet Sites. You shall bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third-Party Internet Sites, for fulfilling any of the terms of your agreements with the Third-Party Internet Sites. We and our Principal Adviser are also not responsible for any loss, damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

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

- (i) the Internet Participating Financial Institutions are liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

(The rest of this page has been intentionally left blank)

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative times and/or dates:

<u>Events</u>	<u>Tentative date</u>
Issuance of Prospectus / Opening of application for our IPO Shares	10.00 a.m., [●]
Closing of application for our IPO Shares	5.00 p.m., [●]
Balloting of application for our IPO Shares	[●]
Allotment / transfer of our IPO Shares to successful applicants	[●]
Listing on the Main Market of Bursa Securities	[●]

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

(The rest of this page has been intentionally left blank)

TABLE OF CONTENTS

	PAGE
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	viii
FORWARD-LOOKING STATEMENTS	ix
DEFINITIONS	x
GLOSSARY OF TECHNICAL TERMS	xx
1. CORPORATE DIRECTORY	1
2. APPROVALS AND CONDITIONS	5
2.1 SC	5
2.2 Bursa Securities	6
2.3 MITI	6
2.4 Moratorium on our Shares	6
3. PROSPECTUS SUMMARY	7
3.1 Principal details of our IPO	7
3.2 Background and overview	7
3.3 Competitive advantages and key strengths	8
3.4 Business strategies and plans	10
3.5 Risk factors	12
3.6 Directors and Key Senior Management/ Key Technical Personnel	14
3.7 Dividend policy	14
3.8 Use of proceeds from our IPO	14
3.9 Financial and operational highlights	15
3.10 Promoters and substantial shareholders	16
4. PARTICULARS OF OUR IPO	17
4.1 Opening and closing of Applications	17
4.2 Indicative timetable	17
4.3 Details of our IPO	17
4.4 Share capital, classes of shares and ranking	24
4.5 Basis of arriving at our IPO Price	25
4.6 Dilution	26
4.7 Use of proceeds	27
4.8 Brokerage fee, underwriting commission and placement fee	33
4.9 Salient terms of the underwriting arrangement	34
4.10 Objectives of our IPO	34
5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL	35
5.1 Promoters and substantial shareholders	35
5.2 Board of Directors	43
5.3 Board practices	62
5.4 Key Senior Management/ Key Technical Personnel	69
5.5 Declarations by our Promoters, Directors and Key Senior Management/ Key Technical Personnel	76
5.6 Family relationships and associations	76
5.7 Existing or proposed service agreement	77

TABLE OF CONTENTS (CONT'D)

	PAGE
6. INFORMATION ON OUR GROUP	78
6.1 History and milestones	78
6.2 Share capital and changes in share capital	78
6.3 Formation of our Group	78
6.4 Our Group structure	82
6.5 Our Subsidiaries	83
6.6 Public take-overs	86
7. BUSINESS OVERVIEW	87
7.1 Principal business activities and products	87
7.2 Our business model	93
7.3 Modes of operation	99
7.4 Competitive advantages and key strengths	100
7.5 Our business activities and products	103
7.6 Process flow	109
7.7 Operational facilities and capacity	119
7.8 Research and development	124
7.9 Technology used or to be used	124
7.10 Sales and marketing	125
7.11 Environmental, social and governance practices	127
7.12 Seasonality	129
7.13 Interruption to our business in the past 12 months	129
7.14 Types, sources and availability of input materials	131
7.15 Major customers	133
7.16 Major suppliers	135
7.17 Dependency on commercial contracts/agreements, documents, major licences, intellectual property rights or other arrangements	137
7.18 Key machinery, equipment and motor vehicles	138
7.19 Governing laws and regulations including environmental concerns	140
7.20 Business strategies and plans	150
7.21 Employees	165
8. INDUSTRY OVERVIEW	166
9. RISK FACTORS	177
9.1 Risks relating to the business and operations of our Group	177
9.2 Risks relating to our industry	188
9.3 Risks relating to investment in our Shares	189
10. RELATED PARTY TRANSACTIONS	193
10.1 Our Groups' related party transactions	193
10.2 Monitoring and oversight of related party transactions and conflict of interest	197
11. CONFLICT OF INTEREST	199
11.1 Conflict of interest	199
11.2 Declaration by advisers on conflict of interest	200

TABLE OF CONTENTS (CONT'D)

	PAGE
12. FINANCIAL INFORMATION	201
12.1 Historical financial information	201
12.2 Capitalisation and indebtedness	205
12.3 Management's discussion and analysis of financial condition and results of operations	206
12.4 Dividend policy	245
12.5 Reporting Accountants' report on the compilation of the pro forma consolidated statements of financial position as at 30 June 2023	247
13. REPORTING ACCOUNTANTS' REPORT	259
14. ADDITIONAL INFORMATION	325
14.1 Extract of our Constitution	325
14.2 Share capital	327
14.3 Deposited securities and rights of depositors	328
14.4 Limitation on the right to own securities	328
14.5 Exchange controls	328
14.6 Material litigation, claim and arbitration	328
14.7 Material contracts	329
14.8 Consents	330
14.9 Responsibility statements	331
14.10 Documents for inspection	331
15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE	332
15.1 Opening and closing of Applications	332
15.2 Methods of Applications	332
15.3 Eligibility	333
15.4 Procedures for Application by way of Application Forms	334
15.5 Procedures for Application by way of Electronic Share Applications	335
15.6 Procedures for Application by way of Internet Share Applications	335
15.7 Authority of our Board and our Issuing House	335
15.8 Over/under subscription	336
15.9 Unsuccessful/partially successful Applicants	336
15.10 Successful Applicants	338
15.11 Enquiries	338
ANNEXURE A OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS	339
ANNEXURE B OUR MATERIAL PROPERTIES	378
ANNEXURE C OUR INTELLECTUAL PROPERTY RIGHTS	394

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “**our Company**” or “**Life Water**” in this Prospectus are to Life Water Berhad. All references to “**our Group**” are to our Company and our subsidiaries taken as a whole. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company or our Group or any member of our Group, as the context requires.

Unless the context otherwise requires, references to “**Management**” are to our Directors and our Key Senior Management/ Key Technical Personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include companies and corporations, unless otherwise specified.

In this Prospectus, references to the “**Government**” are to the Government of Malaysia; and references to “**RM**” and “**sen**” are to the lawful currency of Malaysia. The word “**approximately**” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 2 decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being or amended or re-enacted.

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

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or is exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the Industry Overview prepared by Vital Factor, an independent business and market research consulting company. We have appointed Vital Factor to provide an independent market and industry review. In compiling their data for the review, Vital Factor had relied on research methodology, industry sources, published materials, their own private databases and direct contacts within the industry. We believe that the information on the industry and the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon.

All information stated in this Prospectus are as at the LPD unless otherwise specified.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations are forward-looking statements. Some of these statements can be identified by words that have a bias towards or are forward-looking such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other important factors beyond our Group’s control that could cause our actual results, performances or achievements to be materially different from future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand of our services;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our future financial position, earnings, cash flows and liquidity; and
- (v) our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) COVID-19 and possible similar future outbreak;
- (ii) the economic, political and investment environment in Malaysia; and
- (iii) government policy, legislation or regulation.

Such forward-looking statements are based on numerous assumptions regarding our Group’s present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performances or achievements to differ materially include, but are not limited to those discussed in Section 9 – Risk Factors and Section 12.3 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Prospectus. We cannot assure you that the forward- looking statements in this Prospectus will be realised.

These forward-looking statements are based on information available to us as at the LPD and are made available only as at the LPD. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of the Issue Shares / transfer of the Offer Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provision of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

(The rest of this page has been intentionally left blank)

DEFINITIONS

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

COMPANIES WITHIN OUR GROUP

Cyplast Industries	: Cyplast Industries Sdn Bhd (Registration No. 202201008736 (1454433-D))
Green Borneo Industries	: Green Borneo Industries Sdn Bhd (Registration No. 201001016886 (900589-H))
K2 Water	: K2 Water Sdn Bhd (Registration No. 201401042504 (1118672-P))
Life Water or Company	: Life Water Berhad (Registration No. 202301002484 (1496403-W))
Life Water Group or Group	: Life Water Berhad and its Subsidiaries, collectively
Life Water Industries	: Life Water Industries Sdn Bhd (Registration No. 199701014984 (430481-P))
Life Water Marketing	: Life Water Marketing Sdn Bhd (Registration No. 200701027403 (785425-P))
Syarikat Maju Sasa	: Syarikat Maju Sasa Sdn Bhd (Registration No. 200701027401 (785423-D))
Syarikat Rasa Kool	: Syarikat Rasa Kool Sdn Bhd (Registration No. 200701027404 (785426-M))
Subsidiaries	: Life Water Industries, Green Borneo Industries, Life Water Marketing, Syarikat Maju Sasa, Syarikat Rasa Kool, K2 Water, and Cyplast Industries, collectively

GENERAL

Acquisitions	: Collectively, Life Water Industries Acquisition, Green Borneo Industries Acquisition, Life Water Marketing Acquisition, Syarikat Maju Sasa Acquisition, Syarikat Rasa Kool Acquisition, K2 Water Acquisition and Cyplast Industries Acquisition
Act	: Companies Act 2016
AGM	: Annual General Meeting
Applicants	: Applicants for the subscription of our IPO Shares by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application
Applications	: The applications for the Issue Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form	: The printed application form for the application of the Issue Shares accompanying this Prospectus
ATM	: Automated Teller Machine

DEFINITIONS (CONT'D)

Auditors or Reporting Accountants or BDO	: BDO PLT (Registration No. 201906000013 (LLP0018825-LCA) & AF 0206)
Board	: Board of Directors of our Company
Bumiputera	: In the context of: <ul style="list-style-type: none"> (i) individuals - Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies - companies which fulfil, among others, the following criteria or such other criteria as may be imposed by MITI: <ul style="list-style-type: none"> (a) registered under the Act as a private company; (b) its shareholders are 100% Bumiputera; and (c) its board of directors (including its staff) are at least 51% Bumiputera (iii) cooperatives - cooperatives whose shareholders or cooperative members are at least 95% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAGR	: Compound annual growth rate
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CDS Accounts	: Accounts established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CL	: Country Lease
CMSA	: Capital Markets and Services Act 2007
Constitution	: The constitution of our Company
COVID-19	: Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
CSR	: Corporate Social Responsibilities
Cyplast Industries Acquisition	: The acquisition of the entire issued share capital of Cyplast Industries by our Company from the Vendors pursuant to the Cyplast Industries SSA, as further described in Section 6.3 of this Prospectus

DEFINITIONS (CONT'D)

Cyplast Industries SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Cyplast Industries Acquisition
Depositor	: A holder of a CDS Account
Directors	: Directors of our Company and within the meaning given in Section 2 of the CMSA
EBIT	: Earnings before interest and taxation
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
EIS	: Employment Insurance System
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: An application for the Issue Shares through Participating Financial Institutions' ATM
Eligible Persons	: Eligible Directors, employees and persons who have contributed to the success of our Group, as further detailed in Section 4.3.1(ii) of this Prospectus
EPF	: Employees' Provident Fund
EPS	: Earnings per Share
Equity Guidelines	: Equity Guidelines issued by the SC
ESG	: Environmental, social and governance
Financial Years Under Review	: Collectively, FYE 2021, FYE 2022 and FYE 2023
FYE	: Financial year ended / ending 30 June, as the case may be
g	: gram
GMP	: Good Manufacturing Practice
GP	: Gross profit
Green Borneo Industries Acquisition	: The acquisition of the entire issued share capital of Green Borneo Industries by our Company from the Vendors pursuant to the Green Borneo Industries SSA, as further described in Section 6.3 of this Prospectus
Green Borneo Industries SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Green Borneo Industries Acquisition
HACCP	: Hazard analysis and critical control points
ICA	: Industrial Co-ordination Act 1975

DEFINITIONS (CONT'D)

IFRS	: International Financial Reporting Standards as issued by the International Accounting Standards Board
Internet Participating Financial Institutions	: Participating financial institutions for the Internet Share Application, as listed in Section 15 of this Prospectus
Internet Share Application	: Application for the Issue Shares through an online share application service provided by the Internet Participating Financial Institutions
IPO	: Collectively, Offer for Sale and Public Issue
IPO Price	: The issue price of RM[●] per IPO Share pursuant to the IPO
IPO Shares	: Collectively, the Issue Shares and Offer Shares
ISO	: International Organisation for Standardisation
Issue Shares	: New Shares to be issued by our Company under the Public Issue
Issuing House	: Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
JAKIM	: Department of Islamic Development Malaysia
K2 Water Acquisition	: The acquisition of the entire issued share capital of K2 Water by our Company from the Vendors pursuant to the K2 Water SSA, as further described in Section 6.3 of this Prospectus
K2 Water SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the K2 Water Acquisition
Key Senior Management	: Key senior management personnel of our Group comprising Liaw Hen Kong, Chin Lee Ling, Christina Yap Chui Fui, Chin Lee Yung @ Rina Chin and Chin Chun Ming
Key Technical Personnel	: Key technical personnel of our Group comprising Liaw Hen Kong and Chin Chun Ming
kg	: Kilogram
KKIP	: Kota Kinabalu Industrial Park
Life Water Industries Acquisition	: The acquisition of the entire issued share capital of Life Water Industries by our Company from the Vendors pursuant to the Life Water Industries SSA, as further described in Section 6.3 of this Prospectus
Life Water Industries SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Life Water Industries Acquisition
Life Water Marketing Acquisition	: The acquisition of the entire issued share capital of Life Water Marketing by our Company from the Vendors pursuant to the Life Water Marketing SSA, as further described in Section 6.3 of this Prospectus

DEFINITIONS (CONT'D)

Life Water Marketing SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Life Water Marketing Acquisition
Listing	: The admission of our Company to the Official List and the listing of and quotation for our entire enlarged Shares on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
Listing Scheme	: Comprising the Acquisitions, Public Issue, Offer for Sale, Share Transfer and Listing, collectively
LPD	: 30 November 2023, being the latest practicable date prior to the issuance of this Prospectus
MAICSA	: Malaysian Institute of Chartered Secretaries and Administrators
Malaysian Public	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Days	: Any days between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
MCCG	: Malaysian Code on Corporate Governance which came into effect on 28 April 2021
MCO	: The nationwide Movement Control Order imposed by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of COVID-19
MDTCL	: Ministry of Domestic Trade and Costs of Living
MeSTI	: Makanan Selamat Tanggungjawab Industri
MFRS	: Malaysian Financial Reporting Standards
MIA	: Malaysian Institute of Accountants
MIDA	: Malaysian Investment Development Authority
MIDF Berhad	: Malaysian Industrial Development Finance Berhad (Registration No. 196001000082 (3755-M))
MIDF Investment or Principal Adviser or Placement Agent or Underwriter	: MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X))
MITI	: Ministry of Investment, Trade and Industry of Malaysia
ml	: millilitre
mm	: millimetre
MOF	: Ministry of Finance Malaysia
MOH	: Ministry of Health Malaysia

DEFINITIONS (CONT'D)

Moratorium Period	: Period of 6 months from the date of our Listing
Moratorium Providers	: Collectively, Scarecrow Holding, Tan Hwong Kuen and Lim Young Piau, being shareholders of our Company whose securities are subject to moratorium under the Equity Guidelines
MyIPO	: Intellectual Property Corporation of Malaysia
N/A	: Not applicable
NA	: Net assets
NBV	: Net book value
nm	: Nanometre
NRP	: National Recovery Plan
OC	: Occupation Certificate
Offer for Sale	: Offer for sale by the Selling Shareholders of 28,390,000 Offer Shares at our IPO Price, representing 6.00% of our entire enlarged Shares by way of private placement to selected investors
Offer Shares	: Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	: A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
Participating Financial Institutions	: Participating financial institutions for the Electronic Share Application, as listed in Section 15 of this Prospectus
PAT	: Profit after taxation
PBT	: Profit before taxation
PE Multiple	: Price earnings multiple
Pink Form Allocation	: The allocation of 14,195,000 Issue Shares to the Eligible Persons pursuant to the Public Issue
Prescribed Securities	: Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules
Promoters	: Collectively, Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen and Lim Young Piau
Prospectus	: This Prospectus dated [●] in relation to our IPO
Prospectus Guidelines	: Prospectus Guidelines issued by the SC

DEFINITIONS (CONT'D)

Public Issue	: The public issue of 97,563,000 Issue Shares at our IPO Price, representing 20.62% of our entire enlarged Shares in the following manner:
	(i) 23,660,000 Issue Shares made available for application by the Malaysian Public;
	(ii) 14,195,000 Issue Shares made available for application by the Eligible Persons;
	(iii) 560,000 Issue Shares made available by way of private placement to selected investors; and
	(iv) 59,148,000 Issue Shares made available by way of private placement to identified Bumiputera investors approved by the MITI
QA	: Quality assurance
Record of Depositors	: A record of securities holders established by Bursa Depository under the Rules
RM and sen	: Ringgit Malaysia and sen respectively
RPT	: Related party transaction
Rules	: The rules of Bursa Depository, as may be amended from time to time
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
Scarecrow Holding	: Scarecrow Holding Sdn Bhd (Registration No. 202301048276 (1542190-A))
Scarecrow Holding Shares	: Ordinary shares in Scarecrow Holding
Scheduled Wastes Regulations	: Environmental Quality (Scheduled Wastes) Regulations 2005
Selling Shareholders	: Collectively, Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen, and Lim Young Piau
Shares	: Ordinary shares in Life Water
Share Transfer	: Transfer of a total of 173,613,300 Shares held by Liaw Hen Kong and Chin Lee Ling to Scarecrow Holding during the prescription period (one day after the launching date of this Prospectus up to a period of 30 days)
SICDA	: Securities Industry (Central Depositories) Act 1991
SOCISO	: Social Security Organisation, also known as PERKESO (Pertubuhan Keselamatan Sosial)
SOP	: Standard operating procedure
SPA	: Sale and purchase agreement

DEFINITIONS (CONT'D)

sq ft	: Square feet
sq m	: Square metres
SSM	: Companies Commission of Malaysia
Syarikat Maju Sasa Acquisition	: The acquisition of the entire issued share capital of Syarikat Maju Sasa by our Company from the Vendors pursuant to the Syarikat Maju Sasa SSA, as further described in Section 6.3 of this Prospectus
Syarikat Maju Sasa SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Syarikat Maju Sasa Acquisition
Syarikat Rasa Kool Acquisition	: The acquisition of the entire issued share capital of Syarikat Rasa Kool by our Company from the Vendors pursuant to the Syarikat Rasa Kool SSA, as further described in Section 6.3 of this Prospectus
Syarikat Rasa Kool SSA	: Conditional share sale agreement dated 26 November 2023 entered into between our Company and the Vendors for the Syarikat Rasa Kool Acquisition
Underwriting Agreement	: Underwriting agreement dated [●] entered into between our Company and MIDF Investment pursuant to our IPO
USD	: United States Dollar
Vendors	: Collectively, Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen and Lim Young Piau
Vital Factor or IMR	: Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T)), the independent business and market research consulting company

EXISTING OPERATIONAL FACILITIES WITHIN OUR GROUP

Keningau Plant	: One detached single storey factory with mezzanine floor and office (plus warehouse) and one detached single storey warehouse with 2-storey office owned by Life Water Industries bearing postal address of Lot 4 & 5, Borneo Commercial Centre, Jalan Masak, 89000, Keningau, Sabah. As at the LPD, this premises is not yet operational but proposed to be used as sales office, warehouse and manufacturing of drinking water by third quarter of 2024.
KK IZ2 DC	: One single storey warehouse building owned by Green Borneo Industries bearing postal address of Lot 49, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah. As at the LPD, we have rented out the property to Leasing Logistics (E.M.) Sdn Bhd to be used as warehouse pursuant to a tenancy agreement dated 17 July 2023 between Green Borneo Industries and Leasing Logistics (E.M.) Sdn Bhd. Leasing Logistics (E.M.) Sdn Bhd subsequently sublet approximately 8,000 sq. ft. to our Group for warehouse storage.

DEFINITIONS (CONT'D)

- KK IZ4 Plant** : One single storey factory building (with 2-storey office) plus one single storey warehouse building (with 2-storey office) owned by Green Borneo Industries bearing postal address of Lot 9, Jalan 1F, KKIP Selatan, Industrial Zone 4, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.
- As at the LPD, this premises is used as sales office, warehouse and manufacturing of drinking water.
- KK IZ8 Plant 1** : One single storey factory building (with 3-storey office), one single storey factory building and one single storey cladding warehouse owned by Life Water Industries bearing postal address of Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.
- As at the LPD, this premises is used as office, warehouse, manufacturing of drinking water, PET preforms and bottle caps.
- Lahad Datu DC 1** : One semi-detached single-storey warehouse building with mezzanine floor owned by Life Water Industries bearing postal address of MDLD 3399, Lot 41, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah.
- As at the LPD, this premises is used as sales office and warehouse.
- Lahad Datu DC 2** : One single storey semi-detached light industrial building with mezzanine floor owned by Life Water Industries bearing postal address of MDLD 3381, Lot 23, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah.
- As at the LPD, this premises is used as warehouse.
- Sandakan Sibuga DC 1** : One open sided single storey warehouse building owned by Life Water Industries bearing postal address of CL075323901, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.
- As at the LPD, this premises is used as warehouse.
- Sandakan Sibuga Plant 1** : One single storey factory building (with 2-storey office) and one single storey warehouse building owned by Life Water Industries bearing postal address of CL075356375 and CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.
- As at the LPD, this premises is used as head office, warehouse and manufacturing of drinking water and carbonated drinks.

DEFINITIONS (CONT'D)**PROPOSED OPERATIONAL FACILITIES WITHIN OUR GROUP**

KK IZ8 Plant 2 : A vacant land measuring 8.16 acres to be purchased by Life Water Industries known as Lot 815, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.

In November 2023, we signed the SPA and it is expected to be completed by March 2024. The vacant land is proposed to be used for the manufacturing of drinking water as part of our future plans.

Sandakan Sibuga DC 2 : One single-storey laboratory owned by Life Water Industries bearing postal address of CL075323894, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

As at the LPD, this premises is not in use yet but proposed to be used as distribution centre.

Sandakan Sibuga Plant 2 : A vacant land measuring 5.82 acres owned by Life Water Industries bearing postal address of CL075099464, Batu 4, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

As at the LPD, this premises is not yet in use but proposed to be used for the manufacturing of drinking water.

Tawau DC : A single-storey office and open shed building located at CL105244442, Tawau, Sabah to be purchased by Green Borneo Industries.

In September 2023, we signed an offer to purchase the said premises. We expect to sign the SPA by January 2024 and it is expected to be completed by April 2024. The premises is proposed to be used as warehouse for storage of our beverage products as part of our future plans.

(The rest of this page has been intentionally left blank)

GLOSSARY OF TECHNICAL TERMS

Technical terms used in this Prospectus shall have the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

2more Fun Truck	: A beverage truck used as for marketing purposes and designed to be interactive where children can interact with the truck for free 2more carbonated drinks.
Activated carbon	: It is a type of charcoal and may be made from wood, coconut shell, coal and other carbon-based materials. It is commonly used in filtered water to remove natural organic compound, volatile organic chemicals, odour and taste.
Blow moulding	: A manufacturing process commonly used to produce plastic bottles. It involves the use of an injection moulded preform which is pre-heated then stretched and blown into its final shape by a stretch-blow moulding machine.
Brand equity	: The commercial value of a brand which commonly considers brand awareness, loyalty and association.
Bottled water	: Treated water whose source are taken directly from municipal potable water or underground water. They are also packed commonly in single use PET bottles as well as other forms of packaging.
Carbonated drinks	: A type of beverage that have dissolved carbon dioxide and usually contain added sugar, preservative, colouring and flavouring. They are commonly packed in single use bottles or cans to maintain the pressure required to maintain the dissolved carbon dioxide in the water prior to opening of the bottle or can.
Carbonated drinks manufacturing line	: In the context of this Prospectus, a carbonated drinks manufacturing line comprises a minimum of 1 unit of PET bottle blow moulding machine, 1 unit of pre-treatment and CIP cleaning system, 1 unit of boiler, 1 unit of carbonated mixer, 1 unit of rinsing, filling, and capping machine, 1 unit of labelling machine, 1 unit of packing machine and conveyor system to connect and integrate all these machines.
Drinking water	: In the context of this Prospectus, drinking water is refers to as packaged drinking water. Packaged drinking water is potable water or treated potable water, other than natural mineral water, sourced from public water supply, surface water or underground water and are safe for human consumption. They are commonly packaged in single use PET bottles. In terms of packaging, drinking water are only allowed to use white bottle caps. As at the LPD, our drinking water refers to drinking water sourced from public water supply system which is packaged in single use PET bottles.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Drinking water manufacturing line	: In the context of this Prospectus, a drinking water manufacturing line comprises a minimum of 1 unit of PET bottle blow moulding machine, 1 unit of rinsing, filling and capping machine, 1 unit of labelling machine, 1 unit of packing machine, 1 unit of palletising machine and conveyor system to connect and integrate all these machines. There may be variations to the composition of the manufacturing line depending on the size of bottles to be produced, the layout and size of the plant.
Fruit drinks	: A type of beverage containing less than 5% of fruit juice and may contain added sugar, preservative, colouring and flavouring.
High density polyethylene (HDPE)	: A type of thermoplastic polymer resin used for the manufacturing of plastic packaging products including bottles and caps.
Injection moulding	: A manufacturing process where plastic is melted in the injection moulding machine and then injected into a mold to obtain its shape, where it then cools and solidifies into the final product.
Interior Division of Sabah	: According to the Administrative Divisions Proclamation 2014 of Sabah, the Interior Division of Sabah covers Keningau, Tambunan, Pensiangan / Nabawan, Tenom, Beaufort, Sipitang, Kuala Penyu districts.
Isotonic drinks	: Isotonic drinks, also known as sports drinks, are formulated to replace fluids and electrolytes lost due to exercise and perspiration. Generally, an isotonic drink contains sugar (or carbohydrates) to provide an energy boost of simple carbohydrates as well as electrolyte minerals such as sodium, potassium, chloride and calcium.
Kudat Division of Sabah	: According to the Administrative Divisions Proclamation 2014 of Sabah, the Kudat Division of Sabah covers Kudat, Kota Marudu and Pitas districts.
Mineral water	: Refers to ground water which is obtained for human consumption from underground water resources and contains various minerals such as magnesium, calcium, fluoride, sodium and sulphate. In its packaged form, it must comply with certain chemical, bacteriological and radioactivity standards.
Natural mineral water	: In the context of this Prospectus, natural mineral water is referred to as mineral water.
Osmotic pressure	: Refers to the difference in pressure that moves water from an area of low concentration to higher concentration, when separated by a semi-permeable barrier.
Ozone	: Its chemical formula is O ₃ . Ozone is commonly used in water treatment to disinfect microorganisms, removal of certain organic and inorganic matter such as pesticides.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Polyethylene terephthalate (PET)	:	A type of thermoplastic polymer resin used for the manufacturing of containers for liquids and foods and other products.
PET preforms	:	They are made from plastic pellets and injection moulded into a tubular form before they are blow moulded into PET bottles. In the context of this Prospectus, all mention of PET preforms may also include rPET preforms.
pH	:	A unit of measure of the acidity or alkalinity of liquid solutions.
Potable water	:	Potable water refers to treated raw water suitable for consumption. Potable water is commonly supplied through the public water utility system piped directly to user premises.
Reverse Osmosis (RO)	:	It is a filtration technology that uses water pressure to force water molecules to pass through a semi-permeable membrane designed to filter out contaminants and particles. The resultant water is purified drinking water.
rPET	:	Recycled PET refers to PET products, such as plastic bottles, containers and other packaging materials, that has been recovered and processed for reuse.
Sandakan Division of Sabah	:	According to the Administrative Divisions Proclamation 2014 of Sabah, the Sandakan Division of Sabah covers Sandakan, Labuk and Sugut, Kinabatangan, Tongod and Telupid districts.
Semi-automated manufacturing line	:	In the context of this Prospectus, semi-automated manufacturing line for beverage products refers a production line where the PET bottle blow moulding process, and the rinsing, filling and capping process are not connected to one another.
SKU (stock keeping unit)	:	A unique identifier for each distinct product that can be purchased.
Tawau Division of Sabah	:	According to the Administrative Divisions Proclamation 2014 of Sabah, the Tawau Division of Sabah covers Tawau, Lahad Datu, Semporna and Kunak districts.
Total Dissolved Solids	:	Refers to the amount of minerals, metals, organic material and salts that are dissolved in a certain water volume that is expressed in milligram per litre. It is a unit of measure that is directly associated with the quality and purity of water.
Turbidity	:	A measure of the relative clarity of a liquid.
Ultraviolet (UV) light	:	A type of light used for sterilisation and disinfection purposes.
West Coast Division of Sabah	:	According to the Administrative Divisions Proclamation 2014 of Sabah, the West Coast Division of Sabah covers Kota Kinabalu, Kota Belud, Ranau, Tuaran, Penampang, Papar and Putatan districts.

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Designation)	Residential Address	Nationality
Datuk Petrus Gimbad (M) (Independent Non-Executive Chairman)	7-1, Puteri Damai Condominium Jalan Damai, Lorong Alpha 88400 Kota Kinabalu Sabah	Malaysian
Liaw Hen Kong (M) (Managing Director)	Lot 33, Lorong Reservoir 1A Taman Reservoir, Phase 1A Jalan Bundusan 88300 Kota Kinabalu Sabah	Malaysian
Chin Lee Ling (F) (Executive Director)	Lot 33, Lorong Reservoir 1A Taman Reservoir, Phase 1A Jalan Bundusan 88300 Kota Kinabalu Sabah	Malaysian
Tan Hwong Kuen (M) (Non-Independent Non-Executive Senior Director)	House No. 7, Taman Puncak Luyang Jalan Kolam Luyang 88300 Kota Kinabalu Sabah	Malaysian
Lim Young Piau (M) (Non-Independent Non-Executive Senior Director)	Unit 3A-2, Level 3A The Peak Condominium Jalan Signal Hill Park 88400 Kota Kinabalu Sabah	Malaysian
Ang Seng Wong (M) (Independent Non-Executive Director)	No. 70, Jalan 5/56 Gasing Indah 46000 Petaling Jaya Selangor Darul Ehsan	Malaysian
Tan Mui Ping (F) (Independent Non-Executive Director)	No 1, Jalan SS24/14, Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan	Malaysian
Selma Enolil Binti Mustapha Khalil (F) (Independent Non-Executive Director)	32, Jalan Putra Bistari 2/1S Putra Heights 47650 Subang Jaya Selangor Darul Ehsan	Malaysian

M = Male

F = Female

1. CORPORATE DIRECTORY (CONT'D)**AUDIT & RISK MANAGEMENT COMMITTEE**

Name	Designation	Directorship
Tan Mui Ping	Chairman	Independent Non-Executive Director
Ang Seng Wong	Member	Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Selma Enolil Binti Mustapha Khalil	Chairman	Independent Non-Executive Director
Ang Seng Wong	Member	Independent Non-Executive Director
Tan Hwong Kuen	Member	Non-Independent Non-Executive Senior Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ang Seng Wong	Chairman	Independent Non-Executive Director
Tan Mui Ping	Member	Independent Non-Executive Director
Lim Young Piau	Member	Non-Independent Non-Executive Senior Director

(The rest of this page has been intentionally left blank)

1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES	<p>: Rebecca Kong Say Tsui Professional qualification: MAICSA (MAICSA Membership No.: MAICSA 7039304) SSM Practising Certificate No.: 202008001003</p>
	<p>Tricor Corporate Services Sdn Bhd Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Wilayah Persekutuan</p> <p>Telephone No. : +603-2783 9191 Facsimile No. : +603-2783 9111</p>
REGISTERED OFFICE	<p>: Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Wilayah Persekutuan</p> <p>Telephone No. : +603-2783 9191 Facsimile No. : +603-2783 9111</p>
HEAD OFFICE	<p>: CL075356375 & CL075356366 Batu 8, Jalan Lintas Sibuga 90000 Sandakan Sabah</p> <p>Telephone No. : +6089-675 778 Facsimile No. : +6089-675 833 Email : info@lifewater.com.my Website : www.lifewater.com.my</p>
AUDITORS AND REPORTING ACCOUNTANTS	<p>: BDO PLT Level 8, BDO @ Menara CenTARa 360 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur Wilayah Persekutuan</p> <p>Partner-in-charge : Pang Zhi Hao Approval No. : 03450/09/2025 J Professional qualification : Chartered Accountant Member of MIA (MIA Membership No.: 42611) Member of CPA, Australia (CPA Membership No.: 9454175)</p> <p>Telephone No. : +603-2616 3055 Facsimile No. : +603-2616 3190</p>

1. CORPORATE DIRECTORY (CONT'D)

**PRINCIPAL ADVISER,
UNDERWRITER AND
PLACEMENT AGENT** : **MIDF Amanah Investment Bank Berhad**
Level 21, Menara MIDF
No. 82, Jalan Raja Chulan
50200 Kuala Lumpur
Wilayah Persekutuan

Telephone No. : +603-2173 8888
Facsimile No. : +603-2173 8277

**SOLICITORS FOR OUR
IPO** : **Jeff Leong, Poon & Wong**
B-11-8, Level 11
Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur
Wilayah Persekutuan

Telephone No. : +603-2203 3388
Facsimile No. : +603-2203 3399

**INDEPENDENT
BUSINESS AND
MARKET RESEARCH
CONSULTANTS** : **Vital Factor Consulting Sdn Bhd (266797-T)**
V Square @ PJ City Centre (VSQ)
Block 6, Level 6
Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan

Person-in-charge : Wong Wai Ling
Qualification : Bachelor of Arts from Monash University,
Australia;
Graduate Diploma in Management Studies
from the University of Melbourne, Australia

Telephone No. : +603-7931 3188
Facsimile No. : +603-7931 2188

Please refer to Section 8 of this Prospectus for the profile of the firm
and signing director

**ISSUING HOUSE AND
SHARE REGISTRAR** : **Tricor Investor & Issuing House Services Sdn Bhd**
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan

Telephone No. : +603-2783 9299
Facsimile No. : +603-2783 9222

LISTING SOUGHT : Main Market of Bursa Securities

SHARIAH STATUS : Approved by the SAC

2. APPROVALS AND CONDITIONS

2.1 SC

The SC had, vide its letter dated [●], approved our IPO and Listing under Section 214(1) of the CMSA and the equity requirements for public listed companies, subject to compliance with the following conditions:

Details of conditions imposed	Status of compliance
[●]	[●]

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

Category of shareholders	As at the LPD		After our Listing	
	No. of Shares	% of issued Shares	No. of Shares	% of enlarged issued Shares
Bumiputera				
- Bumiputera investors to be approved by the MITI	-	-	⁽¹⁾ 59,148,000	12.50
- Bumiputera public via balloting	-	-	⁽¹⁾ 11,830,000	2.50
- Others	-	-	⁽²⁾ 95,084,000	20.09
Total Bumiputera	-	-	166,062,000	35.09
Non-Bumiputera	500	100.00	307,117,500	64.91
Total Malaysian	500	100.00	473,179,500	100.00
Foreigner	-	-	-	-
Total	500	100.00	473,179,500	100.00

Notes:

(1) Assuming all Issue Shares allocated to Bumiputera investors to be approved by the MITI and Bumiputera public via balloting are fully subscribed.

(2) Based on the assumption that Shares offered to:

- (i) Datuk Petrus Gimbad, Independent Non-Executive Chairman;
- (ii) Selma Enolil Binti Mustapha Khalil, Independent Non-Executive Director;
- (iii) Chin Lee Yung @ Rina Chin, Operations Manager; and
- (iv) Chin Chun Ming, Technical Manager.

under the Pink Form Allocation shall be fully subscribed.

Datuk Petrus Gimbad, Chin Lee Ling, Selma Enolil Binti Mustapha Khalil, Chin Lee Yung @ Rina Chin and Chin Chun Ming are Bumiputera shareholders. However, they are not MITI recognised Bumiputera shareholders.

The SAC had, vide its letter dated 8 February 2024, classified our Shares as Shariah-compliant based on our latest audited financial information for the FYE 2023.

2. APPROVALS AND CONDITIONS (CONT'D)

2.2 BURSA SECURITIES

Bursa Securities had, vide its letter dated [●], approved our admission to the Official List and the listing of and quotation for our entire enlarged issued Shares on the Main Market of Bursa Securities. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
[●]	[●]	[●]

2.3 MITI

The MITI had, vide its letter dated 29 February 2024, taken note of and has no objection to our Listing.

2.4 MORATORIUM ON OUR SHARES

Pursuant to Paragraph 5.29(a), Part II of the Equity Guidelines, our Shares held by the Moratorium Providers as at the date of our Listing will be placed under moratorium. In this respect, our Shares that are subject to moratorium are as follows:

Name	Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%
Scarecrow Holding	173,613,300	36.68	-	-
Liaw Hen Kong	-	-	(2)173,613,300	36.68
Chin Lee Ling	-	-	(2)173,613,300	36.68
Tan Hwong Kuen	86,806,500	18.35	-	-
Lim Young Piau	86,806,500	18.35	-	-
Total	347,226,300	73.38		

Notes:

- (1) Based on our enlarged Shares of 473,179,500 Shares upon our Listing.
- (2) Deemed interested by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.

The Moratorium Providers have fully accepted the moratorium. They have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Moratorium Period.

The above moratorium restrictions are specifically endorsed on the share certificates representing our Shares held by the Moratorium Providers which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes such restriction.

Liaw Hen Kong and Chin Lee Ling, being the direct shareholders of Scarecrow Holding have provided written undertaking that they will not sell, transfer or assign any part of their entire shareholdings in Scarecrow Holding including our Shares which are held on trust by Scarecrow Holding for them, for the Moratorium Period.

3. PROSPECTUS SUMMARY

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

3.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO entails an offering of 125,953,000 IPO Shares at an IPO Price of RM[●] per IPO Share.

Enlarged total number of Shares upon Listing 473,179,500

IPO Price per Share RM[●]

Market capitalisation upon Listing (calculated based on our IPO Price and the enlarged total number of 473,179,500 Shares upon Listing) RM[●]

Total gross proceeds to be raised by our Company from the Public Issue RM[●]

Total gross proceeds to be raised by our Selling Shareholders from the Offer for Sale⁽¹⁾ RM[●]

Note:

(1) The gross proceeds from the Offer for Sale will accrue entirely to our Selling Shareholders.

In summary, our IPO Shares will be allocated in the following manner, as set out in Section 4 of this Prospectus:

	Public Issue		Offer for Sale		Total	
	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)
Malaysian Public (via balloting) ⁽²⁾	23,660,000	5.00	-	-	23,660,000	5.00
Eligible Persons	14,195,000	3.00	-	-	14,195,000	3.00
Private placement to selected investors	560,000	0.12	28,390,000	6.00	28,950,000	6.12
Private placement to identified Bumiputera investors approved by the MITI	59,148,000	12.50	-	-	59,148,000	12.50
Total	97,563,000	20.62	28,390,000	6.00	125,953,000	26.62

Notes:

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

(2) Including 11,830,000 Issue Shares made available to Bumiputera Malaysian Public.

Please refer to Section 4.3 of this Prospectus for further details of our IPO.

In accordance with the Equity Guidelines, Scarecrow Holding, Tan Hwong Kuen and Lim Young Piau are not allowed to sell, transfer or assign any of their respective holding in our Shares for the Moratorium Period. Liaw Hen Kong and Chin Lee Ling, being the shareholders of Scarecrow Holding have provided written undertaking that they will not sell, transfer or assign any part of their entire shareholdings in Scarecrow Holding including our Shares which are held on trust by Scarecrow Holding for them, for the Moratorium Period. Further information on moratorium restrictions is disclosed under Section 2.4 of this Prospectus.

3.2 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Act on 20 January 2023 as a private limited company under the name of Life Water Sdn Bhd. On 19 December 2023, our Company was converted to a public limited company under the name of Life Water Berhad to facilitate the Listing.

Our Company is an investment holding company and through our Subsidiaries, we are principally a manufacturer of beverages namely drinking water and carbonated drinks. We are supported by our other business activities including the manufacture of plastic packaging, as well as delivery and distribution centres. We operate from our head office and manufacturing facilities in Sandakan as well as manufacturing facilities in Kota Kinabalu. We mainly market our beverages under our brands for drinking water ("K2", "Sasa" and "Sabah Water") and carbonated drinks ("2more" and "TRITONiC"). We also contract manufacture for private label brands of drinking water for petrol stations, hypermarket, wholesalers and hotels, namely Mesra, Hiap Lee, Water2go, Blue Sky, Cap Ikan Merlin, Seafest Hotel and Sabah Hotel.

A summary of our business model is as follows:

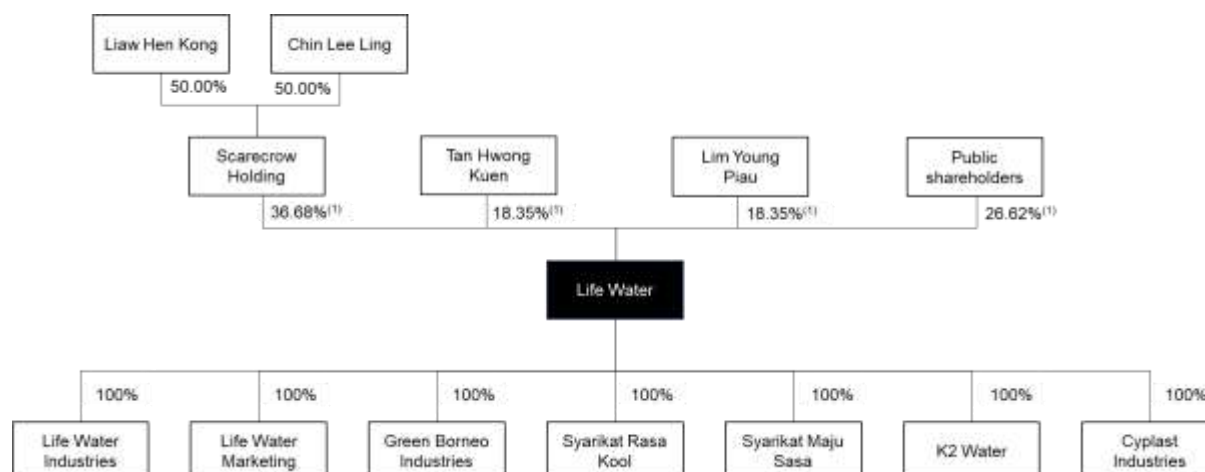
3. PROSPECTUS SUMMARY (CONT'D)



Notes:

- (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.
- (2) As at the LPD, the production of drinking water at the Keningau Plant is expected to be operational by third quarter of 2024.

Our Group structure upon our Listing is set out below:



Note:

- (1) Based on our enlarged Shares of 473,179,500 Shares upon our Listing.

Further details of our Group and business are set out in Sections 6 and 7 of this Prospectus.

3.3 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Group's competitive advantages and key strengths are set out below:

3. PROSPECTUS SUMMARY (CONT'D)

(i) We have a proven track record of approximately 21 years as a manufacturer of beverages with a portfolio of established brands of beverages in the Sabah market

We have a proven track record of approximately 21 years since the commencement of our manufacturing operations in 2002.

The market acceptance of our beverage products is reflected in the growth of our revenue and number of customers for beverage products for the Financial Years Under Review:

- Our revenue from beverage products grew from RM103.15 million in FYE 2021 to RM150.22 million in FYE 2023 representing CAGR of 20.68%;
- We serve a growing number of customers for our beverage products of approximately 2,815, 3,085 and 3,280 customers in FYE 2021, FYE 2022 and FYE 2023, respectively. This mainly includes retailers, food service operators, wholesalers and hotels.

(ii) We have a wide distribution network in place to provide customer convenience and accessibility

We have a wide distribution strategy of retailers and wholesalers to extend our market coverage in Sabah market.

In FYE 2023, the coverage for our brands of beverage products can be demonstrated by the following number of delivery destinations:

- approximately 3,050 retail outlets including supermarkets, hypermarkets, minimarkets, convenience stores, sundry shops, pharmacies, petrol stations, hardware stores and stationery shops;
- approximately 430 food service outlets including restaurants, cafes, coffee shops, canteens and bakeries;
- approximately 180 wholesalers who will use their own respective network to cover other areas within Sabah; and
- approximately 80 hotels for the consumption of hotel guests.

In addition to our manufacturing operations and warehouses in Sandakan and Kota Kinabalu, we have distribution centres in Lahad Datu to service our customers in Lahad Datu district.

(iii) We are an established manufacturer of drinking water in Sabah and we have an estimated 10% share of the bottled water market in Malaysia

We have an estimated 10% share of the bottled water market in Malaysia. The market size was based on the apparent consumption of bottled water (comprising natural mineral water and drinking water, which may be still or sparkling) in Malaysia. For further information on our market share, please refer to Section 8 of this Prospectus.

Our market position as an established manufacturer of drinking water in Sabah is supported by the following:

- a track record of 21 years of operations in Sabah;
- our drinking water production output grew at a CAGR of 12.82% from 181.96 million litres in FYE 2021 to 231.62 million litres in FYE 2023; and
- our total revenue grew at a CAGR of 21.78% from RM103.53 million in FYE 2021 to RM150.96 million in FYE 2023.

The above will provide us with the platform to address opportunities and grow our business in other markets such as Sarawak and Brunei.

(iv) We have experienced Executive Directors and key management personnel

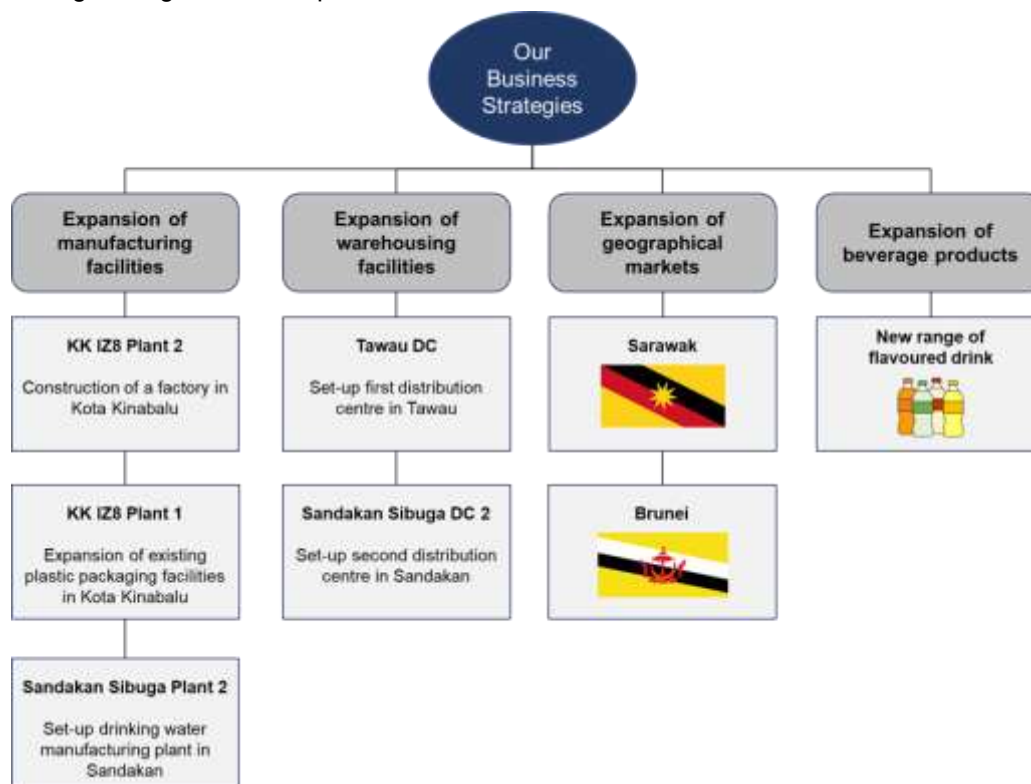
Our Executive Directors have contributed significantly to the success and continuing growth of our Group. Our Managing Director, Liaw Hen Kong has been instrumental in chartering the overall strategic direction as well as formulating the business growth and development of our Group. Our Executive Director, Chin Lee Ling is responsible for overseeing human resources department, product development, branding and marketing activities, and IT department of our Group. Both of them brings with them more than 20 years of experience each in the beverage manufacturing industry. They are supported by our key management personnel.

Further details of our competitive advantages and key strengths are set out in Section 7.4 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.4 BUSINESS STRATEGIES AND PLANS

Moving forward, our strategy is to leverage on our core competency and strength as a manufacturer of drinking water and carbonated drinks to serve the Sabah market. We will continue to focus on our core competencies in beverage manufacturing with an objective of strengthening our market presence.



3.4.1 Expansion of manufacturing facilities

As at the LPD, we have 1 manufacturing facility in Sandakan namely Sandakan Sibuga Plant 1, and 2 manufacturing facilities in Kota Kinabalu namely KK IZ4 Plant and KK IZ8 Plant 1. Additionally, we have 1 manufacturing facility in Keningau which is expected to commence operations by the third quarter of 2024.

Moving forward, we plan to expand our manufacturing facilities in Kota Kinabalu and Sandakan as follows:

(i) Construction of a factory in Kota Kinabalu

As part of our expansion plans in Kota Kinabalu, we intend to construct a factory in Kota Kinabalu namely KK IZ8 Plant 2 to house the relocation of 1 drinking water manufacturing line from KK IZ8 Plant 1.

In November 2023, we entered into a SPA with K.K.I.P. Sdn Bhd to purchase 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 plant using internally generated funds. We expect the SPA to be completed by March 2024 where the remaining 90% amount (RM16.64 million) will be using bank borrowings to fund the purchase of the land. The said land for the construction of KK IZ8 Plant 2 is located within close proximity to our existing KK IZ8 Plant 1 and within the vicinity of our existing KK IZ4 Plant. We intend to construct a factory building on the said land with an estimated total built-up area of 100,000 sq. ft. comprising factory, warehouse and office by 2025 and to commence operation of KK IZ8 Plant 2 as a drinking water manufacturing facility by second half of 2025.

The total cost to set-up KK IZ8 Plant 2 is estimated at RM38.48 million and the entire cost will be funded using internally generated funds and bank borrowings.

3. PROSPECTUS SUMMARY (CONT'D)

(ii) Expansion of existing plastic packaging facilities in Kota Kinabalu

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

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

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

In addition, once the construction of KK IZ8 Plant 2 is completed, we plan to relocate the drinking water line from KK IZ8 Plant 1 to KK IZ8 Plant 2.

The total cost to set-up the plastic packaging plant in KK IZ8 Plant 1 is estimated at RM[●] million and the entire cost will be funded using the gross proceeds from the Public Issue.

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

(iii) Set up a drinking water manufacturing plant in Sandakan

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

In January 2023, we acquired a vacant land measuring 5.82 acres along Jalan Lintas Sibuga in Sandakan for RM3.87 million using internally generated funds and bank borrowings. We intend to construct a factory building (“**Sandakan Sibuga Plant 2**”) with an estimated total built-up area of 50,000 sq. ft. comprising factory and office.

In addition, we plan to purchase 1 new drinking water manufacturing line.

The total estimated cost of setting up Sandakan Sibuga Plant 2 is at RM[●] million, of which RM[●] million will be funded using the gross proceeds from the Public Issue while the remaining RM9.00 million will be funded using internally generated funds and/or bank borrowings.

3.4.2 Expansion of warehousing facilities

As at the LPD, we have 4 distribution centres located in Sandakan, Lahad Datu and Kota Kinabalu. Moving forward, we plan to expand our warehousing facilities by setting up 2 new distribution centres in Tawau and Sandakan, respectively, as follows:

(i) Set-up a first distribution centre in Tawau

As part of our expansion plan, we also intend to set-up our first distribution centre in Tawau i.e. Tawau DC to cater to the growing demand of our beverage products in Tawau Division market in Sabah by 2025. In September 2023, we signed an offer to purchase a single storey office with an open shed building with total built-up area of 12,600 sq ft on a 1.98-acres land in Tawau for RM3.98 million. We signed the SPA in January 2024 and paid a 10% deposit (RM0.40 million) for the said property using internally generated funds. Subsequently, we expect the SPA to be completed by April 2024 where the remaining 90% amount (RM3.58 million) is to be paid using bank borrowings to fund the purchase of the land. Moving forward, we intend to set-up a distribution centre in Tawau to capture the potential market from the large population in area. We intend to commence the renovation works on the warehouse building by the second quarter of 2024 mainly to strengthen the floor load and install a fire protection system. We estimate that the renovation works as well as obtaining the relevant approvals, licenses and registration would take approximately 1 year. As such, we target to commence operations at Tawau DC by the second half of 2025.

The total cost to set-up Tawau DC is estimated at RM6.34 million and the entire cost will be funded using internally generated funds and bank borrowings.

3. PROSPECTUS SUMMARY (CONT'D)

(ii) Set-up a second distribution centre in Sandakan

As part of our expansion plan, we intend to set-up a second distribution centre in Sandakan with a depot for storage of our fleet of delivery trucks (“**Sandakan Sibuga DC 2**”) by 2027. In February 2023, we acquired a piece of land measuring 3.57 acres along Jalan Lintas Sibuga in Sandakan for RM4.00 million using bank borrowings. The said land is located directly next to Sandakan Sibuga DC 1 and in close proximity to our existing Sandakan Sibuga Plant 1. We plan to construct a warehouse with an estimated built-up area of 70,000 sq. ft. which will serve as our distribution centre, and set-up a depot covering a floor area of 10,000 sq. ft. to park our fleet of delivery trucks.

The total cost of setting-up Sandakan Sibuga DC 2 is estimated at RM[●] million. We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from the Public Issue to fund the abovementioned plans.

3.4.3 Expansion of geographical markets

Currently, our main geographical market is in Sabah which represents 98.72% (RM149.03 million) of our total revenue in FYE 2023. We also generate revenue from other markets such as Sarawak and Labuan, albeit small.

Moving forward, we plan to make further inroads to other parts of Sarawak and Brunei. As at the LPD, we are in the midst of seeking to appoint distributors in Sarawak and Brunei to increase the distribution of our beverage products in these respective markets. We intend to enter into a distribution agreement with the appointed distributor where the agreement may include terms such as duration of agreement, territorial coverage and product coverage. We intend to appoint distributors for Sarawak and Brunei by the end of 2025.

3.4.4 Expansion of beverage products

We plan to expand our portfolio of beverage products to include a new range of flavoured drinks under the brand of “Mandak” which is currently pending trademark registration as at the LPD.

At this stage of the milestone, we are in the midst of carrying out research and development on the flavoured drink recipe and have undertaken a trial production run for one batch of flavours as at the LPD.

We aim to commercialise and launch the flavoured drinks to our existing customers including retailers, wholesalers and food service operators in the Sabah market by the second quarter of 2024. We intend to utilise our existing carbonated drinks production line for the production of the flavoured drinks at Sandakan Sibuga Plant 1.

Further details of our business strategies and plans are set out in Section 7.20 of this Prospectus.

3.5 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. A summary of the key risk factors is set out below:

(i) Disruption in water supply at our manufacturing plants

Our Group currently sources potable water from public water supply system to process beverages namely drinking water and carbonated drinks at each of our manufacturing plants. There is only one single source of public water supply from Sabah State Water Department. We are therefore dependent on the quality and continuous supply from this water source to maintain stable operations at our manufacturing plants respectively.

We have previously experienced, and may continue to experience frequent disruptions in public water supply due to, among others, water rationing, burst water pipes, water contamination, as well as maintenance and repair works on water treatment plants conducted by Sabah State Water Department. During the Financial Years Under Review and up to the LPD, there were numerous occasions of public water supply disruptions at our manufacturing plants, the duration of which ranges from 3 minutes to

3. PROSPECTUS SUMMARY (CONT'D)

5 days for each disruption. The public water supply disruption did not occur at all of our manufacturing plants simultaneously, as such, we were able to continue with productions at the other manufacturing plants that were not affected by the public water supply disruption.

In the event of any significant disruption in public water supply, and we are unable to timely secure new water sources, our water supply may be insufficient to meet our business needs, which could in turn materially and adversely affect our operations and business prospects.

(ii) Fluctuation in raw material prices and shortages of raw materials

Our business operations and financial condition are vulnerable to changes in the price and supply of raw materials. Plastic packaging materials and flavour and ingredients are our primary raw materials and constitute the major component of our cost of sales. These plastic-based materials being petrochemical-based material and flavour and ingredients such as sugar are commodities which are highly susceptible to price fluctuations or volatility.

Although we have not encountered any shortage of raw materials in the past, any sudden shortage of supply or reduction of allocation of raw materials to us from our suppliers, or any increase in raw material prices may result in us having to pay a higher cost for these raw materials.

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.

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, there are circumstances where we were unable to pass on the entire increment in material cost in a timely manner as we were unable to anticipate and react to the increase in price of material cost, for example, fluctuation in prices of plastic resin 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.

(iii) Changes in consumer demands

Consumer demands evolve with their tastes, preferences and values reshaping his/her purchasing decisions, and hence may be difficult to predict. If market popularity or consumer's demand for our products declines, or if our Group fails to react in a timely manner to any significant shifts or changes in consumer preferences, dietary habits or tastes, our sales volumes, business and profitability may be negatively affected.

(iv) Dependency on our Executive Directors and Key Senior Management

Our Group's Executive Directors, namely Liaw Hen Kong and Chin Lee Ling, have been actively involved in our Group's operations since its commencement of business and are instrumental to its expansion. Their long service and in-depth knowledge on all

3. PROSPECTUS SUMMARY (CONT'D)

aspects of our Group's operations are invaluable to our Group and our Group's business strategies.

Our Group's Executive Directors are assisted by the Key Senior Management team for the leadership, business planning and development as well as management of our Group's operations. The loss of any of our Group's Executive Directors and our Key Senior Management team without suitable and timely replacement may adversely affect the Group's ability to maintain or improve its business performance.

(v) Dependency on the strength of our reputation, brands and product quality

Our Group packages, advertises, distributes and sells products under our own brands and trademarks. We have a reputation as an established manufacturer of drinking water and carbonated drinks in Sabah, and that our brands are recognised by our customers and end consumers. Their recognition and trust in our brands depend on various factors, such as consistent product quality, safety, taste and competitive pricing. Accordingly, any actual or perceived contamination, spoilage or other adulteration, product misbranding or tampering, or any negative publicity or news making accusations of the occurrence of any of these incidents may lead to the loss of consumers' confidence in our products and/or erosion of our brands, regardless of its merits. If our brand image or reputation deteriorates or if we are unable to continuously maintain the standard of our product quality, our business and financial performance may be materially and adversely affected.

Please refer to Section 9 of this Prospectus for further details and the full list of risk factors which should be considered before investing in our Shares.

3.6 DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL

As at the LPD, our Directors and Key Senior Management/ Key Technical Personnel are as follows:

Name	Designation
<u>Directors</u>	
Datuk Petrus Gimbad	Independent Non-Executive Chairman
Liaw Hen Kong	Managing Director
Chin Lee Ling	Executive Director
Tan Hwong Kuen	Non-Independent Non-Executive Senior Director
Lim Young Piau	Non-Independent Non-Executive Senior Director
Ang Seng Wong	Independent Non-Executive Director
Tan Mui Ping	Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil	Independent Non-Executive Director
<u>Key Senior Management/ Key Technical Personnel</u>	
Liaw Hen Kong	Managing Director
Chin Lee Ling	Executive Director
Christina Yap Chui Fui	Financial Controller
Chin Lee Yung @ Rina Chin	Operations Manager
Chin Chun Ming	Technical Manager

Further details on our Directors and Key Senior Management/ Key Technical Personnel are disclosed in Section 5 of this Prospectus.

3.7 DIVIDEND POLICY

It is the intention of our Board's policy to recommend and distribute dividends of not less than 20% of our annual audited PAT attributable to the shareholders of our Company. Any dividends declared will be subject to confirmation of our Board as well as 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.

Further details of our dividend policy are set out in Section 12.4 of this Prospectus.

3.8 USE OF PROCEEDS FROM OUR IPO

The total gross proceeds of approximately RM[●] million from the Public Issue will be utilised by our Group in the following manner:

3. PROSPECTUS SUMMARY (CONT'D)

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

There is no minimum subscription to be raised from our IPO. Our Company will not receive any proceeds from the Offer for Sale. Based on the IPO Price, the gross proceeds from the Offer for Sale of approximately RM[•] million will accrue entirely to the Selling Shareholders. Further details of the proposed utilisation of proceeds are set out in Section 4.7 of this Prospectus.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out a summary of the combined financial information of our Group for the Financial Years Under Review:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	103,525	121,400	150,962
Cost of sales	55,732	69,656	85,816
GP	47,793	51,744	65,146
PBT	19,032	17,584	24,233
PAT	17,661	15,737	20,621
GP margin (%) ⁽¹⁾	46.17	42.62	43.15
PBT margin (%) ⁽²⁾	18.38	14.48	16.05
PAT margin (%) ⁽²⁾	17.06	12.96	13.66
Gearing ratio (times) ⁽³⁾	0.80	0.96	0.73
Current ratio (times) ⁽⁴⁾	2.38	1.93	2.68

Notes:

- (1) GP margin is computed based on GP over revenue for the financial year.
- (2) PBT margin and PAT margin are computed based on the respective PBT and PAT for the financial years over revenue.
- (3) Gearing ratio is computed based on total borrowings (including finance lease liabilities) over total equity as at each financial year.
- (4) Current ratio is computed based on current assets over current liabilities as at each financial year.

Operational highlights

The breakdown of our revenue by business segment for the Financial Years Under Review is as follows:

Business Segment	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Manufacture of beverages comprising:						
Drinking water	80,956	78.20	92,853	76.49	120,077	79.54
Carbonated drinks	22,194	21.44	28,019	23.08	30,147	19.97
Sub-total	103,150	99.64	120,872	99.57	150,224	99.51
Other products ⁽¹⁾	375	0.36	528	0.43	738	0.49
Total	103,525	100.00	121,400	100.00	150,962	100.00

Note:

- (1) Other products include plastic bottles, plastic containers and battery water.

Further details of the financial information relating to our Group are set out in Sections 12 and 13 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.10 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

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

Name / Nationality / Place of incorporation	Before our IPO/ After the Acquisitions				Before our IPO/ After the Share Transfer				After our IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)
Promoters and substantial shareholders												
Liaw Hen Kong/ Malaysian	93,904,300	25.00	-	-	7,097,500	1.89	⁽³⁾ 173,613,300	46.22	-	-	⁽³⁾ 173,613,300	36.68
Chin Lee Ling/ Malaysian	93,904,000	25.00	-	-	7,097,500	1.89	⁽³⁾ 173,613,300	46.22	-	-	⁽³⁾ 173,613,300	36.68
Tan Hwong Kuen/ Malaysian	93,904,000	25.00	-	-	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Lim Young Piau/ Malaysian	93,904,000	25.00	-	-	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Substantial shareholder												
Scarecrow Holding/ Malaysia	-	-	-	-	173,613,300	46.22	-	-	173,613,300	36.68	-	-

Notes:

- (1) Based on our issued Shares of 375,616,500 Shares before our IPO.
- (2) Based on our enlarged Shares of 473,179,500 Shares after our IPO.
- (3) Deemed interest by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.

Further details of our Promoters and substantial shareholders and their shareholdings in our Company are set out in Section 5 of this Prospectus.

4. PARTICULARS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

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

4.2 INDICATIVE TIMETABLE

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

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

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

4.3 DETAILS OF OUR IPO

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

4.3.1 Public Issue

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

(i) Malaysian Public

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

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

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

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

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

Notes:

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

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

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

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

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

(iii) Private placement to selected investors

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

4. PARTICULARS OF OUR IPO (CONT'D)**(iv) Private placement to identified Bumiputera investors approved by the MITI**

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

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

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

(The rest of this page has been intentionally left blank)

4. PARTICULARS OF OUR IPO (CONT'D)**4.3.2 Offer for Sale**

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

Notes:

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

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

(The rest of this page has been intentionally left blank)

4. PARTICULARS OF OUR IPO (CONT'D)**4.3.3 Share Transfer**

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

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

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

Further details of the Share Transfer are set out below:

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

Notes:

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

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

4.3.4 Summary of our IPO Shares to be allocated and underwritten

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

Note:

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

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

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

4.3.5 Clawback and reallocation

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

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

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

4.3.6 Minimum and over subscription

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

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

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

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

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

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

4. PARTICULARS OF OUR IPO (CONT'D)**Note:**

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

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

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

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

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

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

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

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

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

4.6 DILUTION

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

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)**4.6.1 Effective cost per Share**

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

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

4.7 USE OF PROCEEDS

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

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

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

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

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

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

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

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

Notes:

- * Proportion against total revenue of RM103.53 million, RM121.40 million and RM150.96 million for the FYE 2021, FYE 2022 and FYE 2023, respectively.
- (1) Sandakan Division includes Sandakan, Telupid, Beluran, Kinabatangan, and Tongod districts.
- (2) Tawau Division includes Lahad Datu, Semporna, Kunak and Tawau districts.

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)**Note:**

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

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

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

4.7.2 Set-up second distribution centre in Sandakan

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

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

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

Note:

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

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

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

4.7.3 Expansion of existing plastic packaging facilities in Kota Kinabalu

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

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

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

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

(i) Automated warehouse racking system

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

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

- **Improve warehouse productivity and efficiency**

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

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

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

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

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

(ii) PET preform injection moulding machine

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

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

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

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

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

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

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

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

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

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

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

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

4.7.4 Working capital

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

Our general working capital is as follows:

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

4. PARTICULARS OF OUR IPO (CONT'D)**Notes:**

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

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

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

4.7.5 Estimated listing expenses

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

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

Note:

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

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

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

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

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

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

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

4.8 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE**4.8.1 Brokerage fee**

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

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

4. PARTICULARS OF OUR IPO (CONT'D)

4.8.2 Underwriting commission

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

4.8.3 Placement fee

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

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

4.9 SALIENT TERMS OF THE UNDERWRITING ARRANGEMENT

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

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

[●].

4.10 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

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

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and substantial shareholders

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

Promoters and substantial shareholders	Place of incorporation/ Nationality	Before our IPO/ After the Acquisitions				Before our IPO/ After the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)
Promoters and substantial shareholders									
Liaw Hen Kong	Malaysian	93,904,300	25.00	-	-	7,097,500	1.89	⁽³⁾ 173,613,300	46.22
Chin Lee Ling	Malaysian	93,904,000	25.00	-	-	7,097,500	1.89	⁽³⁾ 173,613,300	46.22
Tan Hwong Kuen	Malaysian	93,904,000	25.00	-	-	93,904,000	25.00	-	-
Lim Young Piau	Malaysian	93,904,000	25.00	-	-	93,904,000	25.00	-	-
Substantial shareholder									
Scarecrow Holding	Malaysia	-	-	-	-	173,613,300	46.22	-	-
Promoters and substantial shareholders	Place of incorporation/ Nationality	After our IPO							
		Direct		Indirect					
		No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)				
Promoters and substantial shareholders									
Liaw Hen Kong	Malaysian	-	-	⁽³⁾ 173,613,300	36.68				
Chin Lee Ling	Malaysian	-	-	⁽³⁾ 173,613,300	36.68				
Tan Hwong Kuen	Malaysian	86,806,500	18.35	-	-				
Lim Young Piau	Malaysian	86,806,500	18.35	-	-				
Substantial shareholder									
Scarecrow Holding	Malaysia	173,613,300	36.68	-	-				

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Notes:

- (1) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued Shares of 473,179,500 Shares after our IPO.
- (3) Deemed interested by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.

The Shares held by our Promoters and substantial shareholders do not have different voting rights from our other shareholders. Save for our Promoters and substantial shareholders named above, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement between our Company, Promoters and substantial shareholders, with any third party of which may result in a change in control of our Company at a date subsequent to our IPO and Listing.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.1.2 Profiles of Promoters and substantial shareholders

(i) Liaw Hen Kong

Promoter, substantial shareholder and Managing Director

Liaw Hen Kong, a Malaysian male aged 52, is our Promoter, substantial shareholder and Managing Director. He was appointed to our Board on 27 November 2023, and is primarily responsible for piloting the overall strategic direction as well as formulating the business growth and development of our Group.

He graduated with a Diploma in Business Studies from Systematic Business Training Centre (now known as SEGi University and Colleges) in 1991 and completed the London Chamber of Commerce and Industry (LCCI) course in the same year. He graduated from the professional examination of the Association of Chartered Certified Accountants ("**ACCA**") in May 1998.

He began his career in January 1995 with an audit firm, Mohamed Yeng & Co as an Audit Assistant handling audit and accounting matters. He left Mohamed Yeng & Co at the end of 1996 and subsequently joined Arthur Andersen & Co, in February 1997 as a Staff Assistant handling audit and tax matters. In early 2000, he left Arthur Andersen & Co to change his career direction, as he decided to set up his own drinking water trading business with his own truck covering the East Coast of Sabah.

Lack of access to clean drinking water in Sabah has led him to invest in Life Water Industries, a company engaged in the marketing of drinking water treatment products which has been inactive and suspended business operations then, together with the other 3 Promoters in 2001. He was appointed as a director of Life Water Industries in August 2001, a position he still presently assumes.

On the social front, he is currently serving as the Chairman of the Malaysian Plastics Manufacturers Association Sabah Branch (since May 2018).

In November 2018, he received the Illustrious Order of Kinabalu (Darjah Yang Amat Mulia Kinabalu) for rendering meritorious and outstanding services to Sabah for his contribution to the community for corporate social responsibility activities in Sabah.

Besides being our Managing Director, he also presently holds directorship in all of our Subsidiaries.

He is the spouse of Chin Lee Ling, our Promoter, substantial shareholder and Executive Director and has family relationship with Chin Chun Ming (brother-in-law), our Technical Manager and Chin Lee Yung @ Rina Chin (sister-in-law), our Operations Manager.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(ii) Chin Lee Ling

Promoter, substantial shareholder and Executive Director

Chin Lee Ling, a Malaysian female, aged 51, is our Promoter, substantial shareholder and Executive Director. She was appointed to our Board on 27 November 2023, and is primarily responsible for overseeing the human resources department, product development, branding and marketing activities, and IT department of our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

She graduated with a National Computing Centre (United Kingdom) International Diploma in Computer Studies from Informatics Institute in March 1992. She then completed the London Chamber of Commerce and Industry (LCCI) course in 1993 and the professional examination of the ACCA in 1998.

She began her career in February 1997 with Incaplas (Malaysia) Sdn Bhd at the Petaling Jaya office, a company principally involved in manufacturing of plastic products, as an Accounts Assistant and was subsequently promoted to the position of Accounts Executive in October 1997. As part of the accounting team, she was tasked with various accounting functions including preparation of monthly financial statements, monitoring daily cash-flow, and participating in quarterly physical stock counts. She left the company at the end of 1997 to return to Sabah.

Upon returning to Sabah, she took up a few part-time jobs engaging in accounting and administration functions prior to joining Yu Kien Sdn Bhd, the then manufacturer of drinking water in Sabah, as an Account Executive in mid-1998. During her tenure with the company, she was responsible for overseeing the accounting team and human resources team as well as managing the overall business operations, including procurement, production planning, supervision of production line, credit control, preparation of monthly management accounts and monitoring daily cash flow.

Lack of access to clean drinking water in Sabah has led her to invest in Life Water Industries, a company engaged in the marketing of drinking water treatment products which has been inactive and suspended business operations then, together with the other 3 Promoters in 2001. She was appointed as a director of Life Water Industries in August 2001, a position she still presently assumes.

Besides being our Executive Director, she also presently holds directorship in all of our Subsidiaries.

She is the spouse of Liaw Hen Kong, our Promoter, substantial shareholder and Managing Director, and has family relationship with Chin Chun Ming (brother), our Technical Manager and Chin Lee Yung @ Rina Chin (sister), our Operations Manager.

Currently, she is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(iii) Tan Hwong Kuen

Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director

Tan Hwong Kuen, a Malaysian male aged 51, is our Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director. He was appointed to our Board on 27 November 2023.

He graduated with an Advanced Diploma in Computer Studies from Informatics Institute in June 1993.

In June 1994, he joined his family company, Multihope Enterprise Sdn Bhd, a company principally involved in the trading of scrap metal and used vehicle parts, as a Supervisor, overseeing the day-to-day business operations. In December 1994, he was appointed as a director of Multihope Enterprise Sdn Bhd, a position he still presently assumes.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

He invested in Life Water Industries, a company engaged in the marketing of drinking water treatment products which has been inactive and suspended business operations then, together with the other 3 Promoters in 2001. He was appointed as a director of Life Water Industries without any executive role in August 2001, a position he still presently assumes.

He is the Secretary General of Sabah Scrap Metals Recycle Association since April 2008.

Besides being our Non-Independent Non-Executive Senior Director, he also presently holds directorship in all of our Subsidiaries.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(iv) **Lim Young Piau**

Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director

Lim Young Piau, a Malaysian male aged 51, is our Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director. He was appointed to our Board on 27 November 2023.

He attended Kian Kok Middle School from 1985 to 1990.

In January 1992, he joined his family business, Hong Seng Cold Storage, a partnership principally involved in the wholesale and retail of frozen foodstuffs where he was responsible for overseeing the overall operations of the business. As the family business grows and expands, he incorporated Hong Seng Importer & Exporter Sdn Bhd with his family members in January 2004 to assume all the businesses and assets of Hong Seng Cold Storage. He was appointed as a director of Hong Seng Importer & Exporter Sdn Bhd in January 2004, a position he still presently assumes.

He invested in Life Water Industries, a company engaged in the marketing of drinking water treatment products which has been inactive and suspended business operations then, together with the other 3 Promoters in 2001. He was appointed as a director of Life Water Industries without any executive role in July 2011, a position he still presently assumes.

Besides being our Non-Independent Non-Executive Senior Director, he also presently holds directorship in all of our Subsidiaries.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(v) **Scarecrow Holding**

Substantial shareholder

Scarecrow Holding was incorporated on 5 December 2023 in Malaysia under the Act as a private limited company under the name of Scarecrow Holding Sdn Bhd.

The principal activity of Scarecrow Holding is an investment holding company. As at the LPD, the issued share capital of Scarecrow Holding is RM78,000 comprising 78,000 Scarecrow Holding Shares.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

The directors of Scarecrow Holding as at the LPD are Liaw Hen Kong and Chin Lee Ling.

The particulars of Scarecrow Holding's shareholders and their respective shareholdings as at the LPD are as follows:

Shareholders	Nationality	Direct		Indirect	
		No. of Scarecrow Holding Shares	%	No. of Scarecrow Holding Shares	%
Liaw Hen Kong	Malaysian	39,000	50.00	-	-
Chin Lee Ling	Malaysian	39,000	50.00	-	-

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.1.3 Changes in shareholdings

The changes in our Promoters' and substantial shareholders' shareholdings in our Company since our incorporation are as follows:

Promoters and substantial shareholders	Place of incorporation/ Nationality	As at 20 January 2023 (date of incorporation) and 31 December 2023				Before our IPO/ After the Acquisitions			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽¹⁾ (%)	No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)
<u>Promoters and substantial shareholders</u>									
Liaw Hen Kong	Malaysian	300	60.00	-	-	93,904,300	25.00	-	-
Chin Lee Ling	Malaysian	-	-	-	-	93,904,000	25.00	-	-
Tan Hwong Kuen	Malaysian	-	-	-	-	93,904,000	25.00	-	-
Lim Young Piau	Malaysian	-	-	-	-	93,904,000	25.00	-	-
Lim Chin Wah	Malaysian	100	20.00	-	-	⁽⁵⁾ 100	*	-	-
Pang Tet Tsung	Malaysian	100	20.00	-	-	⁽⁵⁾ 100	*	-	-
<u>Substantial shareholder</u>									
Scarecrow Holding	Malaysia	-	-	-	-	-	-	-	-

Promoters and substantial shareholders	Place of incorporation/ Nationality	Before our IPO/ After the Share Transfer				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽²⁾ (%)	No. of Shares	⁽²⁾ (%)	No. of Shares	⁽³⁾ (%)	No. of Shares	⁽³⁾ (%)
<u>Promoters and substantial shareholders</u>									
Liaw Hen Kong	Malaysian	7,097,500	1.89	⁽⁴⁾ 173,613,300	46.22	-	-	⁽⁴⁾ 173,613,300	36.68
Chin Lee Ling	Malaysian	7,097,500	1.89	⁽⁴⁾ 173,613,300	46.22	-	-	⁽⁴⁾ 173,613,300	36.68
Tan Hwong Kuen	Malaysian	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Lim Young Piau	Malaysian	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Lim Chin Wah	Malaysian	⁽⁵⁾ 100	*	-	-	⁽⁵⁾ 100	*	-	-
Pang Tet Tsung	Malaysian	⁽⁵⁾ 100	*	-	-	⁽⁵⁾ 100	*	-	-
<u>Substantial shareholder</u>									
Scarecrow Holding	Malaysia	173,613,300	46.22	-	-	173,613,300	36.68	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Notes:

- (1) Based on our issued Shares of 500 Shares as at 20 January 2023, being the date of incorporation of our Company, and as at 31 December 2023.
- (2) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (3) Based on our enlarged issued Shares of 473,179,500 Shares after our IPO.
- (4) Deemed interested by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.
- (5) Lim Chin Wah and Pang Tet Tsung are the subscriber shareholders of our Company and they continue to hold their shares as investment. However, they are no longer classified as our substantial shareholders after the Acquisitions.
- * Negligible

5.1.4 Promoters and/or substantial shareholders' remuneration and benefits in-kind

Save for the dividends declared and/or paid to our Promoters and/or substantial shareholders as set out in Section 12.4 of this Prospectus, and the aggregate remuneration and benefits in-kind paid or to be paid to our Promoters and/or substantial shareholders as set out in Section 5.2.4 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Shareholdings of our Directors

The direct and indirect shareholdings of our Directors in our Company before and after our IPO are as follows:

Name	Nationality	Before our IPO				After our IPO and the Share Transfer ⁽¹⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽³⁾ %	No. of Shares	⁽³⁾ %
Datuk Petrus Gimbad	Malaysian	-	-	-	-	200,000	0.04	-	-
Liaw Hen Kong	Malaysian	93,904,300	25.00	-	-	-	-	⁽⁴⁾ 173,613,300	36.68
Chin Lee Ling	Malaysian	93,904,000	25.00	-	-	-	-	⁽⁴⁾ 173,613,300	36.68
Tan Hwong Kuen	Malaysian	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Lim Young Piau	Malaysian	93,904,000	25.00	-	-	86,806,500	18.35	-	-
Ang Seng Wong	Malaysian	-	-	-	-	200,000	0.04	-	-
Tan Mui Ping	Malaysian	-	-	-	-	200,000	0.04	-	-
Selma Enolil Binti Mustapha Khalil	Malaysian	-	-	-	-	100,000	0.02	-	-

Notes:

- (1) Assuming our Directors will fully subscribe for their respective allocation under the Pink Form Allocation.
- (2) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (3) Based on our enlarged issued Shares of 473,179,500 Shares after our IPO and the Share Transfer.
- (4) Deemed interested by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.

Save for Liaw Hen Kong and Chin Lee Ling who are shareholders of Scarecrow Holding, none of our Directors represents any corporate shareholder on our Board. Further, save for Liaw Hen Kong and Chin Lee Ling, there are no family relationships between our Directors.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.2.2 Profiles of Directors

Save for the profiles of Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen and Lim Young Piau as set out in Section 5.1.2 of this Prospectus, the profiles of our other Directors are as follows:

(i) **Datuk Petrus Gimbad**

Independent Non-Executive Chairman

Datuk Petrus Gimbad, a Malaysian male aged 67, is our Independent Non-Executive Chairman. He was appointed to our Board on 27 November 2023.

He is a Chartered Accountant and was admitted as a Member of the Association of Chartered Certified Accountants ("**ACCA**") in April 1987. He is also a member of Malaysian Institute of Accountants since January 1988. In April 1992, he became a Fellow Member of ACCA. He obtained a Master of Business Administration from The University of Bath, United Kingdom in November 1992 and a Master of Advanced Business Practice from University of South Australia in September 2005. He later obtained a Postgraduate Diploma in Systems Thinking in Practice from The Open University in Milton Keynes, United Kingdom in December 2016. He has also obtained certificates in Managing for Sustainability in October 2016, Institutional Development in April 2017 and Conflict and Development in October 2017, all from The Open University in Milton Keynes, United Kingdom.

In July 1981, he began his career as a Production Sharing Contract Auditor in Petroliaam Nasional Berhad ("**PETRONAS**") and was seconded to Malaysia LNG Sdn Bhd in October 1982 as a Financial Accountant where he was mainly responsible for general accounting matters. He returned to PETRONAS as Group Budget Accountant in end-1986 until December 1987.

In January 1988, he then embarked on his professional career with Ernst & Whinney (now known as Ernst & Young) ("**EY**") as an Audit Senior. He was admitted to partnership in January 1997. In November 2007, he was posted to EY Vietnam office to lead the advisory practice which covers the Indochina area of Vietnam, Laos and Cambodia. He retired from his position as the Partner of EY in June 2009 after over 20 years with the firm. Throughout his tenure in EY, he was involved in external audit assignments as well as consultancy and advisory practice where he was mainly involved in corporate finance matters including privatisation, corporate listing, corporate restructuring and strategy development.

After retirement from EY, with his vast experience, he was appointed as a member of Energy Commission Malaysia from September 2014 to August 2018.

He presently sits on the board of directors of Inland Revenue Board of Malaysia (since September 2022), CPS Tower Sdn Bhd (since November 2007), Good Shepherd Services (since April 2021), and Sabah Electricity Sdn Bhd (since July 2023).

Please see Section 5.2.3 of this Prospectus for further details of his involvement in other principal directorships and principal business activities outside our Group as at the LPD and his principal directorships outside our Group in the past 5 years preceding the LPD.

(ii) **Ang Seng Wong**

Independent Non-Executive Director

Ang Seng Wong, a Malaysian male aged 61, is our Independent Non-Executive Director. He was appointed to our Board on 27 November 2023.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

He graduated with a Bachelor of Business (Banking and Finance) and a Bachelor of Arts in May 1988 from the Chisholm Institute of Technology, Australia (currently known as Monash University). He graduated with a Master of Business Administration from Cardiff Metropolitan University, Wales in September 2016. He is a member of the Malaysian Institute of Accountants since May 1998. He is a member of the Institute of Corporate Directors Malaysia since October 2022 and subsequently became a fellow of the Institute of Corporate Directors Malaysia since November 2022.

He began his career in January 1986 with Freeman McMurrick Pty. Ltd. in Australia as an Accountant where he was responsible for assisting in the preparation of management accounts, liaising with underwriters and assisting in the preparation of the company's accounts. He left the company in November 1989.

He then returned to Malaysia and joined Apex Securities Sdn Bhd (currently known as JF Apex Securities Berhad) from December 1989 to March 1990 where he was involved in conducting research on the stock market, analysing stocks and recommending stocks in a monthly newsletter.

He then joined MBf Finance Berhad (currently known as AmBank (M) Berhad), a company listed on the Main Market of Bursa Securities, in December 1990 until June 1991 as an Assistant Manager where he was responsible for accounting matters such as accounts reconciliation and reporting.

Between his time with JF Apex Securities Berhad and MBf Finance Berhad, he worked as a freelancer involved in performing feasibility studies, writing marketing reports and business proposals in the plastics industry.

In June 1991, he joined TH-Exima Electronics (M) Sdn Bhd as a Finance Director where he was responsible for finance and accounts reporting. He left the company in October 1992.

He was then appointed as an Executive Representative of the CIDC (Malaysia) Sdn Bhd (a subsidiary company of China Investment Development Company, Taiwan) from January 1993 to July 1994. He was involved in sourcing and recommending investment opportunities to the company.

He subsequently joined NCK Corporation Berhad (a public listed company which was listed on the Main Market of Bursa Securities before transferring of its listing status to APB Resources Berhad on 6 May 2004) as a Corporate Affairs Manager in July 1994 where he was responsible in reporting, assisting and taking instructions from the group's managing director of the company to manage the businesses of its subsidiary companies which includes, inter alia, tasks involving monthly accounts analysis, subsidiary companies' management meetings, business liaison with suppliers, contractors, customers and bankers. During his time with the company, he was appointed to the board of directors of several of the company's subsidiary companies. He left the company in December 1998.

In February 1999, he joined Pacific Asian Exporters Inc as a Regional Representative on a part-time basis where he was involved in establishing a supply chain to produce and export plastic products to the USA. He left his position in June 2007.

In March 2003, he began to conduct training sessions and lectures on subjects such as soft skills, supervisory skills, management skills and corporate governance on a part time basis. He was affiliated with several training companies such as Nobel Konsult Sdn Bhd and EMC Management Centre Sdn Bhd. He is still currently involved in conducting training sessions on various subjects.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

He was appointed as a General Manager of Astral Supreme Berhad (currently known as Vizione Holdings Berhad, a public company listed on the Main Market of Bursa Securities) from October 2003 where he was in charge of overseeing the manufacturing, marketing and distribution of electrical and electronic products. He was then appointed as an Executive Director of the company in April 2005. He resigned from his position as an Executive Director in August 2005.

He presently sits on the board of directors of EG Industries Berhad and CPE Technology Berhad, which are all companies listed on the Main Market of Bursa Securities:

- (a) for EG Industries Berhad, he was appointed as an Independent Non-Executive Director in January 2009 and redesignated as Non-Independent Non-Executive Director in May 2023; and
- (b) for CPE Technology Berhad, he was appointed as an Independent Non-Executive Director in April 2022 and redesignated as Independent Non-Executive Chairman in June 2022.

Please see Section 5.2.3 of this Prospectus for further details of his involvement in other principal directorships and principal business activities outside our Group as at the LPD and his principal directorships outside our Group in the past 5 years preceding the LPD.

(iii) Tan Mui Ping

Independent Non-Executive Director

Tan Mui Ping, a Malaysian female aged 47, is our Independent Non-Executive Director. She was appointed to our Board on 27 November 2023.

She obtained a certification for the ACCA in February 1999. She became a Member of ACCA in April 2001 and was subsequently made a Fellow Member of ACCA in April 2006. She is also a member of the Malaysian Institute of Accountants since December 2001, a registered company secretary with the SSM since February 2020 as well as a member of the Institute of Corporate Directors Malaysia since January 2022.

She has over 20 years of experience in senior finance roles which cover the areas of corporate finance, investment analysis, business development partnering and investment feasibility study, and group finance matters, treasury and tax planning.

She began her career in Shamsir Jasani Grant Thornton (now known as Grant Thornton Malaysia PLT) in April 1998 and left the firm in May 2001 as an Audit Senior. From May 2001 to October 2001, she took a break for personal reason.

In October 2001, she joined Wah Seong Corporation Berhad (currently known as Wasco Berhad), a company listed on the Main Market of Bursa Securities, as an Accountant where, she was responsible for the group reporting and corporate finance functions. She was also involved in the listing exercise of Wah Seong Corporation Berhad.

In June 2003, she left Wah Seong Corporation Berhad and joined Edaran Otomobil Nasional Berhad as a Manager - Group Finance in the same month where she was responsible for the group finance matters, corporate finance and tax planning as well as involved in its business transformation program.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

In June 2007, she left Edaran Otomobil Nasional Berhad and joined Advance Synergy Berhad (“**ASB**”), a company listed on the Main Market of Bursa Securities, as Finance Manager (function as Head of Finance) in the same month. During her tenure with ASB, she was involved in various corporate exercises including, among others, capital reduction exercise and issuance of irredeemable convertible unsecured loan stocks of ASB, privatisation and delisting of Advance Synergy Capital Berhad, a subsidiary of ASB, restructuring of Advance Synergy Capital Berhad group’s business, assets and resources post privatisation as well as acquisition of new business and disposal of ASB’s hotel assets.

In October 2012, she left ASB and joined Weida (M) Bhd (“**Weida**”) as a Senior Manager of the Corporate Department in the same month. In July 2014, she was promoted to the position of General Manager in the Group Managing Director’s office and was subsequently redesignated as Financial Advisor to Group Executive Chairman in June 2023, a position she assumes to present date. She is also the director of Asaljuru Synergy Sdn Bhd, a subsidiary of Weida (since October 2022). Throughout her tenure with Weida, she supports the Group Executive Chairman and works closely with other team members and strategic partners on Group Executive Chairman related tasks and projects. Her responsibilities include business development partnering, investment feasibility study, corporate finance, group finance matter, treasury, group tax planning and support the senior management in investors’ relations activities. She was also the acting Financial Controller of Weida’s property development division from 2013 to 2016.

She presently sits on the board of directors of Infoline Tec Group Berhad (since November 2021) and Evergreen Fibreboard Berhad (since October 2022) as an independent non-executive director. Infoline Tec Group Berhad is a company listed on the ACE Market of Bursa Securities while Evergreen Fibreboard Berhad is a company listed on the Main Market of Bursa Securities.

Please see Section 5.2.3 of this Prospectus for further details of her involvement in other principal directorships and principal business activities outside our Group as at the LPD and her principal directorships outside our Group in the past 5 years preceding the LPD.

(iv) **Selma Enolil Binti Mustapha Khalil**

Independent Non-Executive Director

Selma Enolil Binti Mustapha Khalil, a Malaysian female aged 52, is our Independent Non-Executive Director. She was appointed to our Board on 27 November 2023.

She graduated from University of Wales, Aberystwyth (now known as University of Aberystwyth) with a Bachelor of Laws in July 1994. She obtained her Certificate in Legal Practice in December 1995 and was called to the Malaysian Bar as an Advocate and Solicitor in November 1996. She brings with her over 27 years of experience in the legal profession and her key area of practice currently is corporate and commercial law.

In December 1996, she started her career as an Advocate and Solicitor with Messrs Abu Talib Shahrom & Zahari. In October 1998, she left Messrs Abu Talib Shahrom & Zahari and joined TNB Repair and Maintenance Sdn Bhd (“**TNB Remaco**”) as a Legal Executive and was involved in legal advisory and contract review. TNB Remaco is a subsidiary of TNB, a company listed on the Main Market of Bursa Securities. She left TNB Remaco in June 2000 and resumed practicing law as an Advocate and Solicitor with Messrs Raslan Loong (now known as Messrs Raslan Loong, Shen & Eow) in July 2000. She left the firm in August 2003 and co-founded Messrs Enolil Loo, Advocates and Solicitors in September 2003, in which she is currently a Partner.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

She presently sits on the board of directors of Techbond Group Berhad (since January 2018), Selangor Dredging Berhad (since December 2018), Powerwell Holdings Berhad (since January 2019) and Unique Fire Holdings Berhad (since October 2021) as an independent non-executive director. Both Techbond Group Berhad and Selangor Dredging Berhad are companies listed on the Main Market of Bursa Securities while Powerwell Holdings Berhad and Unique Fire Holdings Berhad are companies listed on the ACE Market of Bursa Securities. She is also a director and trustee of Ericson Foundation (since January 2011), a non-profit organisation with a focus to create accessible palliative care for the underprivileged through financial and volunteer support.

Please see Section 5.2.3 of this Prospectus for further details of her involvement in other principal directorships and principal business activities outside our Group as at the LPD and her principal directorships outside our Group in the past 5 years preceding the LPD.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.2.3 Principal business activities and directorships in other corporations outside of our Group for the past 5 years

The following table sets out the principal directorships and principal business activities of our Directors outside our Group as at the LPD and principal directorships outside our Group in the past 5 years preceding the LPD:

(i) Datuk Petrus Gimbad

Name of company	Principal activities	Date appointed as director/ Date resigned as director	Involvement in business activities
Present directorships:			
• CPS Tower Sdn Bhd	• Property investment holding	• Appointed on 12 November 2007	• Director • Shareholder holding direct interest of 2.16%
• Inland Revenue Board of Malaysia	• Acting as one of the main revenue collecting agencies of the Ministry of Finance, Malaysia	• Appointed on 1 September 2022	• Director
• Good Shepherd Services	• A not-for-profit organisation involved in uplifting the lives of underserved and vulnerable communities namely women, youth and children through socio-economic aid and empowerment programmes	• Appointed on 30 April 2021	• Director
• Sabah Electricity Sdn Bhd	• Generate electricity, transmission and distribution of electricity and sales of electricity	• Appointed on 24 July 2023	• Director
Previous directorships in the past 5 years preceding the LPD:			
• Yayasan Inovasi Malaysia	• Develop and promote creative skills in the fields of science and technology; nurture and support scientific innovation; conduct educational and awareness programmes	• Appointed on 19 September 2011 • Resigned on 31 December 2018	• Director
• Sabah Gold Traders Sdn Bhd	• Trading of Islamic gold dinar and silver dirham, as well as the promotion of business participation in Islamic hybrid instruments and other similar instruments as promoted by IGD Practice Sdn Bhd and/or E-Qirad Sdn Bhd from time to time (Sabah Gold Traders Sdn Bhd, IGD Practice Sdn Bhd and E-Qirad Sdn Bhd are investee companies of Sabah Development Bank Berhad and Sabah Development Berhad)	• Appointed on 10 April 2012 • Resigned on 16 July 2019	• Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Name of company	Principal activities	Date appointed as director/ Date resigned as director	Involvement in business activities
• BCI Sabah International Petroleum Sdn Bhd	• Manufacturing, processing and trading of oilfield specialty chemicals and chemicals used for improved oil recovery, processing and trading of barite ore and barite powder	• Appointed on 15 April 2015 • Resigned on 5 August 2019	• Director
• Sedia Usaha Sdn Bhd	• Investment holding company, the company is also involved in acquiring properties at public auctions for resale purposes	• Appointed on 10 April 2012 • Resigned on 1 July 2019	• Director
• Sabah Development Berhad	• Investment holding and provision of financing services	• Appointed on 1 December 2015 • Resigned on 4 July 2019	• Director
• SDB Asset Management Sdn Bhd	• Providing fund management services	• Appointed on 6 August 2015 • Resigned on 1 July 2019	• Director
• Jetama Water Sdn Bhd	• Operation and maintenance of water treatment facilities owned by Jetama Sdn Bhd and State Government of Sabah	• Appointed on 3 September 2018 • Resigned on 1 July 2019	• Director
• Sterling Elite Sdn Bhd	• Property investment holding	• Appointed on 29 September 2007 • Resigned on 23 February 2023	• Director
• Sabah Development Bank Bhd	• Financing development projects	• Appointed on 10 April 2012 • Resigned on 12 September 2019	• Director
• Kwantas Corporation Berhad	• Investment holding of companies involved in operation of oil palm plantation, operation of a waste incineration plant and wholesaling & supply of diesel and lubricants	• Appointed on 24 March 2016 • Resigned on 31 December 2021	• Independent Non-Executive Director
• Meta Bright Group Berhad	• Investment holding of companies involved in hospitality, investment properties, property development, leasing and financing and energy related business	• Appointed on 17 July 2013 • Resigned on 20 June 2020	• Independent Non-Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

(ii) Liaw Hen Kong

<u>Name of company</u>	<u>Principal activities</u>	<u>Date appointed as director/ date resigned as director</u>	<u>Involvement in business activities</u>
Present directorships:			
• Life Water Properties Sdn Bhd	• Property investment	• Appointed on 20 September 2007	• Director • Shareholder holding direct interest of 25.00% and indirect interest of 25.00% through his spouse, Chin Lee Ling
• Borneo Oils & Foodstuffs Sdn Bhd	• Property investment	• Appointed on 5 March 2008	• Director • Shareholder holding direct interest of 20.00% and indirect interest of 20.00% through his spouse, Chin Lee Ling
• Star Pinnacle Sdn Bhd	• Activities of holding companies – investment in bonds and equities	• Appointed on 9 October 2017	• Director
Involvement in business activities other than as a director:			
• TCG Foods Sdn Bhd	• Operating restaurant		• Shareholder holding direct interest of 7.50% and indirect interest of 7.50% through his spouse, Chin Lee Ling
• Borneo Healthline Sdn Bhd	• Activities of holding companies (dormant and there is no immediate plan for the company currently)		• Shareholder holding direct interest of 22.74%

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

(iii) Chin Lee Ling

<u>Name of company</u>	<u>Principal activities</u>	<u>Date appointed as director/ Date resigned as director</u>	<u>Involvement in business activities</u>
Present directorships:			
• Life Water Properties Sdn Bhd	• Property investment	• Appointed on 20 September 2007	• Director • Shareholder holding direct interest of 25.00% and indirect interest of 25.00% through her spouse, Liaw Hen Kong
• Borneo Oils & Foodstuffs Sdn Bhd	• Property investment	• Appointed on 5 March 2008	• Director • Shareholder holding direct interest of 20.00% and indirect interest of 20.00% through her spouse, Liaw Hen Kong
• Suria Timur Resources Sdn Bhd	• Provision of general insurance agency services (The company has ceased its business operation and there is no immediate plan for the company currently)	• Appointed on 29 January 2015	• Director • Shareholder holding direct interest of 60.00%
• Star Pinnacle Sdn Bhd	• Activities of holding companies – investment in bonds and equities	• Appointed on 9 October 2017	• Director
Involvement in business activities other than as a director:			
• TCG Foods Sdn Bhd	• Operating restaurant		• Shareholder holding direct interest of 7.50% and indirect interest of 7.50% through her spouse, Liaw Hen Kong
• Trusmadi Entomology Sdn Bhd (formerly known as Trusmadi Adventures Sdn Bhd)	• To operate and manage holiday resort and camps, cultural village and other related activities		• Shareholder holding direct interest of 34.00%

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

(iv) Tan Hwong Kuen

Name of company	Principal activities	Date appointed as director/ Date resigned as director	Involvement in business activities
Present directorships:			
• Life Water Properties Sdn Bhd	• Property investment	• Appointed on 20 September 2007	• Director • Shareholder holding direct interest of 25.00%
• Standard Teamtrade Sdn Bhd	• Hire of heavy equipment	• Appointed on 23 January 2009	• Director • Shareholder holding direct interest of 30.00% and indirect interest of 70.00% through his spouse, Chong Pei Nie @ Irene Chong
• S.M. (Sabah) Sdn Bhd	• Property investment	• Appointed on 16 December 2002	• Director • Shareholder holding direct interest of 80.00% and indirect interest of 20.00% through his spouse, Chong Pei Nie @ Irene Chong
• Multihope Enterprise Sdn Bhd	• Trading of scrap metal and used vehicle parts	• Appointed on 27 December 1994	• Director • Shareholder holding direct interest of 60.00%. The remaining interests of 15.00% and 25.00% are held by Tan Hwong Gei and Tan Hwong Pyin respectively, who are the siblings of Tan Hwong Kuen
Previous directorships in the past 5 years preceding the LPD:			
• Realtec Engineering Sdn Bhd	• Manufacturing in fabrication precision sheet metal Engineering design and other engineering structure and work Distributor of valves and pipeline related products	• Appointed on 2 November 2012 • Resigned on 6 October 2023	• Director
• Multihope Recycle Industries Sdn Bhd	• Equipment hire	• Appointed on 22 August 2002 • Resigned on 17 September 2019	• Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Name of company	Principal activities	Date appointed as director/ Date resigned as director	Involvement in business activities
Involvement in business activities other than as a director:			
• TCG Foods Sdn Bhd	• Operating restaurant		• Shareholder holding direct interest of 7.50%
• Multihope Realty Pte. Ltd.	• Property investment		• Shareholder holding direct interest of 30.00%
(v) Lim Young Piau			
Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
Present directorships:			
• Life Water Properties Sdn Bhd	• Property investment	• Appointed on 20 September 2007	• Director • Shareholder holding direct interest of 25.00%
• Hong Seng Cold Storage Sdn Bhd	• Property investment	• Appointed on 27 February 1999	• Director • Shareholder holding direct interest of 50.00%
• Hong Seng Trading Sdn Bhd	• Marketing and sales agent for frozen foodstuffs	• Appointed on 9 January 2004	• Director • Shareholder holding direct interest of 50.00%
• Hong Seng Importer & Exporter Sdn Bhd	• Wholesale and retail of frozen foodstuffs	• Appointed on 9 January 2004	• Director • Shareholder holding direct interest of 33.333%. The remaining interests of 33.333% and 33.334% are held by Lim Young Peing and Lim Yun Seng respectively, who are the siblings of Lim Young Piau
• Natural Green House Sdn Bhd	• Retail of healthcare products	• Appointed on 5 February 2010	• Director • Shareholder holding direct interest of 33.33%

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
• Winner Chef Food Processing Sdn Bhd	• Supply of frozen food	• Appointed on 22 July 2011	• Director • Shareholder holding direct interest of 50.00%
• Yolo Fitness Sdn Bhd	• Carrying on the business of gym and fitness centres Carrying on the business of franchisor business Carrying on the business of retail sale of sports goods and equipment	• Appointed on 8 September 2023	• Director • Shareholder holding direct interest of 16.00%
• HS Mart Sdn Bhd	• Retail sale of meat and meat products (including poultry) Retail sale of fish, other seafood and products thereof Processing and preserving of meat and production of meat products	• Appointed on 8 November 2019	• Director • Shareholder holding direct interest of 45.00%
• Full Belly Sdn Bhd	• Processing and preserving of meat and production of meat products Retail sale of fish, other seafood and products thereof Retail sale of meat and meat products (including poultry)	• Appointed on 22 August 2022	• Director • Shareholder holding direct interest of 45.00%
• Hong Seng Cold Storage (Sandakan) Sdn Bhd	• Food service activities	• Appointed on 14 December 2022	• Director • Shareholder holding direct interest of 35.00%
• Hong Seng Cold Storage (Tawau) Sdn Bhd	• Wholesale of meat, poultry and eggs. Wholesale of other foodstuffs	• Appointed on 19 January 2023	• Director • Shareholder holding direct interest of 50.00%
Previous directorships in the past 5 years preceding the LPD:			
• GCM Health Food Sdn Bhd	• Wholesale and retail of natural and organic health food products (The company has ceased its business operation and there is no immediate plan for the company currently)	• Appointed on 5 March 2013 • Resigned on 8 October 2022	• Director
• Green Concept Marketing Sdn Bhd	• Wholesale and retail of natural and organic health food products	• Appointed on 1 June 2013 • Resigned on 8 October 2022	• Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

(vi) Ang Seng Wong

Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
Present directorships:			
• Hocatsu (M) Sdn Bhd	• Trading and retailing of crockery, kitchen utensil and equipment, stewarding and housekeeping material	• Appointed on 1 June 2005	• Non-Executive Director • Shareholder holding direct interest of 14.29% ⁽¹⁾
• EG Industries Berhad	• Provision of management service and investment holding of companies involved in among others, provision of electronic manufacturing services for computer peripherals, consumer electronic/electrical products and automotive industrial products as well as production of high filtration face masks	• Appointed as Non-Executive Director since 30 January 2009	• Non-Independent Non-Executive Director
• Margaree Enterprises Pte Ltd	• Wholesale trade of a variety of goods without a dominant product. The company has ceased its business operation.	• Appointed on 4 July 2017	• Non-Executive Director • Shareholder holding direct interest of 100.00%
• Quantity Concept PLT	• Other management consultation activities n.e.c ⁽²⁾ , others education n.e.c ⁽²⁾ , wholesale of a variety of goods without any particular specialisation n.e.c ⁽²⁾		• Partner holding direct interest of 50.00% and indirect interest of 50.00% through his spouse
• CPE Technology Berhad	• Real estate activities on a fee or contract basis n.e.c ⁽²⁾ Real Real estate activities with own or leased property n.e.c ⁽²⁾ Investment holding of companies involved in manufacturing of precision-machined parts and components using computer numerical control turning and milling technology and provision of computer numerical control turning and milling services as well as trading of precision machined parts and components	• Appointed as Independent Non-Executive Director on 1 April 2022 • Redesignated as Independent Non-Executive Chairman on 16 June 2022	• Independent Non-Executive Chairman

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
Previous directorships in the past 5 years preceding the LPD:			
<ul style="list-style-type: none"> Ralco Corporation Berhad 	<ul style="list-style-type: none"> Provision of management services and investment holding of companies involved in manufacturing of and trading in plastic bottles, containers, boxes, crates, related materials and provision of transportation services as well as supply of renewable energy 	<ul style="list-style-type: none"> Appointed on 14 August 2019 Resigned on 21 March 2024 	<ul style="list-style-type: none"> Independent Non-Executive Director

Notes:

- (1) As per the trust deed dated 6 September 2005 entered into between Ang Seng Wong and another shareholder of Hocatsu (M) Sdn Bhd, Ang Seng Wong is holding the said interest in trust for the said shareholder of Hocatsu (M) Sdn Bhd.
- (2) "n.e.c" means not elsewhere classified.

(vii) Tan Mui Ping

Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
Present directorships:			
<ul style="list-style-type: none"> Infoline Tec Group Berhad 	<ul style="list-style-type: none"> Investment holding of companies involved in providing IT infrastructure solutions, cybersecurity solutions, managed IT and other IT services, and trading of ancillary hardware and software 	<ul style="list-style-type: none"> Appointed on 1 November 2021 	<ul style="list-style-type: none"> Independent Non-Executive Director Shareholder holding direct interest of 0.03%
<ul style="list-style-type: none"> Evergreen Fibreboard Berhad 	<ul style="list-style-type: none"> Manufacture of medium density fibreboard, particleboard, furniture, value-added wood-based products and resin 	<ul style="list-style-type: none"> Appointed on 1 October 2022 	<ul style="list-style-type: none"> Independent Non-Executive Director
<ul style="list-style-type: none"> Asaljuru Synergy Sdn Bhd 	<ul style="list-style-type: none"> Investment holding (dormant) 	<ul style="list-style-type: none"> Appointed on 31 October 2022 	<ul style="list-style-type: none"> Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

<u>Name of company</u>	<u>Principal activities</u>	<u>Date appointed as director/ date resigned as director</u>	<u>Involvement in business activities</u>
Involvement in business activities other than as a director:			
• Zoey Angel Two PLT	• Investment holding of company principally involved in the business of wholesale of foodstuffs and manufacturing of food products		• Partner (investor)

(viii) Selma Enolil Binti Mustapha Khalil

<u>Name of company</u>	<u>Principal activities</u>	<u>Date appointed as director/ date resigned as director</u>	<u>Involvement in business activities</u>
Present directorships:			
• Ericsen Foundation	• (i) To receive and administer funds for public charitable purposes, (ii) to foster develop and improve education of all kinds, (iii) to assist and aid in relieve the sickness and suffering of people with life limiting conditions and their families and carers	• Appointed on 27 January 2011	• Director • Trustee
• Unique Fire Holdings Berhad	• Investment holding of companies involved in the assembly, manufacture and distribution of active fire protection systems, equipment and accessories for built environment, as well as the distribution of custom graphics designed fire extinguishers, and other active fire protection systems, equipment and accessories and related service	• Appointed on 8 October 2021	• Independent Non-Executive Chairperson • Shareholder holding direct interest of 0.06%
• Powerwell Holdings Berhad	• Investment holding of companies involved in the design, manufacturing and trading of electricity distribution products comprising low voltage switchboards, medium voltage switchgears and related products	• Appointed on 7 January 2019	• Independent Non-Executive Director • Shareholder holding direct interest of 0.02%

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Name of company	Principal activities	Date appointed as director/ date resigned as director	Involvement in business activities
• Selangor Dredging Berhad	• Provision of management services, investment holding of companies involved in among others property support services, property management services, trading and installation of energy efficient products, property development, investment in property; and property leasing	• Appointed on 31 December 2018	• Independent Non-Executive Director
• Techbond Group Berhad	• Investment holding of companies involved in the development, manufacture and trading of industrial adhesives and sealants, providing supporting products and services, and management services	• Appointed on 2 January 2018	• Independent Non-Executive Director • Shareholder holding direct interest of 0.04%
Previous directorships in the past 5 years preceding the LPD:			
• LKL International Berhad	• Investment holding of companies involved in provision of medical/healthcare beds, peripheral and accessories, trading in hospital furniture, laboratory furniture, medical equipment, medical peripherals and accessories, providing management and advisory services, distribution of pharmaceutical products	• Appointed on 23 July 2015 • Resigned on 13 October 2020	• Independent Non-Executive Director
• Halo Advisory Sdn Bhd	• Financial consultancy services (dormant)	• Appointed on 12 April 2022 • Resigned on 30 June 2023	• Director

The involvement of our Directors mentioned above in the other principal business activities outside our Group does not preclude them from allocating or committing their time and effort to our Group in their respective roles as our Directors, as:

- (i) our Non-Executive Directors are not involved in the day-to-day operations of our Group, and their involvement in other business activities outside our Group will not affect their contributions to our Group; and
- (ii) our Executive Directors are not involved in the management and day-to-day operations of those businesses outside our Group.

The present involvement of our Directors outside of our Group as set out above does not give rise to any existing or potential conflict of interest in view of the following:

- (i) None of our Directors has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group; and

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

- (ii) None of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are the customers or suppliers of our Group, save for the transactions (i) between our Group and Multihope Enterprise Sdn Bhd and (ii) between our Group and Hong Seng Importer & Exporter Sdn Bhd, respectively. Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd are not involved in the similar business activities as our Group. Multihope Enterprise Sdn Bhd is principally involved in trading of scrap metal and used vehicle parts while Hong Seng Importer & Exporter Sdn Bhd is principally involved in wholesale and retail of frozen foodstuffs. These transactions were carried out on arm's length basis as the considerations were fixed at the prevailing market rate and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties. Please refer to Section 10.1.2 of this Prospectus for the transaction values (i) between our Group and Multihope Enterprise Sdn Bhd and (ii) between our Group and Hong Seng Importer & Exporter Sdn Bhd, respectively. In addition, our Group is not dependent on Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd for revenue as the revenue generated from Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd was below 0.01% of our Group's revenue for the Financial Years Under Review and up to the LPD. Further, Tan Hwong Kuen and Lim Young Piau are non-executive directors of our Group and hence, are not involved in the day-to-day running of the business operations of our Group. Their involvement in the other business activities outside our Group does not preclude them from allocating or committing their time and efforts to our Group in their respective roles on our Board. As such, this does not give rise to any existing and potential conflict of interest situation.

5.2.4 Directors' remuneration and material benefits in-kind

The details of the remuneration and material benefits in-kind paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 2023 and FYE 2024 are as follows:

FYE 2023 (Paid)	Salaries	Fees	Bonus	EPF and SOCSO	Allowances	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Datuk Petrus Gimbad	-	-	-	-	-	-	-
Liaw Hen Kong	960	-	2,680	367	36	28	4,071
Chin Lee Ling	960	-	2,680	370	60	7	4,077
Tan Hwong Kuen	-	240	-	11	15	-	266
Lim Young Piau	-	240	-	11	15	-	266
Ang Seng Wong	-	-	-	-	-	-	-
Tan Mui Ping	-	-	-	-	-	-	-
Selma Enolil Binti Mustapha Khalil	-	-	-	-	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

FYE 2024 (Proposed) ⁽¹⁾	Salaries (RM'000)	Fees (RM'000)	Bonus (RM'000)	EPF and SOCSO (RM'000)	Allowances (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Datuk Petrus Gimbad	-	35	-	-	(2)	-	35
Liaw Hen Kong	2,400	-	800	389	-	7	3,596
Chin Lee Ling	2,400	-	800	392	24	28	3,644
Tan Hwong Kuen	-	240	-	5	(2)	-	245
Lim Young Piau	-	240	-	5	(2)	-	245
Ang Seng Wong	-	32	-	-	(2)	-	32
Tan Mui Ping	-	32	-	-	(2)	-	32
Selma Enolil Binti Mustapha Khalil	-	32	-	-	(2)	-	32

Notes:

- (1) The proposed remuneration and material benefits in-kind proposed to be paid to the Non-Independent Directors for the FYE 2024 are based on full year remuneration. However, the proposed remuneration and material benefits in-kind proposed to be paid to the Independent Directors for the FYE 2024 are derived since the commencement of their appointment to our Board.
- (2) Meeting allowance of RM1,000 for each meeting day.

The remuneration of our Directors, which includes our Directors' salaries, bonuses and allowances as well as other benefits of our Directors, must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees and/or benefits must be further approved by our shareholders at a general meeting.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.3 BOARD PRACTICES

5.3.1 Board

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

Name	Designation	Age (years)	Date of appointment	Date of expiration of the current term of office	Duration in office (years)
Datuk Petrus Gimbad	Independent Non-Executive Chairman	67	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Liaw Hen Kong	Managing Director	52	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Chin Lee Ling	Executive Director	51	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Tan Hwong Kuen	Non-Independent Non-Executive Senior Director	51	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Lim Young Piau	Non-Independent Non-Executive Senior Director	51	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Ang Seng Wong	Independent Non-Executive Director	61	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Tan Mui Ping	Independent Non-Executive Director	47	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year
Selma Enolil Binti Mustapha Khalil	Independent Non-Executive Director	52	27 November 2023	Subject to retirement by rotation at our first AGM	Less than a year

At every annual general meeting of the Company, 1/3 of the Directors who are subject to retirement by rotation for the time being or if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election, provided that all Directors shall retire from office once at least in every 3 years. A retiring Director shall be eligible for re-election. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee comprises the following members:

Name	Designation	Directorship
Tan Mui Ping	Chairman	Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil	Member	Independent Non-Executive Director
Ang Seng Wong	Member	Independent Non-Executive Director

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility on the oversight of the integrity of our Group's accounting and financial reporting matters. The Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, among others, the following:

Financial Reporting

- Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
 - significant adjustment arising from the audit;
 - major judgemental areas;
 - the going concern assumption; and
 - compliance with accounting standards, regulatory and other legal requirements.
- Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.
- Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.

External Auditors

- Consider and recommend to the Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.
- Review the following and report the same to the Board:-
 - letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
 - whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

3. Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the Committee. The policies and procedures must include among others consideration on:-
 - (a) the criteria to guide decisions on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
 - (b) the appropriateness of audit fees to support a quality audit;
 - (c) requirement for non-audit service to be approved by the Committee before they rendered by the external auditor and its affiliates while taking into account the nature and external of the non-audit services and the appropriateness of the level of fees;
 - (d) requirement to obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
 - (e) the conduct of an annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.
4. Review the following with the external auditors and report the same to the Board:-
 - (a) audit plan, its scope and nature;
 - (b) audit report;
 - (c) evaluation of the system of internal controls;
 - (d) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
 - (e) external auditors' management letter and management's response thereto.

Internal Audit

In relation to the internal audit function, the responsibilities of the Committee are to:-

- (a) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (b) review the internal audit plan, programme, processes, and the reporting structure;
- (c) review the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
- (d) review the appraisal or assessment of the performance of the internal audit function on an annual basis; and
- (e) review any special audit which the Committee deems necessary.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Related Party Transactions (“RPT”) and Recurrent RPT (“RRPT”) and Conflict of Interest Situation (“COI”)

Monitor, review and report to the Board any RPT, RRPT and COI that may arise within the Company or Group, including any transaction, procedures or course of conduct that raises questions on management integrity.

Risk Management

1. Ensure that an appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board;
2. Oversee the Group’s overall risk management framework and policies;
3. Review the risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of the Group, and recommend for approval by the Board;
4. Review and assess the risk appetite and risk tolerance for the Group;
5. Review the regulatory and clinical compliance reports and any other reports within the purview of the Committee;
6. Review the significant risks identified and assess the mitigating actions put in place to manage these risks;
7. Ensure that the key risks are effectively managed in accordance with the Group’s risk management policies and strategies;
8. Review the adequacy of resources in managing the risk management framework;
9. Review and deliberate reports on non-compliance findings by regulatory agencies;
10. Review the Statement on Risk Management and Internal Control for inclusion in the Company’s Annual Report, and recommend to the Board for approval; and
11. Carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Others

1. Review all financial related reports/statements as required by the Listing Requirements, for inclusion in the Annual Report;
2. Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
3. Obtain regular updates from the management regarding compliance matters;
4. Review findings, queries or investigation by the regulatory agencies (if any);
5. Review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy, when necessary; and
6. Carry out any other functions that may be mutually agreed upon by the Committee and the Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.3.3 Remuneration Committee

Our Remuneration Committee comprises the following members:

Name	Designation	Directorship
Ang Seng Wong	Chairman	Independent Non-Executive Director
Tan Mui Ping	Member	Independent Non-Executive Director
Lim Young Piau	Member	Non-Independent Non-Executive Senior Director

The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, among others, the following:

- (i) Review Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and senior management, and recommend to the Board for approval.
- (ii) In determining the remuneration packages of Directors and senior management, the Committee should take into consideration the following:-
 - (a) technical competency, skills, expertise and experience;
 - (b) qualification and professionalism;
 - (c) integrity;
 - (d) roles and responsibilities;
 - (e) company's performance in managing material sustainability risks and opportunities; and
 - (f) aligned with the business and risks strategies, and long-term objectives of the Group.
- (iii) Review remuneration packages of Directors, senior management and key consultants, having regard to the Group's operating results, individual performance and comparable market statistics and recommend to the Board for approval.
- (iv) Review compensation policy of Directors and senior management, and ensure the compensations offered are in line with market practice.
- (v) Ensure fees and benefits payable to Directors, and any compensation for loss of employment of Executive Directors are approved by shareholders at General Meetings.
- (vi) Oversee any major changes in employee remuneration and benefit structures throughout the Group.
- (vii) Recommend to the Board any performance related pay schemes for the Company or Group.
- (viii) Recommend to the Board on the appointment of experts or consultants, where necessary to fulfil its responsibilities.
- (ix) To carry out other responsibilities, functions or assignments as may be agreed by the Board from time to time.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.3.4 Nomination Committee

Our Nomination Committee comprises the following members:

Name	Designation	Directorship
Selma Enolil Binti Mustapha Khalil	Chairman	Independent Non-Executive Director
Ang Seng Wong	Member	Independent Non-Executive Director
Tan Hwong Kuen	Member	Non-Independent Non-Executive Senior Director

The Nomination Committee's duties and responsibilities as stated in its terms of reference include, among others, the following:

- (i) Assess and review the size, composition, mix of skills and experience, and diversity (including gender diversity) of the Board and Board Committees, and recommend to the Board for approval.
- (ii) Identify, consider and recommend to the Board suitable candidates for appointment of Directors. The Committee shall not solely rely on recommendations from existing board members, management or major shareholders, but will also utilise independent sources to identify suitably qualified candidates. In making the recommendations, the Committee shall:-
 - (a) assess the candidates' skills, expertise, experience, professionalism, commitment, integrity, character and competence;
 - (b) consider board diversity including age and gender diversity; and
 - (c) in the case of candidates for the position of Independent Non-Executive Directors, evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.
- (iii) If the selection of candidates was solely based on recommendations made by existing Board, management or major shareholders, the Committee should explain why other sources were not used.
- (iv) Recommend to the Board on the appointment of members of each Board Committee.
- (v) Recommend to the Board the appointment, cessation, suspension, dismissal and/or any staff movement including re-designation, re-deployment, transfer or secondment of senior management of the Group.
- (vi) Assess annually the effectiveness of the Board as a whole, Board Committees, and the contribution of each individual Director and Chief Executive Office including his/her character, competence, experience and time commitment. All assessments and evaluation carried out by the Committee in the discharge of its duties shall be disclosed in the Annual Report.
- (vii) Review the tenure of each director and ensure that the annual re-election of a director is subject to the satisfactory evaluation of the director's performance and contribution to the Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

- (viii) Review and assess the independence of Independent Directors on an annual basis.
- (ix) Recommend to the Board with reasons on re-election of Directors who retired by rotation pursuant to the Company's Constitution and re-appointment of Directors who retired pursuant to relevant sections of the Act.
- (x) Ensure all appointment and re-election of directors are evaluated through a transparent process, including meeting the criteria of the Fit and Proper Policy.
- (xi) Evaluate and review performance of the Board and senior management including, taking into consideration the company's performance in managing material sustainability risks and opportunities.
- (xii) Review Board and senior management succession plans and overseeing the development of a diverse pipeline for Board and management succession, including the future Chairman, Executive Directors and Chief Executive Office.
- (xiii) Facilitate Board induction programme for newly appointed Directors.
- (xiv) Identify suitable educational and training programmes for continuous development of Directors to ensure the Directors keep abreast with development in the industry, regulatory changes and board business trends.
- (xv) Review and recommend to the Board, the development and implementation of the relevant policies and procedures on nomination related matters concerning the Group.
- (xvi) Review annually the term of office, effectiveness and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.
- (xvii) Consider and examine such matters as the Committee considers appropriate.
- (xviii) Carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.4 KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL

5.4.1 Particulars and shareholdings

The following table sets out the direct and indirect shareholdings of our Key Senior Management/ Key Technical Personnel before and after our IPO:

Key Senior Management/ Key Technical Personnel	Designation	Nationality	Before our IPO/ After the Acquisitions				After our IPO and the Share Transfer ⁽¹⁾			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(3)%	No. of Shares	(3)%
Liaw Hen Kong	Managing Director	Malaysian	93,904,300	25.00	-	-	-	-	⁽⁴⁾ 173,613,300	36.68
Chin Lee Ling	Executive Director	Malaysian	93,904,000	25.00	-	-	-	-	⁽⁴⁾ 173,613,300	36.68
Christina Yap Chui Fui	Financial Controller	Malaysian	-	-	-	-	440,000	0.09	-	-
Chin Lee Yung @ Rina Chin	Operations Manager	Malaysian	-	-	-	-	440,000	0.09	-	-
Chin Chun Ming	Technical Manager	Malaysian	-	-	-	-	440,000	0.09	-	-

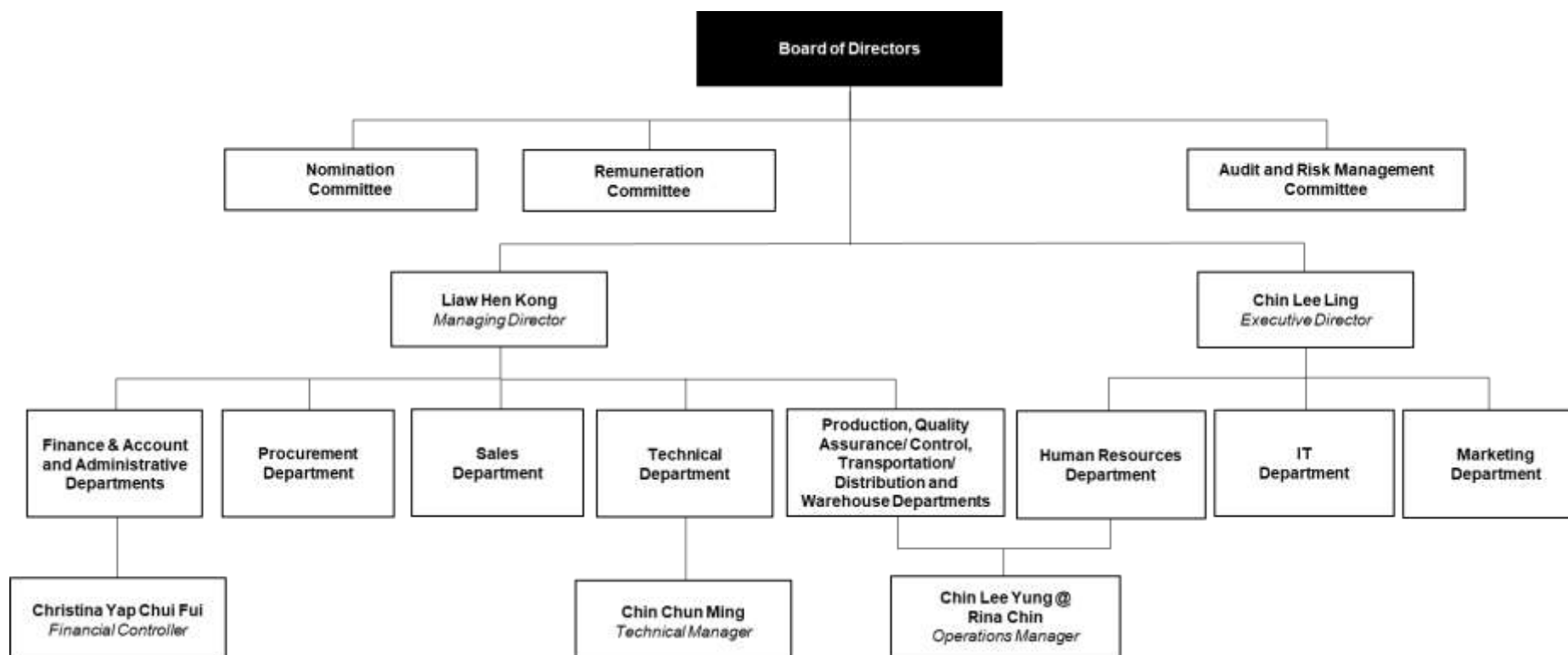
Notes:

- (1) Assuming our Key Senior Management/ Key Technical Personnel will fully subscribe for their respective allocation under the Pink Form Allocation.
- (2) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
- (3) Based on our enlarged issued Shares of 473,179,500 Shares after our IPO.
- (4) Deemed interested by virtue of Section 8(4) of the Act, through his/her shareholding in Scarecrow Holding.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.4.2 Management reporting structure

Our management reporting structure is as follows:



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.4.3 Profiles of Key Senior Management/ Key Technical Personnel

Save for the profiles of Liaw Hen Kong and Chin Lee Ling as set out in Section 5.1.2 of this Prospectus, the profiles of our Key Senior Management/ Key Technical Personnel are as follows:

(i) **Christina Yap Chui Fui**

Financial Controller

Christina Yap Chui Fui, a Malaysian female aged 45, is our Group's Financial Controller. She is responsible for overseeing and monitoring the financial accounting and taxation matters, and corporate activities which include, amongst others, the planning and coordinating of the financial reporting activities.

She is a Chartered Accountant and was admitted as a member of the ACCA in October 2003. She is also a member of the Malaysian Institute of Accountants since July 2004. In October 2008, she became a fellow member of ACCA.

She started her career in March 2001 as Staff Assistant in Lau Chua Kong & Co. In December 2001, she joined KPMG as an Audit Assistant where she was involved in audit assignments of various industries, including trading and manufacturing, construction, plantations and government agencies until February 2002. She took a 9-month break for preparation of ACCA examination until November 2002. She then re-joined KPMG in December 2002 after her ACCA examination.

She resigned from KPMG in July 2004 and joined Empor Holdings Sdn Bhd, as an Accountant. She was transferred to its related company, Empor Management Services Sdn Bhd in mid-2009. During her tenure from July 2004 to November 2011 with Empor group of companies, she was mainly responsible for overseeing financial functions related to planning, procurement, investment and accounting.

In December 2011, she joined Kim Teck Cheong Sdn Bhd (a wholly-owned subsidiary of Kim Teck Cheong Consolidated Berhad) ("**Kim Teck Cheong**"), a fast-moving consumer goods company as Group Manager (Finance/Investment) – Corporate (the title of Group Manager (Finance/Investment) – Corporate has been subsequently renamed as Associate Director, Treasury – Corporate). During her tenure with Kim Teck Cheong, she was mainly responsible for overseeing the financial matters of the group and the coordination of other professional advisers for the flotation exercise of the group on ACE Market of Bursa Securities.

She left Kim Teck Cheong in March 2018 and joined Life Water Industries in April 2018 as the Financial Controller.

She brings with her more than 22 years of experience in accounting, finance and internal audit, and over 5 years of experience with our Group.

As at the LPD, she does not hold any directorships in any companies.

(ii) **Chin Lee Yung @ Rina Chin**

Operations Manager

Chin Lee Yung @ Rina Chin, a Malaysian female aged 48, is our Group's Operations Manager. She is responsible for overseeing the production, quality, logistics and warehouse departments of our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

She attended Sekolah Menengah Arshad, Kota Belud, Sabah from 1989 to 1991, and Kinabalu Commercial College from 1991 to 1992.

After leaving Kinabalu Commercial College in 1992, she pursued her personal interests in bakery and confectionery, and worked in few bakeries in Kota Kinabalu, Sabah and Singapore.

She joined Life Water Industries in April 2007 as Factory Supervisor where she was responsible for overseeing the production lines in Sandakan Megah Plant and Sandakan Sibuga Plant. She was promoted to our Group's Factory Manager in January 2022 and was re-designated to our Group's Operations Manager in January 2023.

She brings over 16 years of experience in drinking water industry and with our Group.

Chin Lee Yung @ Rina Chin is the sister of Chin Lee Ling and Chin Chun Ming, our Executive Director and our Group's Technical Manager respectively, and sister-in-law of Liaw Hen Kong, our Managing Director.

Currently, she is also a director and shareholder of Suria Timur Resources Sdn Bhd, details of which are set out in Section 5.4.4 of this Prospectus.

(iii) **Chin Chun Ming**

Technical Manager

Chin Chun Ming, a Malaysian male aged 50, is our Group's Technical Manager. He is responsible for overseeing the machinery installation plans and infrastructure, maintenance and upgrading of machinery of our Group's factories.

He obtained his Diploma in Electrical and Electronic Engineering from INTI College Malaysia in April 1995.

Upon his graduation, he started his career with Reliance Computer Agency in June 1995 as a Computer Technician, handling software installation and troubleshooting. In June 1997, he left Reliance Computer Agency and joined Zuma Engineering Sdn Bhd in July 1997 as a Computer Senior Technician where he assisted in repairing computer equipment. Subsequently in June 2006, he left Zuma Engineering Sdn Bhd and joined Dirivan Corporation Sdn Bhd in July 2006 as an Assistant Technical Supervisor where he was in charge of supervising the maintenance of all the electrical terminal and equipment of the company. In October 2006, he was transferred to Lotteries Corporation Sdn Bhd, a related company of Dirivan Corporation Sdn Bhd as a Maintenance Technician for its information technology department.

In September 2010, he left Lotteries Corporation Sdn Bhd and joined Green Borneo Industries in the same month as a Factory Supervisor where he was in charge of all the machinery installation plans and infrastructure, and supervised the production, maintenance and upgrading of machineries and recruitment of factory personnel. He was one of the pioneers of Green Borneo Industries, and was instrumental in the setting up and establishment of our KK IZ4 Plant, responsible for all machinery installation plans and infrastructure. He was promoted to our Group's Production Manager in January 2022 and was re-designated to our Group's Technical Manager in January 2023.

He brings over 13 years of experience in drinking water industry and with our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

Chin Chun Ming is the brother of Chin Lee Ling and Chin Lee Yung @ Rina Chin, our Executive Director and our Group's Operations Manager respectively, and brother-in-law of Liaw Hen Kong, our Managing Director.

As at the LPD, he does not hold any directorships in any companies.

Liaw Hen Kong and Chin Chun Ming are the Key Technical Personnel of our Group.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.4.4 Involvement of our Key Senior Management/ Key Technical Personnel in other businesses / corporations

Save for the principal directorships and principal business activities of Liaw Hen Kong and Chin Lee Ling outside our Group as set out in Section 5.2.3 of this Prospectus and as disclosed below, none of our Key Senior Management/ Key Technical Personnel has any principal directorships and principal business activities outside our Group as at the LPD and principal directorships outside our Group in the past 5 years preceding the LPD:

(i) Chin Lee Yung @ Rina Chin

<u>Name of company</u>	<u>Principal activities</u>	<u>Involvement in business activities</u>
Present directorship:		
<ul style="list-style-type: none"> • Suria Timur Resources Sdn Bhd 	<ul style="list-style-type: none"> • Provision of general insurance agency services (The company has ceased its business operation and there is no immediate plan for the company currently) 	<ul style="list-style-type: none"> • Director (Appointed on 29 January 2015) • Shareholder holding direct interest of 40.00%

The involvement of Chin Lee Yung @ Rina Chin in Suria Timur Resources Sdn Bhd does not preclude her from allocating or committing her time and effort to our Group in her role as our Group's Operations Manager, as the company has ceased its business operation.

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.4.5 Key Senior Management/ Key Technical Personnel's remuneration and material benefits in-kind

Save for remuneration and material benefits in-kind paid and proposed to be paid to Liaw Hen Kong and Chin Lee Ling as set out in Section 5.2.4 of this Prospectus, the aggregate remuneration and material benefits-in-kind (including any contingent or deferred compensation) paid or proposed to be paid to our Key Senior Management/ Key Technical Personnel for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 are as follows:

Key Senior Management/ Key Technical Personnel	Remuneration band	
	FYE 2023	FYE 2024
	(Paid) RM'000	(Proposed) RM'000
Christina Yap Chui Fui	450-500	450-500
Chin Lee Yung @ Rina Chin	150-200	150-200
Chin Chun Ming	150-200	150-200

(The rest of this page has been intentionally left blank)

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.5 DECLARATIONS BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT/KEY TECHNICAL PERSONNEL

None of our Promoters, Directors and Key Senior Management/Key Technical Personnel is or was involved in any of the following events, whether within or outside Malaysia:

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

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationship and/or association amongst our Promoters, substantial shareholders, Directors, and Key Senior Management/ Key Technical Personnel as at the LPD:

- (i) Liaw Hen Kong (our Promoter, substantial shareholder and Managing Director) is the spouse of Chin Lee Ling (our Promoter, substantial shareholder and Executive Director) and the brother-in-law of Chin Lee Yung @ Rina Chin (our Operations Manager) and Chin Chun Ming (our Technical Manager);
- (ii) Chin Lee Ling (our Promoter, substantial shareholder and Executive Director) is the spouse of Liaw Hen Kong (our Promoter, substantial shareholder and Managing Director) and the sister of Chin Lee Yung @ Rina Chin (our Operations Manager) and Chin Chun Ming (our Technical Manager);
- (iii) Chin Lee Yung @ Rina Chin (our Operations Manager) is the sister of Chin Lee Ling (our Promoter, substantial shareholder and Executive Director) and Chin Chun Ming (our Technical Manager), and the sister-in-law of Liaw Hen Kong (our Promoter, substantial shareholder and Managing Director); and
- (iv) Chin Chun Ming (our Technical Manager) is the brother of Chin Lee Ling (our Promoter, substantial shareholder and Executive Director) and Chin Lee Yung @ Rina Chin (our Operations Manager), and the brother-in-law of Liaw Hen Kong (our Promoter, substantial shareholder and Managing Director).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT/ KEY TECHNICAL PERSONNEL (CONT'D)

5.7 EXISTING OR PROPOSED SERVICE AGREEMENT

As at the LPD, none of our Directors and/or Key Senior Management/ Key Technical Personnel has any existing or proposed service agreements which provide for benefits upon termination of employment with our Group.

(The rest of this page has been intentionally left blank)

6. INFORMATION ON OUR GROUP

6.1 HISTORY AND MILESTONES

Our Company was incorporated in Malaysia under the Act on 20 January 2023 as a private limited company under the name of Life Water Sdn Bhd and was subsequently converted to a public limited company on 19 December 2023.

Our Company is an investment holding company and through our Subsidiaries, we are principally a manufacturer of beverages namely drinking water and carbonated drinks. We operate from our head office and manufacturing facility in Sandakan as well as manufacturing facilities in Kota Kinabalu. We mainly market our beverages under our own brands of drinking water and carbonated drinks. We also contract manufacture for private label brands of drinking water for petrol stations, hypermarket, wholesalers and hotels.

As at the LPD, we have 3 manufacturing plants for beverage products in Sabah namely Sandakan Sibuga Plant 1, KK IZ4 Plant and KK IZ8 Plant 1 with a total annual production capacity of approximately 389 million litres of drinking water and 37 million litres of carbonated drinks and fruit drinks. Moving forward, we have a new manufacturing plant namely Keningau Plant which is expected to be operational by third quarter of 2024. Further details of the Group's history and milestones are set out in Section 7.1.2 of this Prospectus.

6.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, the issued share capital of our Company is RM100 comprising 500 Shares.

The changes in the issued share capital of our Company since its incorporation up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Nature of transaction	Consideration	Cumulative issued share capital	
				RM	No. of Shares
20 January 2023	500	Subscribers' Shares	Cash	100	500
[●]	375,616,000	Allotment of Shares for the Acquisitions	Other than cash	93,904,100	375,616,500

As at the LPD, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments.

Upon the completion of our IPO, our enlarged issued share capital will increase from RM93,904,100 comprising 375,616,500 Shares to RM[●] comprising 473,179,500 Shares.

6.3 FORMATION OF OUR GROUP

In conjunction with our Listing, our Company entered into the following conditional share sale agreements:

- (i) on 26 November 2023, our Company entered into the 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 NA of Life Water Industries as at 30 June 2023 of RM51.19 million;

6. INFORMATION ON OUR GROUP (CONT'D)

- (ii) on 26 November 2023, our Company entered into the 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;
- (iii) on 26 November 2023, our Company entered into the 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;
- (iv) on 26 November 2023, our Company entered into the 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;
- (v) on 26 November 2023, our Company entered into the 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;
- (vi) on 26 November 2023, our Company entered into the 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
- (vii) on 26 November 2023, our Company entered into the 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.

6.3.1 Life Water Industries Acquisition

The Vendors' shareholdings in Life Water Industries before the completion of the Life Water Industries SSA and number of Shares issued to them pursuant to the Life Water Industries Acquisition are as follows:

Vendors	Shareholdings in Life Water Industries before completion of the Life Water Industries SSA		Consideration	
	No. of Life Water Industries shares	%	RM	No. of new Shares
Liaw Hen Kong	475,000	25.00	12,730,685	50,922,740
Chin Lee Ling	475,000	25.00	12,730,685	50,922,740
Tan Hwong Kuen	475,000	25.00	12,730,685	50,922,740
Lim Young Piau	475,000	25.00	12,730,685	50,922,740
Total	1,900,000	100.00	50,922,740	203,690,960

6. INFORMATION ON OUR GROUP (CONT'D)**6.3.2 Green Borneo Industries Acquisition**

The Vendors' shareholdings in Green Borneo Industries before the completion of the Green Borneo Industries SSA and number of Shares issued to them pursuant to the Green Borneo Industries Acquisition are as follows:

Vendors	Shareholdings in Green Borneo Industries before completion of the Green Borneo Industries SSA		Consideration	
	No. of Green Borneo Industries shares	%	RM	No. of new Shares
Liaw Hen Kong	1,050,000	25.00	5,706,142.50	22,824,570
Chin Lee Ling	1,050,000	25.00	5,706,142.50	22,824,570
Tan Hwong Kuen	1,050,000	25.00	5,706,142.50	22,824,570
Lim Young Piau	1,050,000	25.00	5,706,142.50	22,824,570
Total	4,200,000	100.00	22,824,570.00	91,298,280

6.3.3 Life Water Marketing Acquisition

The Vendors' shareholdings in Life Water Marketing before the completion of the Life Water Marketing SSA and number of Shares issued to them pursuant to the Life Water Marketing Acquisition are as follows:

Vendors	Shareholdings in Life Water Marketing before completion of the Life Water Marketing SSA		Consideration	
	No. of Life Water Marketing shares	%	RM	No. of new Shares
Liaw Hen Kong	25,000	25.00	3,163,987.25	12,655,949
Chin Lee Ling	25,000	25.00	3,163,987.25	12,655,949
Tan Hwong Kuen	25,000	25.00	3,163,987.25	12,655,949
Lim Young Piau	25,000	25.00	3,163,987.25	12,655,949
Total	100,000	100.00	12,655,949.00	50,623,796

6.3.4 Syarikat Maju Sasa Acquisition

The Vendors' shareholdings in Syarikat Maju Sasa before the completion of the Syarikat Maju Sasa SSA and number of Shares issued to them pursuant to the Syarikat Maju Sasa Acquisition are as follows:

Vendors	Shareholdings in Syarikat Maju Sasa before completion of the Syarikat Maju Sasa SSA		Consideration	
	No. of Syarikat Maju Sasa shares	%	RM	No. of new Shares
Liaw Hen Kong	50,000	25.00	590,885.75	2,363,543
Chin Lee Ling	50,000	25.00	590,885.75	2,363,543
Tan Hwong Kuen	50,000	25.00	590,885.75	2,363,543
Lim Young Piau	50,000	25.00	590,885.75	2,363,543
Total	200,000	100.00	2,363,543.00	9,454,172

6. INFORMATION ON OUR GROUP (CONT'D)**6.3.5 Syarikat Rasa Kool Acquisition**

The Vendors' shareholdings in Syarikat Rasa Kool before the completion of the Syarikat Rasa Kool SSA and number of Shares issued to them pursuant to the Syarikat Rasa Kool Acquisition are as follows:

Vendors	Shareholdings in Syarikat Rasa Kool before completion of the Syarikat Rasa Kool SSA		Consideration	
	No. of Syarikat Rasa Kool shares	%	RM	No. of new Shares
Liaw Hen Kong	50,000	25.00	920,626.25	3,682,505
Chin Lee Ling	50,000	25.00	920,626.25	3,682,505
Tan Hwong Kuen	50,000	25.00	920,626.25	3,682,505
Lim Young Piau	50,000	25.00	920,626.25	3,682,505
Total	200,000	100.00	3,682,505.00	14,730,020

6.3.6 K2 Water Acquisition

The Vendors' shareholdings in K2 Water before the completion of the K2 Water SSA and number of Shares issued to them pursuant to the K2 Water Acquisition are as follows:

Vendors	Shareholdings in K2 Water before completion of the K2 Water SSA		Consideration	
	No. of K2 Water shares	%	RM	No. of new Shares
Liaw Hen Kong	25,000	25.00	355,868.75	1,423,475
Chin Lee Ling	25,000	25.00	355,868.75	1,423,475
Tan Hwong Kuen	25,000	25.00	355,868.75	1,423,475
Lim Young Piau	25,000	25.00	355,868.75	1,423,475
Total	100,000	100.00	1,423,475.00	5,693,900

6.3.7 Cyplast Industries Acquisition

The Vendors' shareholdings in Cyplast Industries before the completion of the Cyplast Industries SSA and number of Shares issued to them pursuant to the Cyplast Industries Acquisition are as follows:

Vendors	Shareholdings in Cyplast Industries before completion of the Cyplast Industries SSA		Consideration	
	No. of Cyplast Industries shares	%	RM	No. of new Shares
Liaw Hen Kong	25	25.00	7,804.50	31,218
Chin Lee Ling	25	25.00	7,804.50	31,218
Tan Hwong Kuen	25	25.00	7,804.50	31,218
Lim Young Piau	25	25.00	7,804.50	31,218
Total	100	100.00	31,218.00	124,872

6. INFORMATION ON OUR GROUP (CONT'D)

The Acquisitions are subject to, among others, the following conditions precedent:

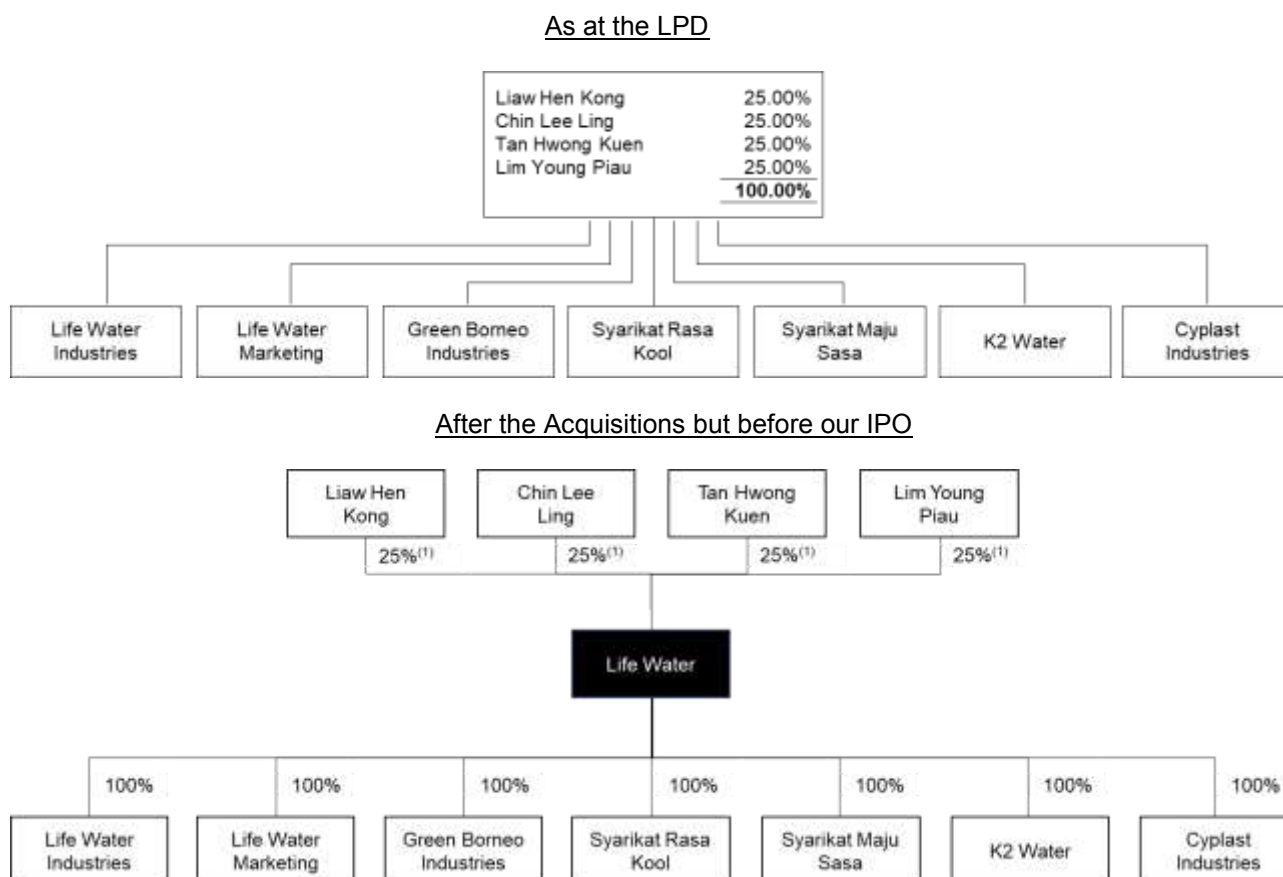
- (i) approval of the SC for the Listing as well as the registration of the Prospectus in relation to the Listing;
- (ii) approval of Bursa Securities for the Listing; and
- (iii) approval from the SC's Equity Compliance Unit and MITI for the equity structure of our Group for the purpose of the Listing.

The Acquisitions were completed on [●]. Thereafter, Life Water Industries, Green Borneo Industries, Life Water Marketing, Syarikat Maju Sasa, Syarikat Rasa Kool, K2 Water and Cyplast Industries became our wholly-owned Subsidiaries.

The new Shares issued pursuant to the Acquisitions rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

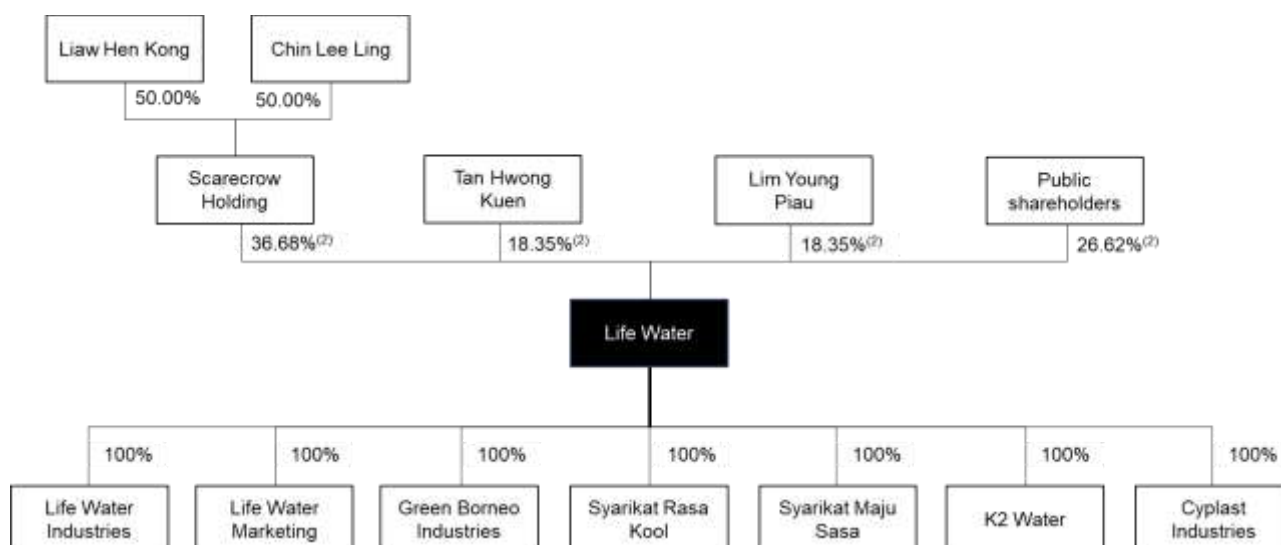
6.4 OUR GROUP STRUCTURE

Our Group structure before and after our IPO is set out below:



6. INFORMATION ON OUR GROUP (CONT'D)

After the Share Transfer and our IPO



Notes:

- (1) Based on our issued Shares of 375,616,500 Shares after the Acquisitions but before our IPO.
 (2) Based on our enlarged Shares of 473,179,500 Shares upon our Listing.

6.5 OUR SUBSIDIARIES

Upon the completion of the Acquisitions, our Company has 7 Subsidiaries and does not have any joint ventures and associated companies. Our Subsidiaries upon the completion of the Acquisitions are as follows:

Name and Registration number	Date / Place of incorporation	Issued share capital (RM)	Our equity interest (%)	Principal activities
Life Water Industries (Registration No. 199701014984 (430481-P))	7 May 1997/ Malaysia	1,900,000	100	Manufacture of drinking water, carbonated drinks and other drinks, plastic bottles, preforms, caps and related products
Green Borneo Industries (Registration No. 201001016886 (900589-H))	11 May 2010/ Malaysia	4,200,000	100	Manufacture of drinking water
Life Water Marketing (Registration No. 200701027403 (785425-P))	21 August 2007/ Malaysia	100,000	100	Sales and marketing of drinking water, carbonated drinks and other drinks, plastic bottles and related products including PET containers
Syarikat Maju Sasa (Registration No. 200701027401 (785423-D))	21 August 2007/ Malaysia	200,000	100	Previously the principal activity of the company was in the sales of drinking water, carbonated drinks, juice drinks and PET containers. The company has ceased business as at FYE 2023 ⁽¹⁾

6. INFORMATION ON OUR GROUP (CONT'D)

Name and Registration number	Date / Place of incorporation	Issued share capital (RM)	Our equity interest (%)	Principal activities
Syarikat Rasa Kool (Registration No. 200701027404 (785426-M))	21 August 2007/ Malaysia	200,000	100	Previously the principal activity of the company was in the sales of drinking water, carbonated drinks, juice drinks and PET containers. The company has ceased business as at FYE 2023 ⁽¹⁾
K2 Water (Registration No. 201401042504 (1118672-P))	19 November 2014/ Malaysia	100,000	100	Provision of transportation services
Cyplast Industries (Registration No. 202201008736 (1454433-D))	9 March 2022/ Malaysia	100	100	The company has not commenced business.

Note:

- (1) The business activities of Syarikat Maju Sasa and Syarikat Rasa Kool have been transferred to Life Water Marketing since 1 July 2023 as part of our strategy to streamline our sales and marketing operations.

Further details of our Subsidiaries upon the completion of the Acquisitions are set out below.

6.5.1 Life Water Industries

Life Water Industries was incorporated in Malaysia under the Companies Act 1965 on 7 May 1997 as a private limited company and deemed registered under the Act. The principal place of business of Life Water Industries is at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

Life Water Industries is principally involved in manufacture of drinking water, carbonated drinks and other drinks, plastic bottles, preforms, caps and related products.

As at the LPD, the issued share capital of Life Water Industries is RM1,900,000 comprising 1,900,000 ordinary shares. There has been no change in the issued share capital of Life Water Industries for the past 3 years preceding the LPD.

Life Water Industries is our wholly-owned direct subsidiary. As at the LPD, Life Water Industries does not have any outstanding warrants, options, convertible securities or uncalled capital. Life Water Industries does not have any subsidiary, joint venture or associate company as at the LPD.

6.5.2 Green Borneo Industries

Green Borneo Industries was incorporated in Malaysia under the Companies Act 1965 on 11 May 2010 as a private limited company and deemed registered under the Act. The principal place of business of Green Borneo Industries is at Lot 9, Jalan 1F, KKIP Selatan, Industrial Zone 4, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.

Green Borneo Industries is principally involved in manufacture of drinking water.

As at the LPD, the issued share capital of Green Borneo Industries is RM4,200,000 comprising 4,200,000 ordinary shares. There has been no change in the issued share capital of Green Borneo Industries for the past 3 years preceding the LPD.

Green Borneo Industries is our wholly-owned direct subsidiary. As at the LPD, Green Borneo Industries does not have any outstanding warrants, options, convertible securities or uncalled capital. Green Borneo Industries does not have any subsidiary, joint venture or associate company as at the LPD.

6. INFORMATION ON OUR GROUP (CONT'D)

6.5.3 Life Water Marketing

Life Water Marketing was incorporated in Malaysia under the Companies Act 1965 on 21 August 2007 as a private limited company under the name of Soon Hin Marketing Sdn Bhd and deemed registered under the Act. It subsequently changed its name to Life Water Marketing on 10 October 2013. The principal place of business of Life Water Marketing is at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

Life Water Marketing is principally involved in sales and marketing of drinking water, carbonated drinks and other drinks, plastic bottles and related products including PET containers.

As at the LPD, the issued share capital of Life Water Marketing is RM100,000 comprising 100,000 ordinary shares. There has been no change in the issued share capital of Life Water Marketing for the past 3 years preceding the LPD.

Life Water Marketing is our wholly-owned direct subsidiary. As at the LPD, Life Water Marketing does not have any outstanding warrants, options, convertible securities or uncalled capital. Life Water Marketing does not have any subsidiary, joint venture or associate company as at the LPD.

6.5.4 Syarikat Maju Sasa

Syarikat Maju Sasa was incorporated in Malaysia under the Companies Act 1965 on 21 August 2007 as a private limited company and deemed registered under the Act. The principal place of business of Syarikat Maju Sasa is at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

Previously, the principal activity of Syarikat Maju Sasa was in the sales of drinking water, carbonated drinks, juice drinks and PET containers. The company has ceased business as at FYE 2023. However, the company intends to be involved in the manufacturing and sale of plastic bottles to third party customers. Currently, manufacturing and sale of plastic bottles contributes a small portion of our Group's revenue, amounting to RM0.36 million, RM0.49 million and RM0.71 million for the FYE 2021, FYE 2022 and FYE 2023 respectively. Moving forward, such activity will be carried out by Syarikat Maju Sasa.

As at the LPD, the issued share capital of Syarikat Maju Sasa is RM200,000 comprising 200,000 ordinary shares. There has been no change in the issued share capital of Syarikat Maju Sasa for the past 3 years preceding the LPD.

Syarikat Maju Sasa is our wholly-owned direct subsidiary. As at the LPD, Syarikat Maju Sasa does not have any outstanding warrants, options, convertible securities or uncalled capital. Syarikat Maju Sasa does not have any subsidiary, joint venture or associate company as at the LPD.

6.5.5 Syarikat Rasa Kool

Syarikat Rasa Kool was incorporated in Malaysia under the Companies Act 1965 on 21 August 2007 as a private limited company and deemed registered under the Act. The principal place of business of Syarikat Rasa Kool is at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

Previously, the principal activity of Syarikat Rasa Kool was in the sales of drinking water, carbonated drinks, juice drinks and PET containers. The company has ceased business as at FYE 2023. However, the company intends to carry out transportation of water solely for our Group's manufacturing usage throughout Sabah.

As at the LPD, the issued share capital of Syarikat Rasa Kool is RM200,000 comprising 200,000 ordinary shares. There has been no change in the issued share capital of Syarikat Rasa Kool for the past 3 years preceding the LPD.

Syarikat Rasa Kool is our wholly-owned direct subsidiary. As at the LPD, Syarikat Rasa Kool does not have any outstanding warrants, options, convertible securities or uncalled capital. Syarikat Rasa Kool does not have any subsidiary, joint venture or associate company as at the LPD.

6. INFORMATION ON OUR GROUP (CONT'D)**6.5.6 K2 Water**

K2 Water was incorporated in Malaysia under the Companies Act 1965 on 19 November 2014 as a private limited company and deemed registered under the Act. The principal place of business of K2 Water is at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

K2 Water is principally involved in provision of transportation services solely for our Group's distribution of beverages throughout Sabah.

As at the LPD, the issued share capital of K2 Water is RM100,000 comprising 100,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of K2 Water for the past 3 years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative issued share capital</u>	
			<u>No. of ordinary shares</u>	<u>RM</u>
30 June 2023	99,980	RM99,980	100,000	100,000

K2 Water is our wholly-owned direct subsidiary. As at the LPD, K2 Water does not have any outstanding warrants, options, convertible securities or uncalled capital. K2 Water does not have any subsidiary, joint venture or associate company as at the LPD.

6.5.7 Cyplast Industries

Cyplast Industries was incorporated in Malaysia under the Act on 9 March 2022 as a private limited company. The principal place of business of Cyplast Industries is at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah.

Cyplast Industries has not commenced business. However, the company intends to carry out recycling related business which the company would collect and/or purchase compacted and rejected bottles and sell them to third party.

As at the LPD, the issued share capital of Cyplast Industries is RM100 comprising 100 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of Cyplast Industries for the past 3 years preceding the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative issued share capital</u>	
			<u>No. of ordinary shares</u>	<u>RM</u>
9 March 2022	100	RM100	100	100

Cyplast Industries is our wholly-owned direct subsidiary. As at the LPD, Cyplast Industries does not have any outstanding warrants, options, convertible securities or uncalled capital. Cyplast Industries does not have any subsidiary, joint venture or associate company as at the LPD.

6.6 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

7. BUSINESS OVERVIEW

7.1 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

7.1.1 Overview

Our Company was incorporated in Malaysia under the Act on 20 January 2023 as a private limited company under the name of Life Water Sdn Bhd and was subsequently converted to a public limited company on 19 December 2023. Our Company is an investment holding company and through our Subsidiaries, we are principally a manufacturer of beverages namely drinking water and carbonated drinks. We are supported by our other business activities including the manufacture of plastic packaging, as well as delivery and distribution centres.

We operate from our head office and manufacturing facility in Sandakan as well as manufacturing facilities in Kota Kinabalu. We mainly market our beverages under our brands:

- “K2”, “Sasa” and “Sabah Water” brands of drinking water;
- “2more” brand of flavoured carbonated drinks;
- “TRITONiC” brand of isotonic drinks, a type of carbonated drinks.

We also contract manufacture for private label brands of drinking water for petrol stations, hypermarket, wholesalers and hotels. For further information on our business activities and manufacturing facilities, please refer to Section 7.5 and 7.7.1 of this Prospectus.

As at the LPD, we have 3 manufacturing plants for beverage products in Sabah namely Sandakan Sibuga Plant 1, KK IZ4 Plant and KK IZ8 Plant 1 with a total annual production capacity of approximately 389 million litres of drinking water and 37 million litres of carbonated drinks and fruit drinks. Moving forward, we have a new manufacturing plant namely Keningau Plant which is expected to be operational by third quarter of 2024.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.1.2 History and Key Milestones

Life Water Industries was incorporated in 1997 and was formerly engaged in the marketing of drinking water treatment products in Sabah before it became inactive and suspended business operations from 1999 to 2001.

The history of our Group's business can be traced back to 2001 when our Promoters, namely Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen and Lim Young Piau collectively acquired the entire shareholdings in Life Water Industries from the previous third-party shareholders, resulting in each holding 25% shareholdings in Life Water Industries. As at the LPD, the shareholders remained unchanged. Life Water Industries commenced operations as a manufacturer of drinking water in 2002 under the stewardship of Liaw Hen Kong and Chin Lee Ling who were appointed as Managing Director and Executive Director respectively in 2001. Meanwhile, Tan Hwong Kuen and Lim Young Piau were appointed as director of Life Water Industries in 2001 and 2011 respectively, however they do not hold any executive positions within the company.

The table below sets out the key events and milestones in the history and development of our Group's business operations:

Year	Key Events and Milestones
2001	<ul style="list-style-type: none"> Liaw Hen Kong, Chin Lee Ling, Tan Hwong Kuen and Lim Young Piau collectively acquired the entire shareholding in Life Water Industries in 2001.
2002	<ul style="list-style-type: none"> Life Water Industries commenced operations as a manufacturer of drinking water in Megah Light Industrial Estate, Sandakan ("Sandakan Megah Plant"), a rented premises. We started our first drinking water manufacturing line at Sandakan Megah Plant. In our first calendar year of operation, we produced approximately 7 million litres of drinking water under our "K2" brand. We had PET blow moulding machines for the manufacture of plastic bottles for our drinking water. We also commenced contract manufacturing of drinking water for Gentingmas Sdn Bhd, a supermarket in Sandakan under private label brands.
2003	<ul style="list-style-type: none"> We expanded our portfolio of beverages to carbonated drinks and purchased our first carbonated drinks manufacturing line at the Sandakan Megah Plant with an annual production capacity of approximately 3 million litres. This was to complement our drinking water products. We launched our "K2" brand of flavoured carbonated drinks.
2006	<ul style="list-style-type: none"> We acquired a 1.93-acre land together with a single storey building and a store structure located along Jalan Lintas Sibuga, Sandakan ("CL No. 075356375") to set-up our second manufacturing facility which is later referred to as our Sandakan Sibuga Plant 1.
2008	<ul style="list-style-type: none"> To cater to the growth in demand, we purchased a semi-automated drinking water manufacturing line for Sandakan Megah Plant with an annual production capacity of drinking water of approximately 29 million litres. We also set-up distribution centres in Lahad Datu i.e. Lahad Datu DC 1 and Inanam, Kota Kinabalu to cater to the growth in demand in these areas.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key Events and Milestones
2009	<ul style="list-style-type: none"> We commenced renovation on the existing buildings at CL No. 075356375 to transform into a factory building and office i.e. Sandakan Sibuga Plant 1. We launched our "Sasa" brand of drinking water as part of our strategy to penetrate the Kota Kinabalu market for drinking water. Life Water Marketing, Syarikat Maju Sasa and Syarikat Rasa Kool commenced operations as the sales and marketing arm of our Group. Since 1 July 2023, the business activities of Syarikat Maju Sasa and Syarikat Rasa Kool has been transferred to Life Water Marketing as part of our Group's strategy to streamline our sales and marketing operations.
2010	<ul style="list-style-type: none"> We completed the renovations of Sandakan Sibuga Plant 1 and commenced relocation of our carbonated drinks manufacturing line from Sandakan Megah Plant to this said plant. We acquired another piece of land measuring 2.34 acres along with a single storey store building at CL No. 075356366 next to CL No. 075356375 for future expansion of Sandakan Sibuga Plant 1. Green Borneo Industries, our subsidiary, was incorporated to carry out the manufacture of drinking water in Kota Kinabalu. As part of our expansion plans in Kota Kinabalu, we acquired a 2-storey office building and single storey warehouse on a 2-acre land in KKIP Industrial Zone 4 i.e. KK IZ4 Plant and purchased a fully automated manufacturing line for drinking water with an annual production capacity of approximately 66 million litres.
2013	<ul style="list-style-type: none"> We completed the relocation of our carbonated drinks manufacturing line from Sandakan Megah Plant to Sandakan Sibuga Plant 1. Since then, we have expanded Sandakan Sibuga Plant 1 and as at the LPD, Sandakan Sibuga Plant 1 is our head office and manufacturing facility for drinking water and carbonated drinks. We purchased an additional fully automated drinking water manufacturing line at our Sandakan Sibuga Plant 1 with an annual production capacity of approximately 77 million litres. As at the LPD, we have two fully automated drinking water manufacturing lines at Sandakan Sibuga Plant 1 with total annual production capacity of approximately 117 million litres. We purchased a PET preform injection moulding machine and commenced the manufacture of our own PET preforms which will be blow moulded into plastic bottles at our Sandakan Sibuga Plant 1.
2014	<ul style="list-style-type: none"> We launched an additional range of carbonated drink, namely an isotonic drink under the "TRITONiC" brand. As an effort to reposition our flavoured carbonated drinks, we rebranded our flavoured carbonated drinks from "K2" to "2more". We relocated our distribution centre in Kota Kinabalu from rented premises in Inanam to our KK IZ4 Plant. We acquired a 5-acre piece of vacant land at KKIP Industrial Zone 8 with the intention of expanding our manufacturing facilities, which is later referred to as KK IZ8 Plant 1. We purchased a new fully automated carbonated drinks line at Sandakan Sibuga Plant 1 with an annual production capacity of approximately 37 million litres replacing the previous production line.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key Events and Milestones
2016	<ul style="list-style-type: none"> To meet the increase in demand, we purchased another drinking water manufacturing line at KK IZ4 Plant with an annual production capacity of 104 million litres. As at the LPD, we have two fully automated drinking water manufacturing lines at KK IZ4 Plant with total annual production capacity of approximately 139 million litres.
2018	<ul style="list-style-type: none"> We upgraded our carbonated drinks manufacturing line to produce fruit drinks. This is for the launch of our calamansi fruit drink under the "kiTZAi" brand. As at the LPD, we have temporarily suspended the production of our calamansi fruit drink to focus on the production of our carbonated drinks. Subsequent to the LPD, we have recommenced the production of "kiTZAi" in January 2024 for the Chinese New Year festive period. We entered into a contract with Shell Timur Sdn Bhd to contract manufacture bottled drinking water under its "Water2go" private label brand for the Sabah market which is a subsisting agreement. We commenced the construction of Phase 1 of KK IZ8 Plant 1 comprising a factory building.
2019	<ul style="list-style-type: none"> We completed the construction of Phase 1 KK IZ8 Plant 1 and purchased a PET preform injection moulding machine. As at the LPD, we have consolidated the manufacturing of PET preforms at KK IZ8 Plant 1. We started the construction of Phase 2 of KK IZ8 Plant 1 comprising a factory building. We entered into a contract with Petronas Dagangan Berhad to contract manufacture bottled drinking water under its "Mesra" private label brand for the Sabah market which is a subsisting agreement.
2020	<ul style="list-style-type: none"> We launched K2 Green, our new bottle of drinking water which uses recycled plastic resin. With the intention to set-up our first drinking water manufacturing facility in the Interior Division of Sabah, we acquired 2 units of buildings at Borneo Commercial Centre, Keningau in 2020 and 2021, respectively, which is later referred to as Keningau Plant.
2021	<ul style="list-style-type: none"> Our subsidiary, K2 Water, incorporated in 2014, commenced operations as a provider of transportation services solely for our Group's distribution of beverages throughout Sabah. This business activity was initially carried out by our subsidiary, Life Water Industries, before it was transferred to K2 Water in 2021.
2022	<ul style="list-style-type: none"> Upon the completion of construction of Phase 2 KK IZ8 Plant 1 and set up of the manufacturing line in 2021, we commenced our manufacturing of PET preform. We then purchased a drinking water manufacturing line in 2022 and commenced our manufacturing of drinking water activities with an annual production capacity of approximately 134 million litres. Pursuant to the set-up of this additional drinking water production line, our Group's total drinking water annual production capacity increased to 389 million litres, as at the LPD. We commence the construction of Phase 3 of KK IZ8 Plant 1 comprising a warehouse building which was completed in 2023. We carried out renovations to extend Keningau Plant which was completed in 2023. The plant is expected to be operational by third quarter of 2024 after obtaining the CCC and procuring, shipping, installation, testing and commissioning of the required machinery and equipment. We acquired a warehouse in Lahad Datu i.e. Lahad Datu DC 2 and a warehouse in Sandakan i.e. Sandakan Sibuga DC 1.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key Events and Milestones
2023	<ul style="list-style-type: none"> We purchased an injection moulding machine to manufacture bottle caps for internal use and this commenced operations at KK IZ8 Plant 1 in May 2023. As part of our expansion plans in Sandakan, we acquired 2 pieces of land along Jalan Lintas Sibuga in Sandakan measuring 3.57 acres and 5.82 acres which are intended for future expansion including manufacturing facility, warehouse as well as depot for our trucks which are later referred to as Sandakan Sibuga DC 2 and Sandakan Sibuga Plant 2. Please refer to Section 7.20.2(ii) and 7.20.1(iii) of this Prospectus for further details on these plans. As part of our expansion plans in Kota Kinabalu, we entered into a SPA to acquire a piece of land in Industrial Zone 8 in KKIP measuring 8.16 acres which are intended for future expansion including manufacturing facility and warehouse which are later referred to as KK IZ8 Plant 2. The SPA is expected to be completed by March 2024. Please refer to Section 7.20.1(i) of this Prospectus for further details on this plan.

7.1.3 Awards and Accreditations

For the Financial Years Under Review up to the LPD, we have obtained the following awards:

Year	Awards
2022	"First RPET Bottled Water Manufacturer" awarded by the Malaysia Book of Records
2021-2022	"Special Award" awarded by Ministry of Youth and Sports Sabah to Life Water Marketing for their successful contribution to sports activities in Sabah
2022/2023	Industry Excellence Award Sabah 2022/2023 (Category 6) awarded to Life Water Industries by the Ministry of Industrial Development and Entrepreneurship Sabah

As at the LPD, our Sandakan Sibuga Plant 1 and KK IZ4 Plant have also been accredited with the following management systems:

Company within our Group	Accreditations	Scope	Issuing Party	Validity Period
Life Water Industries (Sandakan Sibuga Plant 1)	Food Safety Management System ISO 22000: 2018	Manufacture and marketing of purified drinking water and aerated waters	VE International Certification Group of Companies	21 July 2021 to 28 July 2024
	HACCP	Manufacture and marketing of purified drinking water and aerated waters	VE International Certification Group of Companies	21 July 2021 to 28 July 2024
	GMP	Manufacture and marketing of purified drinking water and aerated waters	VE International Certification Group of Companies	21 July 2021 to 28 July 2024
Green Borneo Industries (KK IZ4 Plant)	Food Safety Management System ISO 22000: 2018	Production of purified drinking water	VE International Certification Group of Companies	6 September 2021 to 6 September 2024
	HACCP	Production of purified drinking water	VE International Certification Group of Companies	6 September 2021 to 6 September 2024
	GMP	Production of purified drinking water	VE International Certification Group of Companies	6 September 2021 to 6 September 2024

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we were applying the Food Safety System Certification (FSSC) 22000 for KK IZ8 Plant 1. However, subsequent to the LPD, we have decided to apply for the ISO 22000 for KK IZ8 Plant 1 to ensure the standardisation of systems for all three of our manufacturing plants, prior to the application of FSSC 22000. We are expecting to complete the certification process and obtain the ISO 22000 for KK IZ8 Plant 1 by the third quarter of 2024. Currently, we are in the documentation review stage to ensure compliance with the ISO 22000 requirements. Upon completion of the documentation review stage, the certification body will conduct an on-site audit of our operations. Moving forward, in 2025, we plan to obtain the Food Safety System Certification (FSSC) 22000 for all three manufacturing plants. The FSSC 22000 is a globally recognised certification standard that builds upon the ISO 22000 standard with additional industry-specific requirements. As at the LPD, the pending issuance of ISO 22000 certification for KK IZ8 Plant 1 does not have any material impact to our Group's manufacturing operations as KK IZ8 Plant 1 have the drinking water licence and the MeSTI certification from MOH, which demonstrate compliance with the Food Hygiene Regulations 2009 requirement.

We are subject to an annual audit by the certification body on the above accreditations. The latest annual audit for Sandakan Sibuga Plant 1 and KK IZ4 Plant 1 was conducted in September 2023.

In addition, as at the LPD, our Sandakan Sibuga Plant 1 and KK IZ8 Plant 1 have also been accredited with the MeSTI certification from MOH, as follows:

Company within our Group	Certification	Issuing Party	Validity Period
Life Water Industries (Sandakan Sibuga Plant 1)	MeSTI	MOH	27 September 2023 to 26 September 2026
Life Water Industries (KK IZ8 Plant 1)	MeSTI	MOH	31 March 2022 to 30 March 2025

As at the LPD, all our manufacturing premises, processes and beverage products have been inspected/audited by Majlis Ugama Islam Sabah (MUIS), followed by the issuance of the HALAL certifications as depicted in the table below:

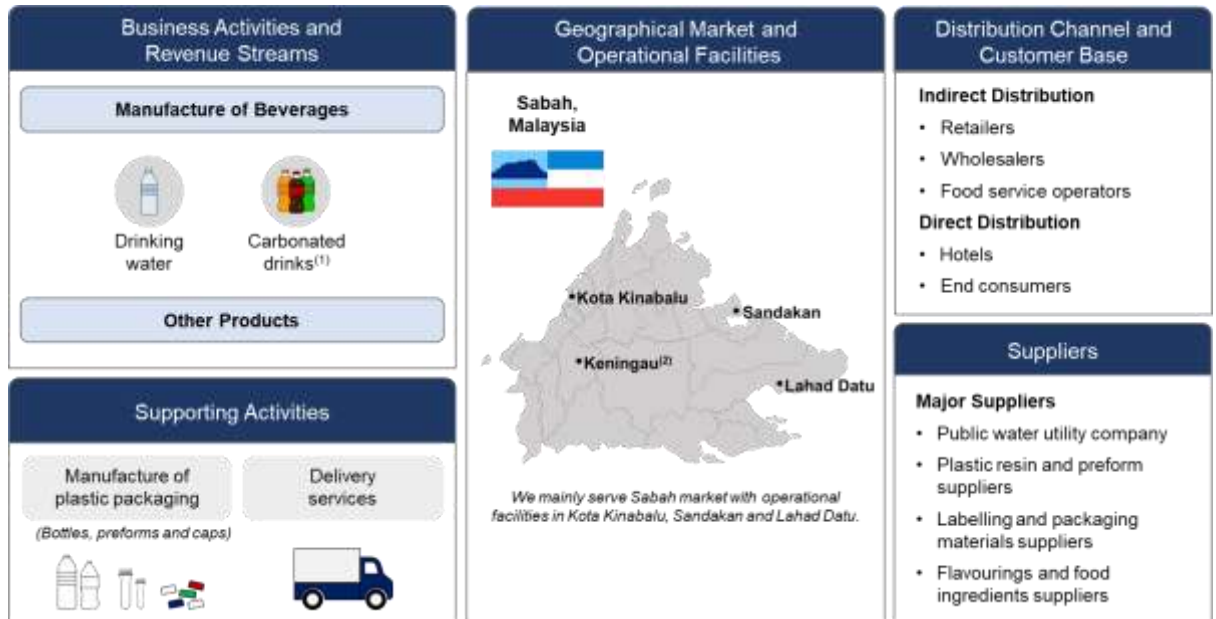
Company and manufacturing premises within our Group	Beverage products	Issuing Party	Validity Period
Life Water Industries (Sandakan Sibuga Plant 1)	<ul style="list-style-type: none"> • Drinking water • Flavoured carbonated drink <ul style="list-style-type: none"> - Ice cream soda - Cola - Apple - Mango - Orange - Strawberry - Tutti frutti • Isotonic drink • Calamansi drink 	JAKIM	1 January 2024 to 31 December 2025
Life Water Industries (KK IZ8 Plant 1)	Drinking water	JAKIM	1 April 2024 to 31 March 2026
Green Borneo Industries (KK IZ4 Plant)	RO water	JAKIM	1 November 2022 to 31 October 2024

We are subject to scheduled inspection/audit by Majlis Ugama Islam Sabah (MUIS) for the renewal of the above HALAL certifications. For further details on our certifications, please refer to Annexure A of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.2 OUR BUSINESS MODEL

7.2.1 Overview



Notes:

- (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.
- (2) As at the LPD, the production of drinking water at the Keningau Plant is expected to be operational by third quarter of 2024.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.2.2 Business activities and revenue streams

(i) Manufacture of beverages

We are principally a manufacturer of beverages namely drinking water and carbonated drinks. 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 the FYE 2021, FYE 2022 and FYE 2023, respectively.

Our beverages are marketed under our own brands mainly as follows:

- "K2", "Sasa" and "Sabah Water" brands of drinking water;
- "2more" brand of flavoured carbonated drinks; and
- "TRITONiC" brand of isotonic drink, a type of carbonated drinks.

Revenue contributed from sales of our own brand of beverages (drinking water and carbonated drinks) amounted to RM101.94 million (98.47%), RM118.43 million (97.55%) and RM147.29 million (97.57%) of total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively.

We also undertake contract manufacturing of drinking water under private labels for petrol stations, hypermarkets, wholesalers and hotels. As at the LPD, we contract manufacture for 7 private label brands. Revenue contributed from sales of private label brands of drinking water amounted to RM1.21 million (1.17%), RM2.45 million (2.02%) and RM2.93 million (1.94%) of total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively.

As at the LPD, we have 3 operational beverage manufacturing facilities in Sabah namely Sandakan Sibuga Plant 1 in Sandakan as well as KK IZ4 Plant and KK IZ8 Plant 1 in Kota Kinabalu with a collective annual production capacity of approximately 389 million litres of drinking water and approximately 37 million litres of carbonated drinks.

Moving forward, we will have a new manufacturing plant in Keningau namely Keningau Plant which is expected to be operational by the third quarter of 2024.

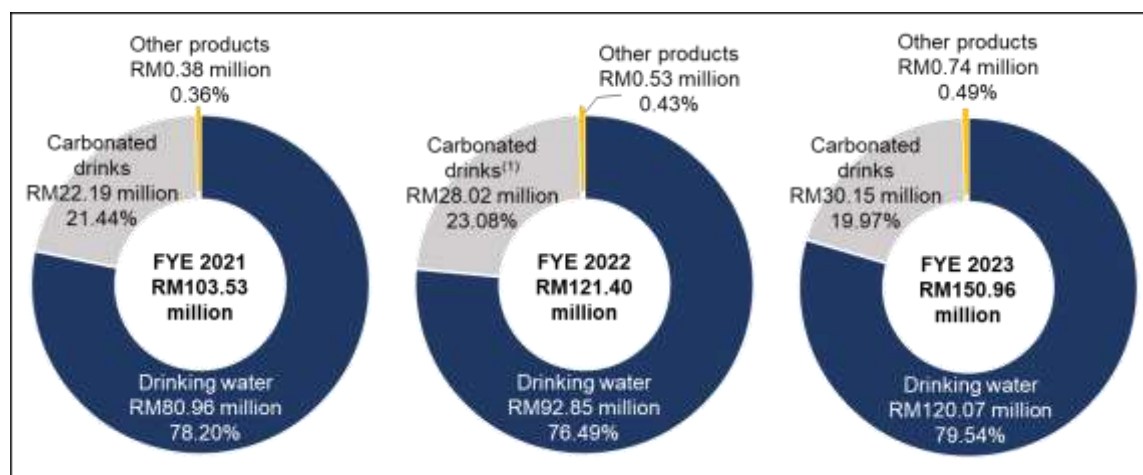
(ii) Other products

Sales of other products accounted for the remaining 0.36% (RM0.38 million), 0.43% (RM0.53 million) and 0.49% (RM0.74 million) of our total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively, which were derived from the sales of plastic bottles, containers and related accessories, as well as battery water. As at the LPD, we have discontinued the sales of battery water as its contribution to our Group's revenue is immaterial and we would like to focus our resources on our core business as a manufacturer of beverages.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

Our revenue streams derived from our various beverage products and other products are as follows:



Notes:

- (1) Includes a small proportion of revenue from the manufacture of fruit drinks of RM0.21 million or 0.17% of our total revenue in FYE 2022. As at the LPD, we temporarily suspended the production of fruit drinks to focus on carbonated drinks.
- (2) Other products include plastic bottles, containers and related accessories, and battery water.

Our revenue grew from RM103.53 million in FYE 2021 to RM150.96 million in FYE 2023. This was contributed by the largest revenue contributor, sales of drinking water, which increased from RM80.96 million in FYE 2021 to RM120.07 million in FYE 2023, representing a CAGR of 21.78%. This is followed by the increase in sales of carbonated drinks from RM22.19 million in FYE 2021 to RM30.15 million in FYE 2023, representing a CAGR of 16.55%. Other products also grew from RM0.38 million or 0.36% of our total revenue to RM0.74 million or 0.49% of our total revenue between FYE 2021 to FYE 2023, respectively.

7.2.3 In-house supporting activities

We are supported by our other business activities which mainly serves our beverage manufacturing operations including:

(i) Manufacture of plastic packaging

Our plastic packaging manufacturing operations comprises injection moulding of PET preforms, blow moulding of PET preforms into plastic bottles, as well as manufacture of plastic bottle caps. Please refer to Section 7.5.3.1 of this Prospectus for further details on our in-house manufacturing of plastic packaging.

(ii) Delivery services

We have our own delivery operations which are carried out by our subsidiary, K2 Water. As at the LPD, our delivery operations comprise our fleet of 60 delivery trucks which are coupled with the utilisation of external service providers to carry out the distribution of our beverage products to customers. Additionally, we have distribution centres located in Kota Kinabalu, Sandakan and Lahad Datu. Please refer to Section 7.5.3.2 of this Prospectus for further details on our own delivery and distribution centres.

7. BUSINESS OVERVIEW (CONT'D)

7.2.4 Geographical markets

For the Financial Years Under Review, we principally operate in Sabah, Malaysia which accounted for 98.77% (RM102.26 million), 98.76% (RM119.89 million) and 98.72% (RM149.03 million) of our total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively. Within Sabah, we serve customers located throughout all 5 divisions including West Coast, Sandakan, Tawau, Interior and Kudat Division.

The remainder of our revenue was contributed by sales to Sarawak and F.T. 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.

The breakdown of our Group's revenue by geographical markets for the Financial Years Under Review are as follows:

	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 ⁽¹⁾	35,459	34.25	42,393	34.92	53,376	35.36
- Sandakan Division ⁽²⁾	26,268	25.37	28,718	23.66	35,601	23.58
- Tawau Division ⁽³⁾	21,414	20.69	25,880	21.32	31,701	21.00
- Interior Division ⁽⁴⁾	11,409	11.02	13,198	10.87	17,101	11.33
- Kudat Division ⁽⁵⁾	7,706	7.44	9,704	7.99	11,253	7.45
Other markets	1,269	1.23	1,507	1.24	1,930	1.28
- F.T. Labuan	672	0.65	728	0.60	1,008	0.67
- Sarawak	597	0.58	779	0.64	922	0.61
Total revenue	103,525	100.00	121,400	100.00	150,962	100.00

F.T. = Federal Territory

Notes: The above geographical market segmentation is based on the location of our customers and the delivery of our products. It may not represent the location of the end-consumer.

- (1) West Coast Division includes Kota Kinabalu, Kota Belud, Ranau, Tuaran, Penampang, Papar and Putatan districts.
- (2) Sandakan Division includes Sandakan, Telupid, Beluran, Kinabatangan, and Tongod.
- (3) Tawau Division includes Lahad Datu district as well as Semporna, Kunak and Tawau districts.
- (4) Interior Division includes Keningau, Beaufort, Tenom, Sipitang, Tambunan, Nabawan, and Kuala Penyu districts.
- (5) Kudat Division includes Kota Marudu, Kudat and Pitas districts.

7. BUSINESS OVERVIEW (CONT'D)

7.2.5 Our operational facilities

7.2.5.1 Manufacturing and distribution centre facilities

We principally operate in Sabah where we have 3 beverage manufacturing plants as at the LPD comprising:

- 1 manufacturing facility and head office in Sandakan namely Sandakan Sibuga Plant 1; and
- 2 manufacturing facilities in Kota Kinabalu namely KK IZ4 Plant and KK IZ8 Plant 1.

Moving forward, we will have a new manufacturing plant in Keningau namely Keningau Plant which is expected to be operational by the third quarter of 2024.

The following is a summary of our beverage manufacturing plants and its respective production capacity:

Sandakan Sibuga Plant 1



Production Capacity
 Drinking water : 117 million litres
 Carbonated drinks : 37 million litres

KK IZ4 Plant



Production Capacity
 Drinking Water : 139 million litres

KK IZ8 Plant 1



Production Capacity
 Drinking water : 134 million litres
 PET Preforms : 543 million pieces
 Closures : 345 million pieces

Keningau Plant



Production Capacity
 Drinking water : To commence operation in third quarter of 2024

As at the LPD, we also have 2 distribution centres in Lahad Datu, 1 distribution centre in Sandakan, and 1 distribution centre in Kota Kinabalu. For further details on our operational facilities and capacity, please refer to Section 7.7.1 of this Prospectus.

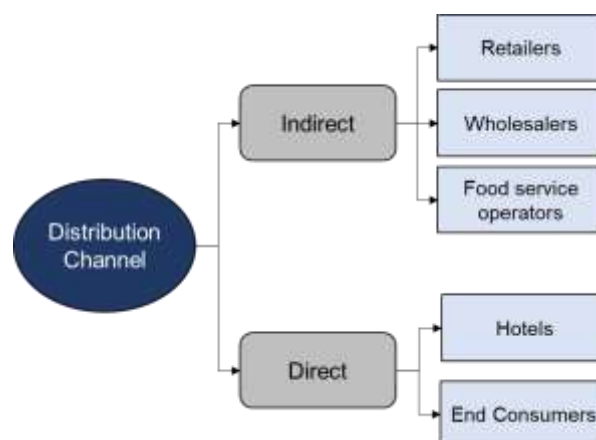
7. BUSINESS OVERVIEW (CONT'D)

7.2.6 Distribution channel and customer base

Our distribution strategy is mainly focused on indirect distribution channels where we sell our products to intermediaries who do not use or consume our products directly, but resells our products in their original form to other customers or end-consumers.

Our strategy of using indirect distribution channel is in line with our objective of targeting the mass market. In this respect, we focus our indirect distribution strategy largely on retailers comprising, among others, supermarkets, hypermarkets, minimarkets, convenience stores, sundry shops, pharmacies, petrol kiosks, hardware stores and stationery shops.

Our distribution channels for beverage products



In FYE 2023, RM102.24 million or 67.73% of our total revenue was contributed by approximately 2,700 retailer customers. Our ability to achieve more than half of our revenue from retailers is attributed to our in-house sales and marketing as well as our delivery team with our own delivery trucks. In addition, we sell our products to wholesalers who would use their own distribution network to resell our products to other intermediaries. In FYE 2023, RM46.08 million or 30.52% of our total revenue was contributed by approximately 155 wholesaler customers.

For the Financial Years Under Review, our revenue contributed by sales through indirect distribution channels accounted for RM103.10 million (99.59%), RM120.86 million (99.56%) and RM150.08 million (99.41%) of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

Meanwhile, a small proportion of our revenue is through direct distribution channels. Direct distribution channel is where we sell our products to our customers without further resale. Our customers for beverage products in this context are either the end-consumers or hotels which will serve them to their guests.

In addition, we adopt a direct distribution channel for our plastic bottles and containers to customers who are mainly food and condiment manufacturers as well as food trading companies.

For the Financial Years Under Review, revenue contributed by sales through direct distribution channels accounted for approximately RM0.42 million (0.41%), RM0.54 million (0.44%) and RM0.89 million (0.59%) of our total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

For Financial Years Under Review, our revenue segmented by distribution channel and type of customers are as follows:

Distribution channel	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Indirect distribution channel	103,103	99.59	120,864	99.56	150,077	99.41
Retailers	65,233	63.01	78,195	64.41	102,243	67.73
Wholesalers	37,063	35.80	41,570	34.24	46,078	30.52
Food service operators	807	0.78	1,099	0.91	1,756	1.16
Direct distribution channel	422	0.41	536	0.44	885	0.59
End-consumers	104	0.10	213	0.17	199	0.13
Hotels	167	0.16	249	0.21	391	0.26
Food manufacturers and trading companies ⁽¹⁾	151	0.15	74	0.06	295	0.20
Total revenue	103,525	100.00	121,400	100.00	150,962	100.00

Note:

- (1) Sales of our plastic bottles and containers to customers who are mainly food and condiment manufacturers as well as food trading companies.

7.3 MODES OF OPERATION

(i) Sales of our own brand of beverages

We operate based on purchase orders placed by customers as and when required, and these are invoiced upon delivery of goods. We do not collect any deposit upon receipt of purchase orders.

Typically, our customers including retailers, wholesalers and food service operators would place their orders as frequent as once a day up to once every few months periodically. Once our customers place an order, we would typically fulfil their purchase orders within 2 to 7 days. We provide these customers with credit term of 7 to 90 days.

As for sales to end-consumers and hotels, we operate based on purchase orders and these customers are required to make cash payment upon the delivery or pick up of goods. The majority of these customers would place their orders on an ad-hoc basis. Sales to end-consumers and hotels accounted for less than 1.0% of our revenue for the Financial Years Under Review.

(ii) Contract manufacture of drinking water

As at the LPD, we have subsisting agreements with Shell Timur Sdn Bhd and Mesra Retail & Café Sdn Bhd for private label brands of drinking water to petrol stations. The validity period of the agreement with Shell Timur Sdn Bhd is from 1 February 2020 to 31 January 2024. Subsequent to the LPD, we are in the midst of executing our agreement with Shell Timur Sdn Bhd to extend for another year. Meanwhile, the current validity of the agreement with Mesra Retail & Café Sdn Bhd is from 1 December 2022 to 30 November 2025, and it shall be automatically renewed on a year-to-year basis unless otherwise terminated by either party. These agreements give us the rights to manufacture private label bottled water for the respective brands of petrol stations which are then sold to the owners/operators of the respective petrol stations in Sabah. As and when required by the owners/operators of the respective petrol stations (i.e., our customers), the customers would place purchase orders which will be invoiced upon delivery of goods.

7. BUSINESS OVERVIEW (CONT'D)

For sales of private label brands of drinking water for hypermarkets, supermarkets and hotels, we operate based on quotations which include terms and conditions such as pricing, minimum order quantity and private labelling cost. As and when required, the customers will place purchase orders, which will be invoiced upon delivery of goods.

7.3.1 Fees and rebates

We provide rebates to our retailer and wholesaler customers based on their prompt payment which are deducted from customer's billings.

In terms of fees, for some of our customers who are hypermarkets and supermarkets, we are subject to the following fees:

- A one-off fee paid to hypermarkets and supermarkets based on the new SKU to be sold through our customers' retail outlets; and
- Rental for the gondola and block displays of products are paid on a periodic basis.

7.3.2 Return policy

All goods that are delivered or collected are usually inspected by our customers. In situations where the goods have either expired or are damaged upon delivery, we accept the returned goods and will issue a credit note to the said customer. We accept returned damaged goods from customers to maintain the quality standards, our brand image and reputation. Our returned goods only accounted for RM64,372 (0.06%), RM43,563 (0.04%) and RM36,122 (0.02%) of total revenue in FYE 2021, FYE 2022 and FYE 2023 respectively.

7.4 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

We believe our competitive advantages and key strengths would provide us with the platform to grow our business. These are as follows:

(i) We have a proven track record of approximately 21 years as a manufacturer of beverages with a portfolio of established brands of beverages in the Sabah market

We have a proven track record of approximately 21 years since the commencement of our manufacturing operations in 2002 where we have built and marketed our portfolio of brands namely "K2" and "Sasa" (drinking water) as well as "2more" and "TRITONiC" (carbonated drinks) in the market in Sabah for approximately 21 years, 14 years, 9 years and 9 years respectively.

The market acceptance of our beverage products is reflected in the growth of our revenue and number of customers for beverage products for the Financial Years Under Review:

- Our revenue from beverage products grew from RM103.15 million in FYE 2021 to RM150.22 million in FYE 2023 representing CAGR of 20.68%; and
- We serve a growing number of customers for our beverage products of approximately 2,815, 3,085 and 3,280 customers in FYE 2021, FYE 2022 and FYE 2023, respectively. This mainly includes retailers, food service operators, wholesalers and hotels.

7. BUSINESS OVERVIEW (CONT'D)

Our market acceptance and growth are the result of our Group's continuing effort in carrying out various marketing and promotional activities including grassroots promotions and campaigns in primary schools in Sabah, official drink sponsorship programmes for sports and family events, the use of mascots to personify our brand, free samples to consumers as well as through social media such as Facebook, Instagram, Youtube and TikTok. Our commitment to continually increase brand and market awareness is reflected in our expenditure for advertising and promotions which accounted for approximately RM1.22 million (1.18%), RM1.81 million (1.49%) and RM1.44 million (0.95%) of our revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively. Our brands will continue to provide the platform for us to sustain our business with existing customers and address opportunities by securing new customers in Sabah as well as other new markets. Please refer to Section 7.10 of this Prospectus for more details on our sales and marketing strategies.

(ii) We have a wide distribution network in place to provide customer convenience and accessibility

As we operate in a consumer-oriented industry, placement of products is key in providing customer convenience and accessibility by ensuring that our beverage products are available at the convenience of customers. In this respect, we have a wide distribution strategy of retailers and wholesalers to extend our market coverage in the Sabah market.

Our delivery destinations indicate our market access and coverage of our beverage products. Our delivery destinations are determined by our customers and it covers our customer's retail outlets, food service outlets, warehouses and hotels. In FYE 2023, the coverage of our brands of beverage products can be demonstrated by the following number of delivery destinations:

- approximately 3,050 retail outlets including supermarkets, hypermarkets, minimarkets, convenience stores, sundry shops, pharmacies, petrol stations, hardware stores and stationery shops;
- approximately 430 food service outlets including restaurants, cafes, coffee shops, canteens and bakeries;
- approximately 180 wholesalers who will use their own respective network to cover other areas within Sabah; and
- approximately 80 hotels for the consumption of hotel guests.

In addition to our manufacturing operations and warehouses in Sandakan and Kota Kinabalu, we have distribution centres in Lahad Datu to service our customers in Lahad Datu district.

Our distribution network provides us with the platform to extend our market reach throughout the state of Sabah. As at the LPD, we are supported by our own fleet of 60 delivery trucks which are mainly responsible for deliveries to key customers within the proximity to our manufacturing plant in Kota Kinabalu, as well as customers in Tawau, Kunak and Semporna districts. In addition, as at the LPD, we have placed orders for 16 new delivery trucks which will be delivered to us in the first quarter of 2024. As we have to serve 3,740 delivery destinations for the FYE 2023, our own fleet of delivery trucks are not sufficient to cover the distribution of products to all our customers. Therefore, we engaged external logistic service providers to cover certain geographical locations which our delivery trucks do not cover such as Nabawan, Sook, Keningau in the Interior Division; Paitan in the Sandakan Division; Labuan, as well as Limbang and Lawas in Sarawak. Hence, we are dependent on external logistic service providers to carry out the distribution of our beverage products to all other customers in these locations. However, we are not dependent on any single external logistic service provider as we have agreements with 39 external logistic service providers to carry out the distribution of our beverage products as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)**(iii) We are an established manufacturer of drinking water in Sabah and we have an estimated 10% share of the bottled water market in Malaysia**

For FYE 2023, our revenue from sales of drinking water was RM120.08 million. According to the IMR Report, the market size of bottled water (comprising natural mineral water and drinking water) in Malaysia in 2022 was approximately RM1.26 billion. We have an estimated 10% share of the bottled water market in Malaysia. The market size was based on the apparent consumption of bottled water (comprising natural mineral water and drinking water, which may be still or sparkling) in Malaysia. For further information on our market share, please refer to Section 8 of this Prospectus.

Our market position as an established manufacturer of drinking water in Sabah is supported by the following:

- a track record of 21 years of operations in Sabah;
- our drinking water production output grew at a CAGR of 12.82% from 181.96 million litres in FYE 2021 to 231.62 million litres in FYE 2023; and
- our total revenue grew at a CAGR of 21.78% from RM103.53 million in FYE 2021 to RM150.96 million in FYE 2023.

The above will provide us with the platform to address opportunities and grow our business in other markets such as Sarawak and Brunei.

(iv) We have experienced Executive Directors and key management personnel

Our Executive Directors have contributed significantly to the success and continuing growth of our Group. Our Managing Director, Liaw Hen Kong has been instrumental in chartering the overall strategic direction as well as formulating the business growth and development of our Group. Our Executive Director, Chin Lee Ling is responsible for overseeing human resources department, product development, branding and marketing activities, and IT department of our Group. Both of them brings with them more than 20 years of experience each in the beverage manufacturing industry.

They are supported by our key management personnel:

- Christina Yap Chui Fui, our Financial Controller who is responsible for overseeing and monitoring the financial accounting and taxation matters, and corporate activities for our Group. She brings with her approximately 22 years of experience in accounting, finance and internal audit, and over 5 years with our Group.
- Chin Lee Yung @ Rina Chin, our Operations Manager who is responsible for overseeing the general operations of our factories and the production line in our Group's plant in Sandakan. She has over 16 years of experience in the beverage manufacturing industry and with our Group.
- Chin Chun Ming, our Technical Manager who is responsible for overseeing the production line, manufacturing plants, machinery installation plans and infrastructure, maintenance and upgrading of machinery of our Group's factories in Kota Kinabalu. He has over 13 years of experience in the beverage manufacturing industry and with our Group.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.5 OUR BUSINESS ACTIVITIES AND PRODUCTS

7.5.1 Manufacture of beverages

7.5.1.1 Drinking Water

Drinking water is our flagship product which represented 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.

As drinking water in Malaysia is a regulated industry, we are an approved and licensed manufacturer by the MOH for all of our manufacturing plants in Sabah. For further details of our major licences, permits and registrations, please refer to Annexure A of this Prospectus.

We manufacture drinking water which is marketed under our brands “K2”, “Sasa”, and “Sabah Water”. The other part of our business includes contract manufacture of drinking water under private label brands for our customers including petrol kiosks, hypermarkets, wholesalers and hotels. For the Financial Years Under Review, our revenue segmented by our brands and private label brands of drinking water are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	* %	RM'000	* %	RM'000	* %
Drinking water						
Our brands	79,742	77.03	90,407	74.47	117,144	77.60
Private label brands ⁽¹⁾	1,214	1.17	2,446	2.02	2,933	1.94
Revenue from drinking water	80,956	78.20	92,853	76.49	120,077	79.54

Notes:

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

(1) For the Financial Years Under Review, we contract manufacture for private label brands including Cap Ikan Merlin, Mesra, Hiap Lee, Water2go, Blue Sky, Performer, Seafest Hotel, Sabah Hotel and Hotel Sandakan. As at the LPD, we contract manufacture for 7 private label brands namely Mesra, Hiap Lee, Water2go, Blue Sky, Cap Ikan Merlin, Seafest Hotel and Sabah Hotel.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, the following depicts of our range of drinking water by brands and sizes:

“K2” brand of drinking water



“Sasa” brand of drinking water



“Sabah Water” brand of drinking water



“K2” and “Sasa” brand are our Group’s main drinking water brands. For the Financial Years Under Review, “K2” and “Sabah Water” brands of drinking water are mainly sold to customers in the Sandakan and Tawau Divisions market while “Sasa” brand of drinking water is mainly sold to customers in the West Coast, Interior and Kudat Division markets. The “K2” green bottle packaging is a newly launch bottle packaging in 2020 which uses recycled plastic resin.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.5.1.2 Carbonated drinks

Carbonated drinks are our second largest revenue contributor which represented 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 carbonated drinks are manufactured using our own formulation and we market them under our own brands. In addition to the common flavoured carbonated drinks, we also manufacture isotonic drinks, also known as sports drinks or functional drinks.

(i) Flavoured carbonated drinks

Our flavoured carbonated drinks are sold under our “2more” brand in a variety of flavours including cola, orange, strawberry, tutti frutti, ice cream soda, mango, and apple. Our flavoured carbonated drinks are packaged and sold in two sizes namely 330ml and 1250ml PET bottles.

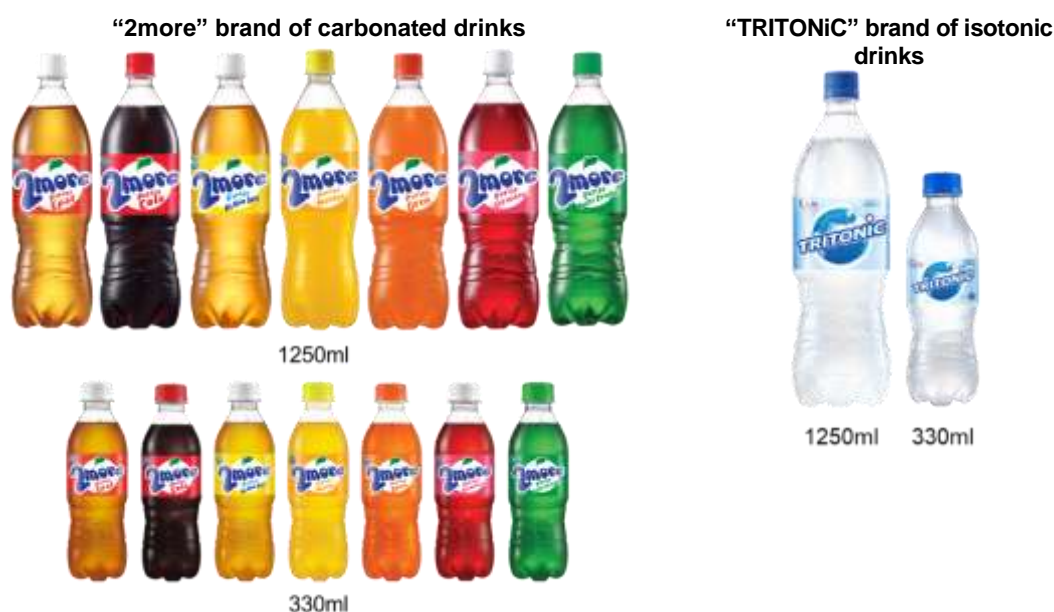
Since 2019, our range of flavoured carbonated drinks has been re-formulated and contains less than 5g of sugar per 100ml. This is in view of the sugar tax imposed by the Government which came into effect on 1 July 2019. The sugar tax applies to beverages including carbonated drinks with total sugar content exceeding 5g per 100ml. As such, our flavoured carbonated drinks are not subjected to the sugar tax as it contains less than 5g of sugar per 100ml.

(ii) Isotonic drinks

Our isotonic drinks are marketed as sports drinks and it is designed to replace fluids and electrolytes lost due to exercise and perspiration. We manufacture our isotonic drinks using our own formulation and brand, namely “TRITONiC” Isotonic Drink. Our isotonic drinks, sold in single use PET bottles in 330ml and 1250ml sizes.

This product was not affected by the sugar tax as its original formulation contained less than 5g of sugar per 100ml

The following depicts of our range of carbonated drinks by brands and various sizes:



7. BUSINESS OVERVIEW (CONT'D)

7.5.2 Other products

Other products contributed 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. They include the sales of plastic bottles, containers and accessories as well as sales of battery water. As at the LPD, battery water has been discontinued.

Plastic containers



7.5.3 In-house supporting business activities

7.5.3.1 Manufacturing of plastic packaging

Our beverage manufacturing operations are supported by our in-house manufacturing of plastic packaging where we are equipped with machinery to manufacture our own PET preforms and bottle caps as well as blow moulding of plastic bottles.

(i) PET preform injection moulding facilities

As at the LPD, we are equipped with 4 PET preform injection moulding machines at KK IZ8 Plant 1 producing the following sizes of PET preforms:

PET preform sizes	PET bottle sizes
11.5g and 7.3g	250ml PET bottle for drinking water
11.5g and 13g	500ml PET bottle for drinking water
18g	330ml PET bottle for carbonated drinks
26g	1500ml PET bottle for drinking water

For the Financial Years Under Review and up to the LPD, the majority of PET preforms manufactured are for our internal use which are further processed through blow moulding into PET bottles. A small quantity of PET preforms are manufactured into PET bottles for sales to external customers.

As at the LPD, we also purchase PET preforms from external suppliers to produce 1250ml and 5700ml bottles as these PET preforms are not manufactured internally.

In FYE 30 June 2023, in terms of quantity, 96.42% or 258.39 million pieces of PET preforms are manufactured in-house, while 3.58% or 9.59 million pieces of PET preforms are purchased from external suppliers.

PET preforms



7. BUSINESS OVERVIEW (CONT'D)

PET preform injection moulding machine

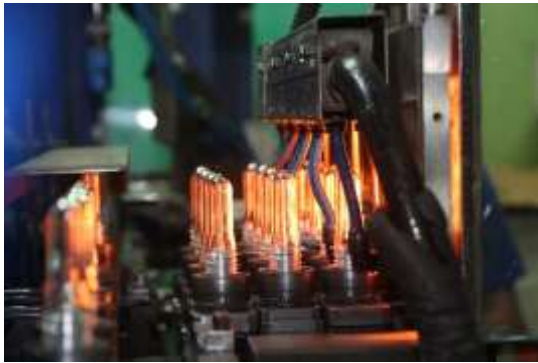


Please refer to Section 7.6.4 of this Prospectus for further details on the manufacturing of PET preforms.

(ii) PET blow moulding facilities

We have PET blow moulding machines in our Sandakan and Kota Kinabalu manufacturing plants. The majority of the PET bottles are manufactured for our internal use while a small proportion of PET bottles are sold to external customers.

PET preforms being heated up to be stretched into bottles



PET bottles after it is blow moulded



Please refer to Section 7.6.3 of this Prospectus for further details on the production process of PET bottles.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Plastic bottle caps injection moulding facility

As at the LPD, we are equipped with 1 injection moulding machine to manufacture bottle caps at KK IZ8 Plant 1. We utilise HDPE resin to manufacture plastic bottle caps. The bottle caps are manufactured for our internal use.

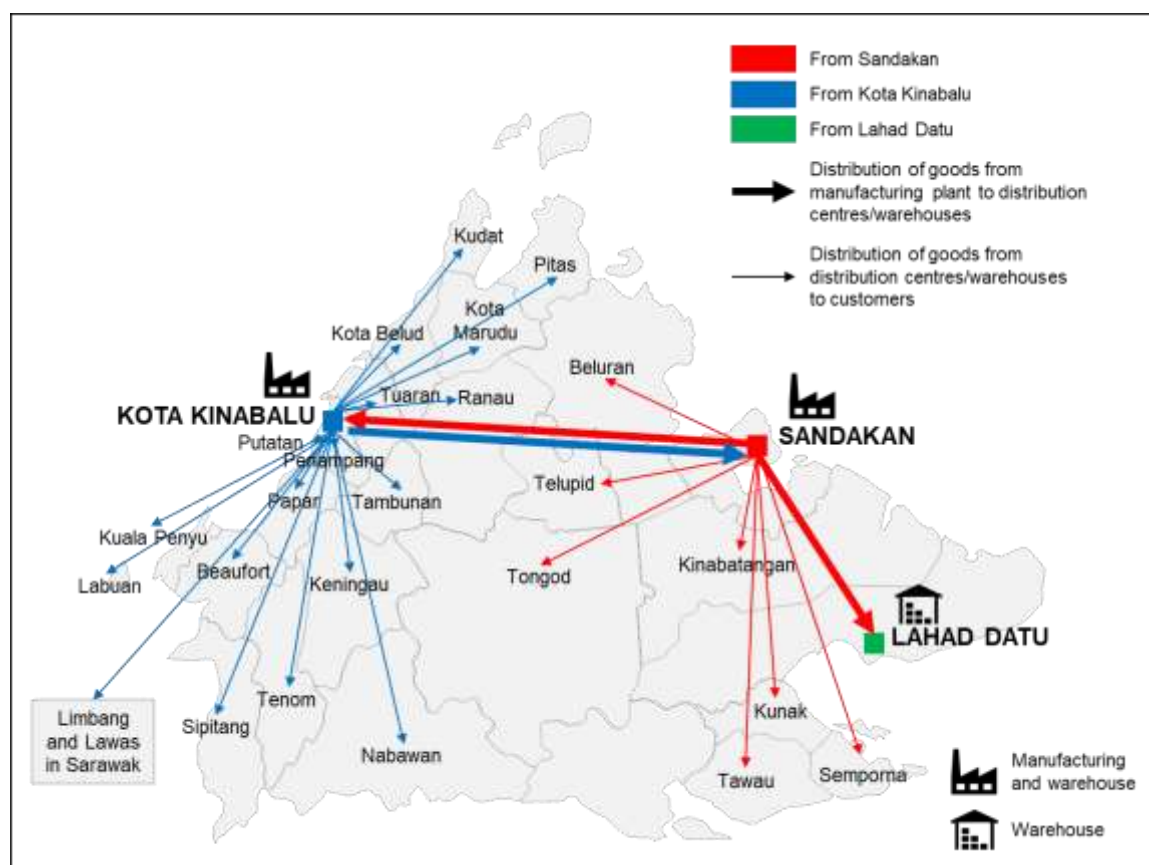
Bottle cap injection moulding machine



7.5.3.2 Delivery services

As at the LPD, we have our own fleet of 60 delivery trucks and this is complemented by external logistic service providers to carry out the distribution of our beverage products. Our subsidiary, K2 Water, is responsible for managing our Group's transportation and delivery services for the distribution of our beverages throughout Sabah, Labuan and parts of Sarawak.

The following diagram depicts our distribution network throughout Sabah, as well as Labuan and parts of Sarawak:



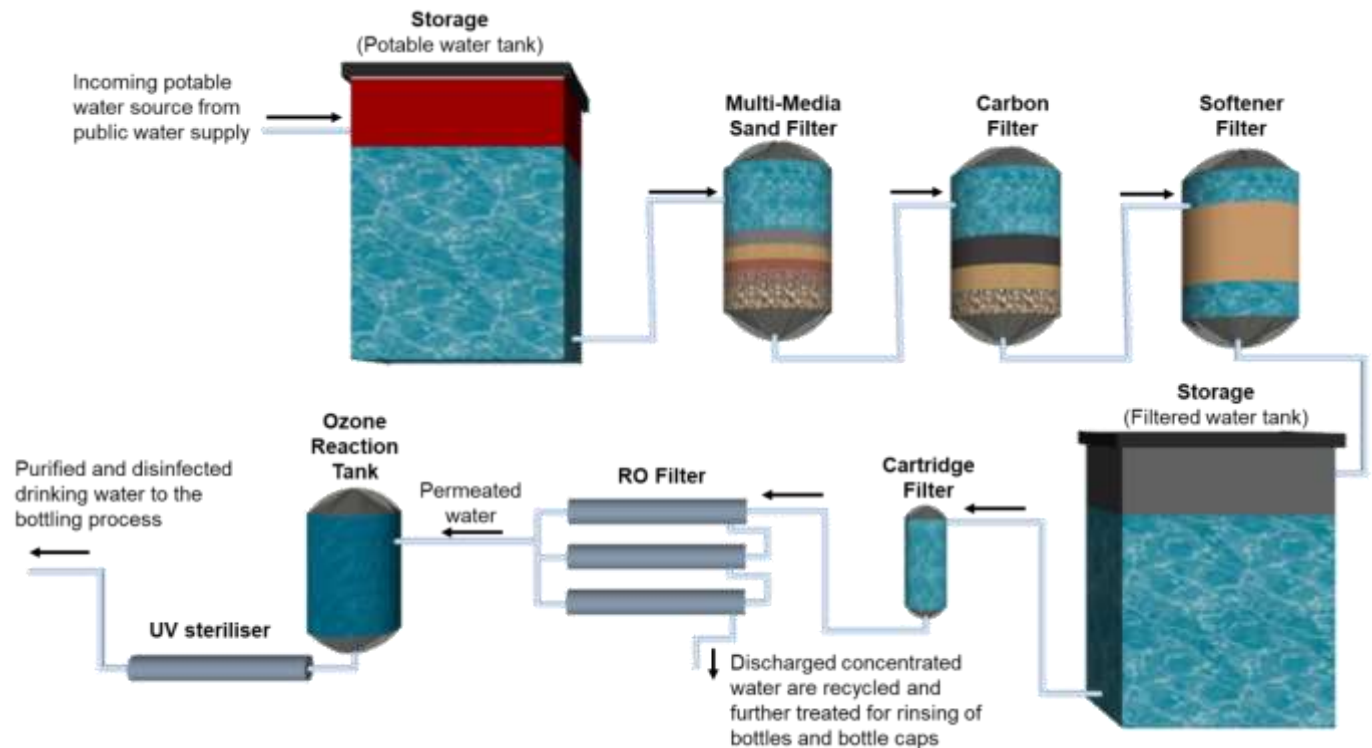
7. BUSINESS OVERVIEW (CONT'D)

7.6 PROCESS FLOW

The manufacture of our drinking water and carbonated drinks comprises two main production processes namely the water purification process for our beverages and the bottling process. The bottling process for our beverages include the blow moulding into PET bottles, rinsing, filling, capping, labelling, quality control, packaging and storage before final delivery. The manufacture of PET preforms is a separate process which is also presented in this section.

7.6.1 Water purification process

Our drinking water goes through various stages of water purification process before it is bottled or packaged. The following depicts the water purification process at our Sandakan Sibuga Plant 1, KK IZ4 Plant and KK IZ8 Plant 1.



7. BUSINESS OVERVIEW (CONT'D)

Potable water storage

Potable water is sourced from the public water supply. Samples are taken from the potable water source every week at random to monitor the quality of water that comes from the public water supply. The samples are then tested internally at our laboratory and some of the testing parameters on the potable water includes, conductivity, total dissolved solids, temperature, total chlorine content, total iron content and turbidity.

Our Sandakan Sibuga Plant 1, KK IZ4 Plant and KK IZ8 Plant 1 have water storage tanks with the capacity to store potable water of approximately 135,000 litres, 75,700 litres and 170,000 litres, respectively. In the event of a water supply interruption, these water storage tanks will be able to last approximately three, two and four hours of continuous production, respectively.

Filtration using multi-media sand filter

From the storage tank, the potable water then goes through a multi-media sand filter system layered with anthracite, fine sand, fine garnet, medium garnet and fine gravel. In this filtration system, particles such as organisms, algae, plankton, suspended dirt, or any other larger particles in water are filtered out.

Filtration using carbon filter

The next process involves going through a carbon filter which comprise activated carbon. Activated carbon has the properties to capture and trap pollutant molecules inside the pore structure of the carbon. Typically, carbon-based impurities or organic chemicals will be 'attracted' to the activated carbon. At this stage of filtration, chlorine, volatile organic compounds, taste and odour from water will be removed.

Filtration using softener filter

The filtered water then goes through a softener filter to reduce water hardness by performing ion exchange to remove ions such as calcium and magnesium. This process is primarily used as a pre-treatment method prior to the reverse osmosis (RO) process. After filtration through the softener filter, the water is stored in a storage tank.

Cartridge filter

Upon exiting the filtered water tank, the water is then treated by going through a cartridge filter. This stage is a safety filtration layer before going through the RO membrane filtration process. Cartridge filters are used to remove particles from the water. We use a 5-micron cartridge filter for this process.

7. BUSINESS OVERVIEW (CONT'D)

RO filter system

RO is a filtration technology that uses high pressure pump to push water through a semi-permeable membrane. The semi-permeable membrane is a membrane that will only allow water molecules to pass through, but not the majority of dissolved salts, organics, contaminants and bacteria. The amount of pressure required depends on the salt concentration of the input water. After going through the softener filter, the softened water would be highly concentrated with sodium or salt, therefore more pressure is required to overcome the osmotic pressure. Subsequently, the permeated water then goes through the disinfection process using ozone treatment and UV sterilisation.

Ozone treatment

The permeated water flows into an ozone reaction tank. This is followed by an injection of ozone gas into the tank which dissolves in the water, killing any microorganisms. The ozone gas will change back into oxygen, leaving no residue in the water.

UV sterilisation

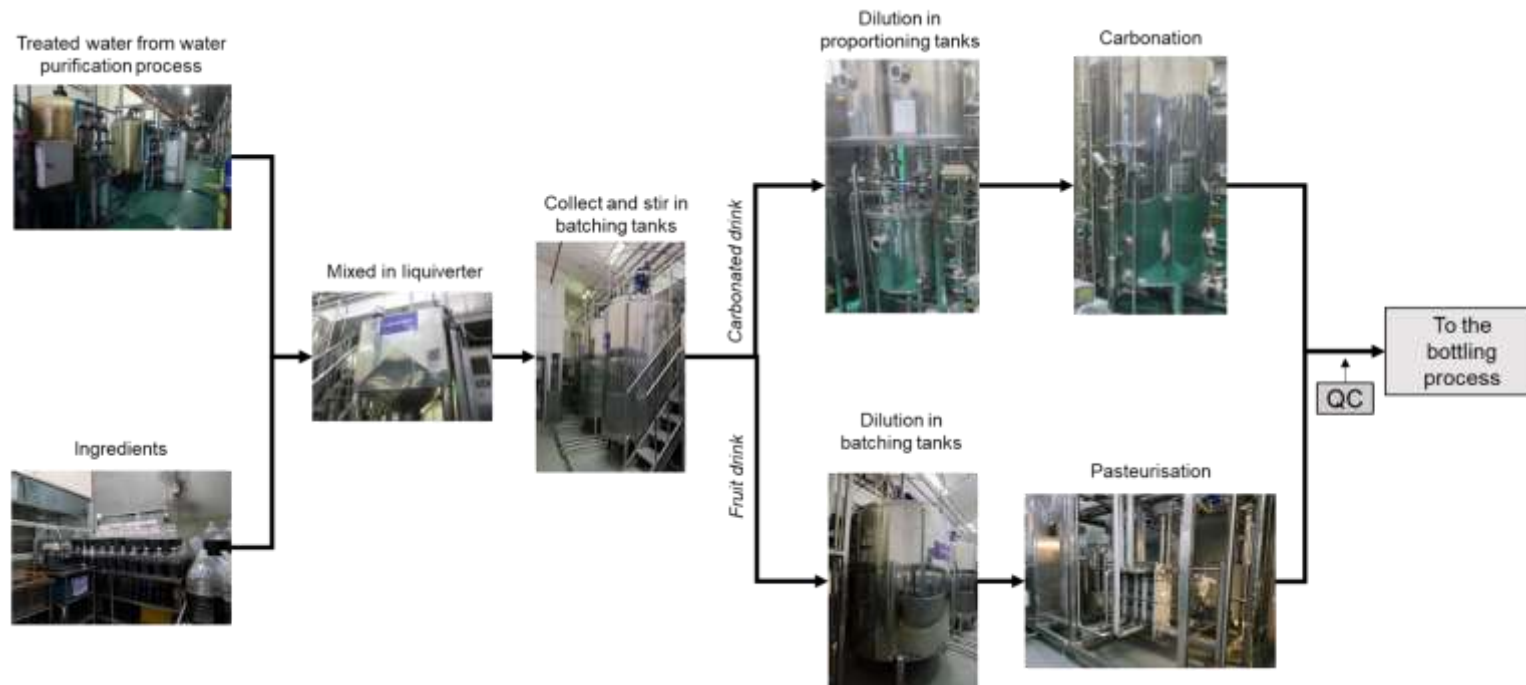
The treated water would then flow through a UV steriliser which eliminates microbes including water-borne viruses, bacteria, moulds and other microorganisms. Lastly, the water is piped into the next bottling process stage.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.6.2 Manufacturing of carbonated drinks and fruit drinks

Our manufacturing of carbonated drinks includes flavoured carbonated drinks and isotonic drinks in Sandakan Sibuga Plant 1. Fruit drinks are also produced using the same production line, however, as at the LPD, we have temporarily suspended the production of fruit drinks to focus on the production of carbonated drinks. The following diagram depicts the process:



The manufacture of carbonated drinks and fruit drinks are carried out in batches based on flavour and according to our production schedule. Typically, we would produce a single flavour up to the desired quantity before switching to another flavour. We would need to clean the system by flushing treated water before resuming the production of a different flavour.

7. BUSINESS OVERVIEW (CONT'D)

Water purification process

The water used in the manufacture of carbonated drinks and fruit drinks is filtered using similar method as our drinking water, with the exception of the reverse osmosis process and disinfection using the UV sterilisation process. For further details of the water purification process, please refer to Section 7.6.1 of this Prospectus.

Mixing of ingredients with treated water

The preparation of ingredients occurs in our syrup room where various raw ingredients such as flavouring agents, acidulants (such as citric acid and phosphoric acid), and food preservatives (such as sodium benzoate) are weighed according to each flavour's recipe and packed into individual packages.

The syrup mixture from prepacked packages is then added into a mixer (liquiverter) to combine the white refined sugar together with the treated water. The syrup mixture is then filtered through a strainer to remove any foreign substances before entering into a batching tank with an agitator where it is stirred and mixed to create a homogenous solution. It is then filtered again through a strainer for the next process.

Dilution process

For flavoured carbonated drinks, the syrup is then carefully diluted and combined by proportioners / flow control valve, which regulate the flow rates and ratios of the liquid before the carbonation process. As for fruit drinks, the syrup is diluted with treated water up to its desired sweetness in a batching tank before the pasteurisation process. For quality control, we have installed a brix meter to ensure the mixture of beverage are within the desired range of taste and sweetness, before the carbonation process.

Pasteurisation process (only for fruit drink)

During the production of fruit drinks, the diluted fruit-based syrup mixture goes through a pasteurisation process to eliminate microorganisms. Our fruit-based syrup mixture is pasteurised at a high temperature of 80°C to 90°C for 15 to 20 seconds.

Carbonation process (only for carbonated drink)

For our carbonated drinks, the mixture is cooled down to about 3°C to 4°C using a heat exchanger and subsequently flow into a vacuum vessel, whereby pure and filtered carbon dioxide are injected into the mixture under high pressure for the carbonation process.

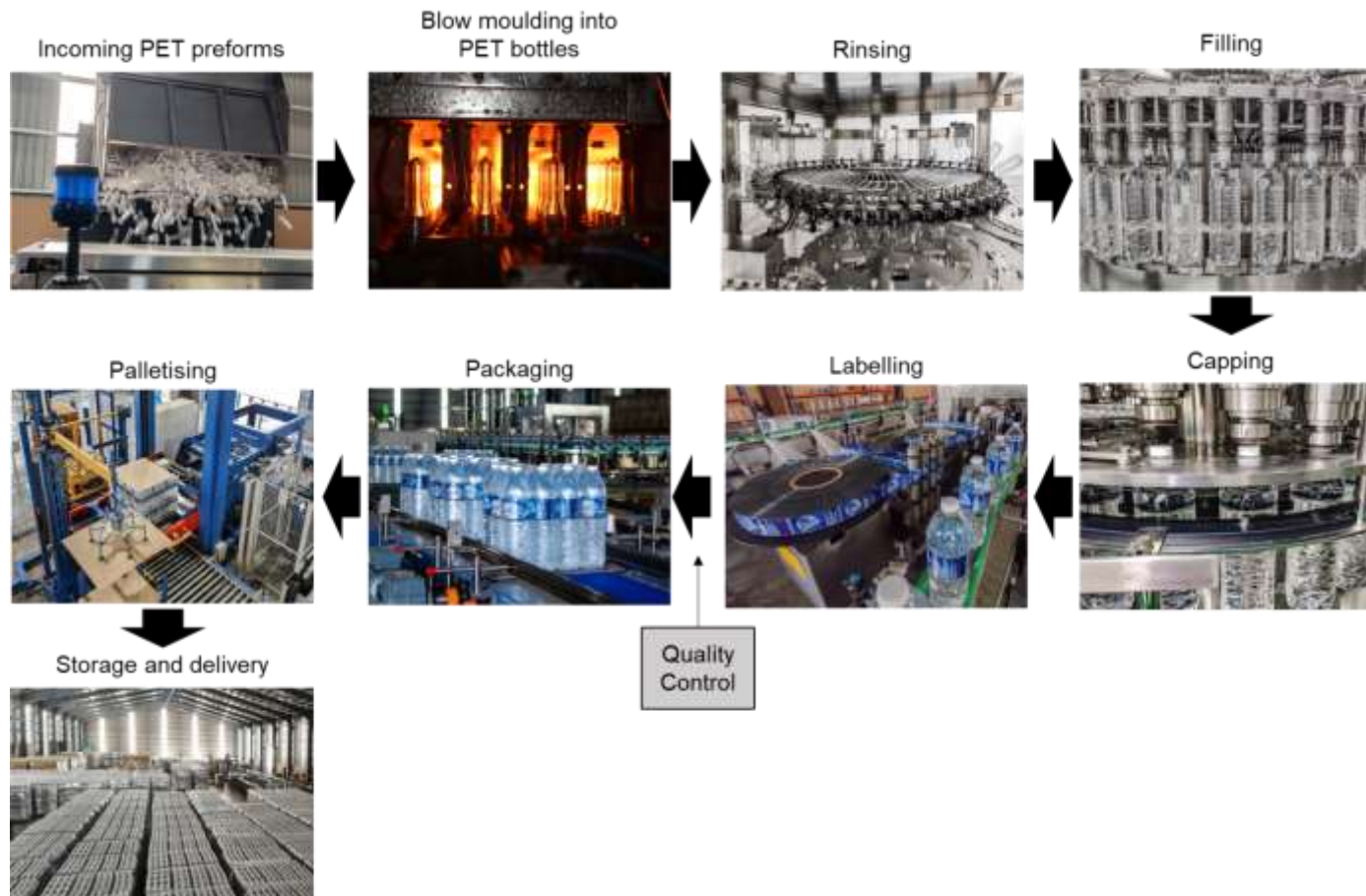
Bottling process

The carbonated or fruit drink mixture are then transferred to the bottling process. For further details of the bottling process, please refer to Section 7.6.3 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.6.3 Bottling process for drinking water, carbonated drinks and fruit drinks

The following diagram depicts the bottling process for our drinking water using PET bottles at our Sandakan Sibuga Plant 1, KK IZ4 Plant and KK IZ8 Plant 1, which is also similar to the bottling process for carbonated drinks and fruit drinks.



7. BUSINESS OVERVIEW (CONT'D)

Incoming PET preforms

The PET preforms are mainly manufactured in-house at KK IZ8 Plant 1 and delivered to our manufacturing operations in KK IZ4 Plant and Sandakan Sibuga Plant 1. We also purchase a small proportion of PET preforms from external suppliers. The incoming PET preforms are poured into a receiving bin at the beginning of the bottling process.

Blow moulding into PET bottles

From a receiving bin, the PET preforms are transferred into a heating chamber which heats up the preforms to a temperature ranging from 80°C to 110°C. Once this temperature is reached, the preforms are transferred into a negative shape mould that holds the shape of the actual bottle. Using filtered compressed air, the heated up preform is then stretched and blown until it fully fills up the negative shape. This process simultaneously cools down the preform. After the blow moulding process, we will use an air conveyor system to transport the PET bottles to the next process. In addition, we also collect and store PET bottles into a tank for storage as buffer stock.

Rinsing, filling and capping

The rinsing, filling and capping process are undertaken in a filling room to ensure a clean and hygienic process. Using an automated bottle rinsing system, the PET bottles are flipped upside down and a jet stream of treated water is injected into the bottle to wash and rinse the inside of the bottle. The treated water that are used for washing and rinsing has been sterilised and filtered. This rinsing process is crucial to remove any small particles and contaminants inside the PET bottle. The bottles are then transferred to the filling station to fill the bottles up with drinking water, carbonated drinks or fruit drinks. The plastic bottle caps are also washed and rinsed using the treated water before the capping process.

Labelling

The sealed bottles are then transported through a conveyor system to prepare for labelling. For carbonated and fruit drinks, the bottles are transported into a warmer to bring the product back to room temperature before labelling. Labels are then affixed onto the bottles to provide information about the brand and ingredients. Information of shelf life will be printed onto the products.

7. BUSINESS OVERVIEW (CONT'D)

Quality control

As part of our quality control process, a sample bottle is taken from each production line on a daily basis at designed interval of time where it is retained at our quality control department based on the product's expiry dates. Generally, the expiry period for our drinking water and carbonated drinks is 1 year while fruit drinks is 9 months. For drinking water, a sample is taken every 4 hours where a sample is retained for 13 months. Meanwhile, for carbonated and fruit drinks, a sample is taken every hour from each batch and the samples are retained for 13 months and 10 months, respectively. The samples taken from each batch during our production process allows us to have traceability in the production of our beverage products in the event we have to address any customer complaints. Some of the testing parameters that are performed internally at our laboratory includes microbial test, alkalinity test, total dissolved solids, chlorine test, turbidity test, taste/odour test, appearance test and water hardness test. In addition, we perform independent random sample tests from different batches of beverage products. These are then sent to an external independent party for testing of chemical composition analysis and microbe testing, as well as nutritional and sugar content. This is not a regulatory requirement as it is part of our internal quality control monitoring of our drinking water, carbonated drinks and fruit drinks.

As part of the major conditions imposed for our drinking water licence with MOH, we are also required to submit a water analysis report from an approved laboratory every three years. As such, we send our samples of our drinking water to Jabatan Kimia Malaysia, an approved laboratory by MOH, to carry out physical, chemical and microbiology tests, and to Malaysian Nuclear Agency, an approved laboratory by MOH, to carry out radioactivity test for the said water analysis report. As at the LPD, the latest date that we submitted a water analysis report to MOH for our Sandakan Sibuga Plant 1, KK IZ4 Plant 1 and KK IZ8 Plant 1 was in June 2023, June 2023 and May 2021 respectively.

Packaging, palletising, storage and delivery

Lastly, the bottles are then wrapped with plastic shrink wrap, before they are palletised. The finished packed products are then stored in our warehouse before delivery to our distribution centres or directly to customers. Generally, we keep an inventory of 1 week for our drinking water, 2 weeks for our 330ml carbonated drinks and 3 months for our 1250ml carbonated drinks.

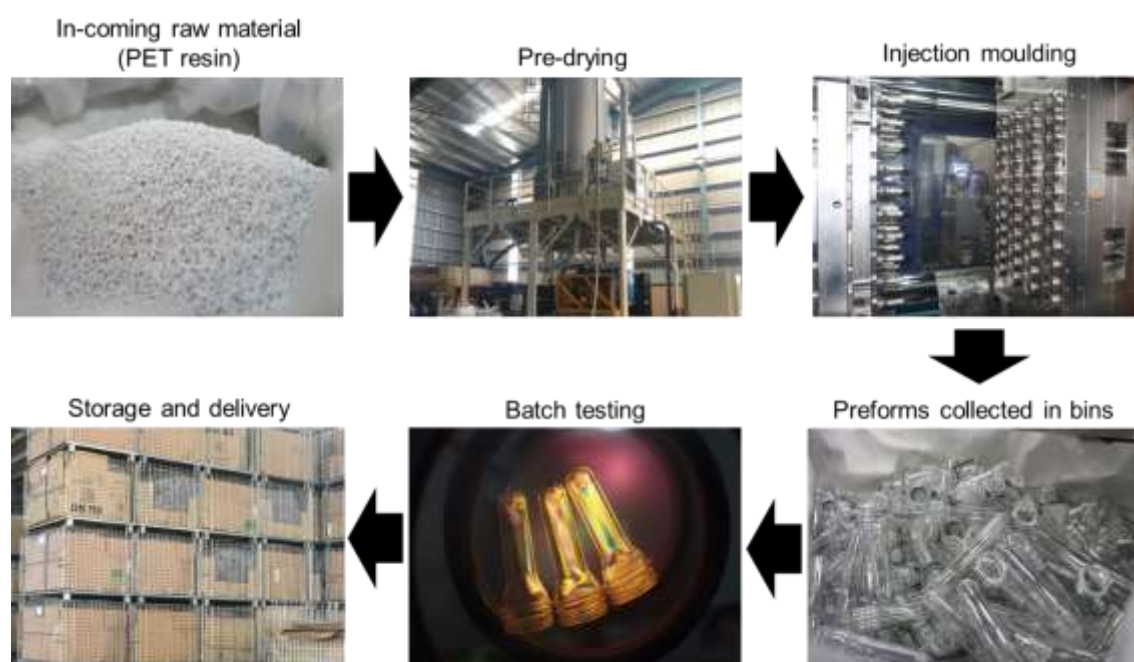
(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.6.4 Manufacturing of PET preforms

We produce PET preforms which are mainly used internally for the manufacturing of our drinking water, carbonated drinks and fruit drinks. By producing our own PET preforms, we are able to control and monitor the quality of PET bottles used in our beverage products.

The following diagram depicts the process flow for the manufacturing of PET preforms at our KK IZ8 Plant 1:



In-coming raw material

We use two types of input materials for the manufacture of PET preforms namely PET resin and rPET resin, otherwise known as recycled PET resin, which are mainly used for the production of our K2 Green bottles of drinking water. Generally, we maintain a stock keeping level of 2 to 3 months for our PET resins. Please refer to Sections 7.14 and 9.1.2 of this Prospectus for further information on the purchases of our input materials and the risk of price fluctuations of our input materials respectively.

For the Financial Years Under Review, we mainly source the PET resin from manufacturers in China and Vietnam namely Far Eastern Group, one of our Group's major suppliers, as well as from two other suppliers in China (for FYE 2022 and FYE 2023) and 1 other supplier from Malaysia (for FYE 2021 and FYE 2022). Meanwhile, rPET resins are sourced from a manufacturer in Malaysia.

Pre-drying

The manufacturing of PET preforms begins with the transportation of resins to a drying unit. The resins are heated up between 1 to 5 hours until a temperature of 155°C to 175°C is reached. As soon as the resin falls below a certain moisture content, it is ready for further processing.

7. BUSINESS OVERVIEW (CONT'D)

Injection moulding

After the pre-drying phase, the granulated resin is then fed into the injection moulding machine through a piping system. There it is heated until a temperature of 280°C to 285°C is reached. The heating process is important as it enables the resin to become a homogenous mixture. The mixture is then injected into a preform tool before it is then subsequently cooled with cold water. During this process, our smaller capacity injection moulding machine produces 48 preforms while the larger capacity machine produces 72 preforms.

Preforms collected in bins

After one cycle is completed, the preforms are taken off the injection moulding tool and is then transported via a conveyor to a collection bin.

Batch testing

Samples of PET preforms are taken every hour from the collection bin to perform visual inspection under a polarized light to detect defects in the quality of the preforms (if any) such as air bubble, water flash marks, crystallisation and strain distribution. This enables us to analyse any defects in the quality of the preforms and remove the defective pieces or batches to avoid rejection during the blow moulding process. We also undertake dimension checking on the preforms whenever there is a change in the preform mould.

Storage and delivery

As at the LPD, the manufacture of PET preforms is carried out at our KK IZ8 Plant 1 and we typically deliver the PET preforms to KK IZ4 Plant and Sandakan Sibuga Plant 1 about 3 times a week.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.7 OPERATIONAL FACILITIES AND CAPACITY

7.7.1 Operational facilities

As at the LPD, our Group operates from the following premises in Sabah, Malaysia:

Company	No	Main Function	Approximate Built-up Area (sq ft)		Location of Facilities
Life Water Industries	1	Head office, warehouse and manufacturing of drinking water and carbonated drinks	Office	3,423	Sandakan Sibuga Plant 1 CL 075356375 and CL 075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah
			Factory	38,793	
			Warehouse	35,069	
			Total	77,285	
Green Borneo Industries and Life Water Marketing	2	Sales office, warehouse and manufacturing of drinking water	Office	6,098	KK IZ4 Plant Lot 9, Jalan 1F, KKIP Selatan, Industrial Zone 4, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah
			Factory	30,425	
			Warehouse	23,394	
			Total	59,917	
Life Water Industries, Life Water Marketing and K2 Water	3	Sales office, warehouse and manufacturing of drinking water, and PET preforms and bottle caps	Office	4,800	KK IZ8 Plant 1 Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah
			Factory	93,315	
			Warehouse	25,525	
			Total	123,640	
Life Water Industries and K2 Water	4	Sales office and warehouse	Office	455	Lahad Datu DC 1 MDLD 3399, Lot 41, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah
			Warehouse	4,387	
			Total	4,842	
Life Water Industries	5	Warehouse	Warehouse	5,137	Lahad Datu DC 2 MDLD 3381, Lot 23, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah
Life Water Industries, Life Water Marketing, and K2 Water	6	Warehouse	Office	500	Sandakan Sibuga DC 1 CL 075323901, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah
			Warehouse	46,462	
			Total	46,962	
Life Water Industries	7	Warehouse	Warehouse	⁽¹⁾ 8,000	KK IZ2 DC Lot 49, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah

Note:

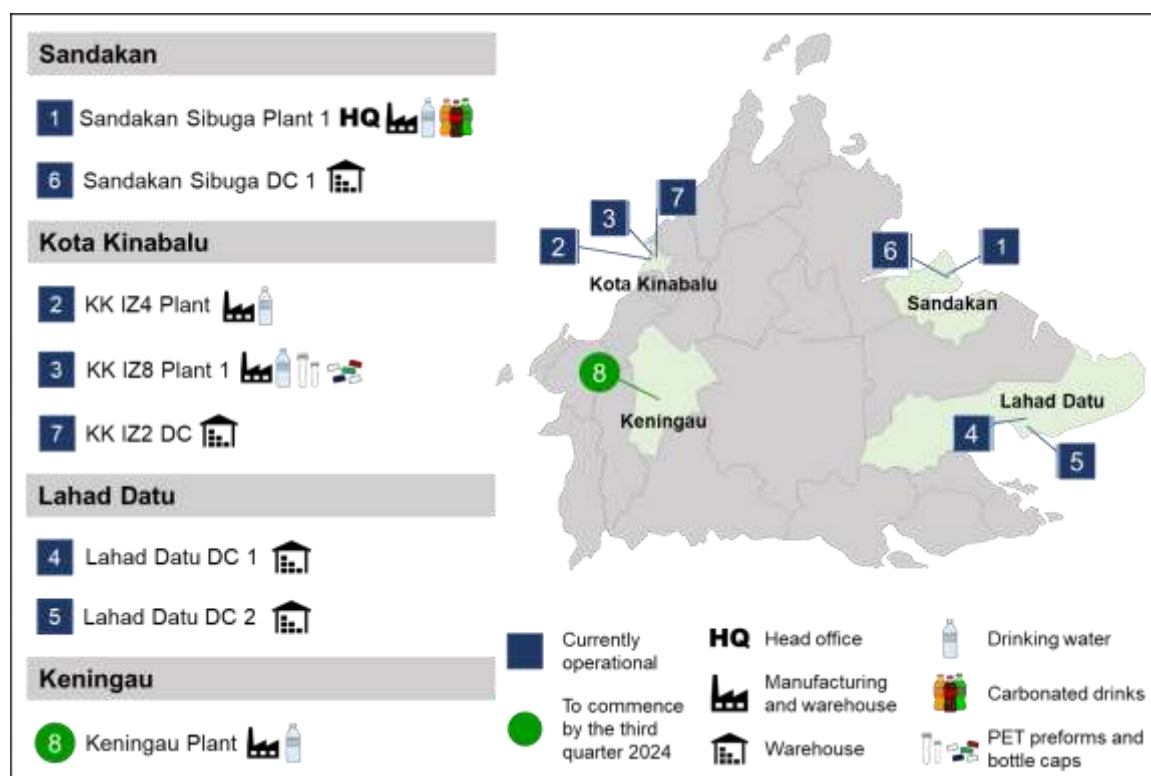
- (1) As at the LPD, we rented KK IZ2 DC to a third party not related to our Group i.e. Leasing Logistics (E.M.) Sdn Bhd to be used as warehouse. Leasing Logistics (E.M.) Sdn Bhd subsequently sublet approximately 8,000 sq. ft. to our Group for warehouse storage in February 2022. Please refer to Annexure B of this Prospectus for further details. This arrangement was made as we did not have sufficient warehouse storage space in Kota Kinabalu prior to the completion of KK IZ8 Plant 1 Phase 3. As KK IZ8 Plant 1 Phase 3 was completed in November 2023, we are gradually moving out from KK IZ2 DC and intend to cease subletting the 8,000 sq. ft. space by June 2024.

7. BUSINESS OVERVIEW (CONT'D)

We will also be operating in the following premises by the third quarter of 2024:

Company	No	Main Function	Approximate Built-up Area (sq. ft.)		Location of Facilities
Life Water Industries	8	Sales office, warehouse and manufacturing of drinking water	Office	1,453	Keningau Plant Lot 4 & 5, Borneo Commercial Centre, Jalan Masak, 89000 Keningau, Sabah
			Factory	8,234	
			Warehouse	10,667	
			Total	20,354	

The following diagram depicts our operational facilities in Sabah:



(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.7.2 Production capacity, output and utilisation

Our production capacity, output and utilisation rate for the manufacturing of drinking water, carbonated drinks, PET preforms and bottle caps for Financial Years Under Review are estimated as follows:

(i) Manufacturing of drinking water

The following table depicts our production capacity, output and utilisation of our manufacturing lines for 250ml, 500ml and 1500ml bottled drinking water only. It excludes the production capacity and output of 5700ml bottled drinking water as it is manually filled, and 230ml PP cup drinking water as this production line have been discontinued as at the LPD.

	No. of production lines	Production capacity ⁽¹⁾ (million litres)	Production output (million litres)	Utilisation rate
FYE 2021				
KK IZ4 Plant	2	⁽²⁾ 155.23	115.53	74.43%
Sandakan Sibuga Plant 1	2	⁽³⁾ 106.92	66.43	62.13%
KK IZ8 Plant 1	-	-	-	-
		262.15	181.96	69.41%
FYE 2022				
KK IZ4 Plant	2	⁽²⁾ 155.23	99.10	63.84%
Sandakan Sibuga Plant 1	2	⁽³⁾ 108.32	72.24	66.69%
KK IZ8 Plant 1	1	⁽⁴⁾ 44.55	27.56	61.86%
		308.10	198.90	64.56%
FYE 2023				
KK IZ4 Plant	2	⁽²⁾ 138.60	60.45	43.61%
Sandakan Sibuga Plant 1	2	⁽³⁾ 116.82	85.27	72.99%
KK IZ8 Plant 1	1	⁽⁴⁾ 133.65	85.91	64.28%
		389.07	231.62	59.53%
From 1 July 2023 up to the LPD				
KK IZ4 Plant	2	⁽⁵⁾ 57.75	31.30	54.20%
Sandakan Sibuga Plant 1	2	⁽⁵⁾ 48.68	41.70	85.66%
KK IZ8 Plant 1	1	⁽⁵⁾ 55.69	37.06	66.55%
		162.11	110.06	67.89%

Notes:

- (1) Production capacity is calculated based machine design capacity running 22 hours per day for two shifts and 25 working days per month.
- (2) At KK IZ4 Plant, for the FYE 2021 and FYE 2022, we have 1 line producing both 1500ml and 500ml bottled drinking water ("Line 1") and 1 line producing 1500ml bottled drinking water only. The decrease in production capacity (in litres) in FYE 2023 was due to the change in utilisation of Line 1 to produce only 500ml bottled drinking water entirely.
- (3) At Sandakan Sibuga Plant 1, in FYE 2021, we have 2 production lines where 1 line was producing 1500ml only and 1 line was producing 500ml only ("Line 2"). In FYE 2022, we upgraded and purchased a new fully automated drinking water production line ("New Line 2") to produce 500ml and 250ml bottled drinking water which replaced Line 2 and commenced operations in March 2022. Line 2 was suspended, dismantled and certain machinery and equipment has been transferred to Keningau Plant for future use. In FYE 2023, the production capacity increased due to a full year's operation of the New Line 2.

7. BUSINESS OVERVIEW (CONT'D)

- (4) At KK IZ8 Plant 1, in FYE 2022, we set-up a new drinking water production line to produce 1500ml and 250ml bottled drinking water where it commenced operations since March 2022. In FYE 2022, it was only operational for 4 months. In FYE 2023, the production capacity increased due to the full year's operation of the line.

- (5) The production capacity is pro-rated to 5 months.

Our drinking water manufacturing plant's utilisation rate ranged from 59.53% to 69.41% between FYE 2021 and FYE 2023 since we continuously increased our production capacity from 262.15 million litres in FYE 2021 to 308.10 million litres in FYE 2022 and up to 389.07 million litres in FYE 2023. Although our production output of drinking water also increased from 181.96 million litres in FYE 2021, to 198.90 million litres in FYE 2022 and up to 231.62 million litres in FYE 2023, the increase in the capacity contributed to the 59.63% utilisation rate in FYE 2023.

Moving forward, we expect an increase in our production output and utilisation rate given our expansion plans to target new markets such as Brunei and Sarawak as well as address opportunities in the Tawau market together with the continuing growth in demand from our existing customers. Please refer to Section 7.20.3 of this Prospectus for details on our plans to make further inroads to other parts of Sarawak and Brunei, and Section 7.20.2(i) of this Prospectus for details on our plans to set-up a first distribution centre in Tawau to address the Tawau market.

Furthermore, our new drinking water manufacturing line in Sandakan is only expected to come on stream by the first half of 2027. Please refer to Section 7.20.1 (iii) of this Prospectus for further details.

(ii) Manufacturing of carbonated drink

Our carbonated drinks (including flavoured carbonated drink and isotonic drink) and fruit drink share the same production line at Sandakan Sibuga Plant 1.

	No. of production lines	Production capacity ⁽¹⁾ (million litres)	Production output (million litres)	Utilisation rate
FYE 2021	1	37.04	14.38	38.82%
FYE 2022	1	37.04	⁽²⁾ 15.43	41.66%
FYE 2023	1	37.04	16.03	43.28%
From 1 July 2023 up to the LPD	1	⁽³⁾ 15.43	5.02	32.53%

Notes:

- (1) Production capacity is calculated based machine design capacity running 22 hours per day for two shifts and 25 working days per month.
- (2) Includes a small proportion of output for the production of fruit drinks.
- (3) The production capacity is pro-rated to 5 months.

During the Financial Years Under Review, the overall low utilisation rates of our manufacturing of carbonated drinks were mainly due to the fact that our carbonated drink manufacturing line has aged where the average age of machinery and equipment ranges between 6 and 15 years, as at 30 June 2023. As such, our carbonated drink manufacturing line requires frequent repair and maintenance and its actual efficiency rate is lower than the machine design capacity. Meanwhile, the production capacity above was calculated based on machine design capacity (with assumption of 100% efficiency rate).

7. BUSINESS OVERVIEW (CONT'D)**(iii) Manufacturing of PET preforms**

	No. of machines	Production capacity ⁽¹⁾ (million pieces)	Production output (million pieces)	Utilisation rate
FYE 2021	⁽²⁾ 3	312.92	165.28	52.82%
FYE 2022	⁽²⁾ 3	312.92	189.09	60.43%
FYE 2023	⁽³⁾ 4	542.72	258.39	47.61%
From 1 July 2023 up to the LPD	4	⁽⁴⁾ 226.13	115.74	⁽⁵⁾ 51.18%

Notes:

- (1) Production capacity is calculated based machine design capacity running 24 hours per day for two shifts and 26 working days per month.
- (2) Comprises 2 units of 48-cavity PET preform injection moulding machines equipped with 13g mould (for 500ml bottles) and 18g mould (for 330ml bottles), and 1 unit of 72-cavity PET preform injection moulding machine equipped with 26g mould (for 1500ml bottles). Each of these machines are equipped with different moulds to produce different sizes of PET preforms.
- (3) In FYE 2023, we set-up an additional 72-cavity PET preform injecting moulding machine which uses 7.3g mould (for 250ml bottles) and 11.5g mould (for 500ml bottles), interchangeably. This machine commenced production in August 2022.
- (4) The production capacity is pro-rated to 5 months.
- (5) The low overall utilisation rate was mainly due to the fact that one of the 48-cavity machine is no longer being used actively since FYE 2023 as the 13g mould (for 500ml bottles) that was used to produce PET preforms has been replaced by the 11.5g PET preforms with the commencement of the new 72-cavity machine.

(iv) Manufacturing of bottle caps

	No. of production lines	Production capacity ⁽¹⁾ (million pieces)	Production output (million pieces)	Utilisation rate
FYE 2021	-	-	-	-
FYE 2022	-	-	-	-
FYE 2023	1	⁽²⁾ 28.75	0.33	1.15%
From 1 July 2023 up to the LPD	1	⁽³⁾ 143.77	97.77	68.00%

Notes:

- (1) Production capacity is based machine design capacity running 24 hours per day for two shifts and 26 working days per month.
- (2) The bottle cap injection moulding machine was only operational for 1 month as it commenced production from June 2023.
- (3) The production capacity is pro-rated to 5 months.

7. BUSINESS OVERVIEW (CONT'D)

7.8 RESEARCH AND DEVELOPMENT

As a beverage manufacturer, most of our research and development activities are conducted on an ad-hoc basis focusing on the development and enhancement of our beverage products. We do not carry out any structured research and development activities nor do we have any research and development policies. As such, we did not recognise or capture any expenditure that is specific to research and development activities for the Financial Years Under Review.

Some of the product development activities that we carry out internally and externally on an ad-hoc basis are as follows:

- Formulate new and improved recipes in terms of selection and quantity of ingredients associated with the new product.
- Carry out internal and external taste testing sessions for product improvement and enhancement including a blind taste testing session with the view of obtaining feedback in terms of taste, sweetness level, interest to buy, and price point suitability.

Undertake in-house and external product testing including nutritional content for product labelling as well as incubation test for carbonated and fruit drinks.

7.9 TECHNOLOGY USED OR TO BE USED

As at the LPD, some of the technologies that we use in our business and manufacturing operations are as follows:

- **Factory automation** where all our production lines are automated and integrated from the stretch-blow moulding of bottles process to rinsing, filling, capping, drying, labelling and packaging. Our production line is also equipped with robotic arm palletiser for the palletisation process.
- **RO** which is a filtration technology that uses water pressure to force water molecules to pass through a semi-permeable membrane designed to filter out contaminants and particles. The resultant water is purified drinking water which we bottle into our drinking water products.
- **Sales portal and enterprise resource planning (ERP) system** where customers are able to place orders through the sales portal which synchronises in real-time with our ERP system.
- **Fleet and fuel management system** where we are able to monitor the performance of our delivery team, location of our delivery trucks and fuel usage. This increases our Group's delivery and fuel usage efficiency.
- **Manufacturing Execution System (MES)** to monitor our manufacturing operations, production output and overall equipment effectiveness in real-time. We would also be able to integrate our ERP system and sales portal with the MES to facilitate a seamless flow of sales data transaction from the input of customers' orders, to our inventory management and manufacturing process, and lastly coordination of delivery of goods to customers. The MES would also include a predictive maintenance feature which would allow us to monitor our machinery and equipment performance and benchmark maintenance and repair to reduce downtime.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.10 SALES AND MARKETING

As a manufacturer of consumer products, marketing and promotions play a key role in building brand awareness as well as brand equity for our products. We employ various marketing and promotional methods to continually create brand awareness and build our brand equity. This includes the following:

(i) Advertisement and digital marketing

Undertake advertisements using digital marketing such as social media and websites. We have a team of sales and marketing personnel that are focused on updating our social media pages such as Facebook, Instagram, Youtube and TikTok to keep consumers updated on various events and promotions held by us. We have an in-house team to produce our own video advertisements and published them on our social media platforms. We also engage social media influencers to produce videos and promote our brands on their platforms.

(ii) Events sponsorship

Become official drinks sponsor for events such as running events, marathons, sports competitions, festivals, carnivals as well as school and corporate events in Sabah. This is to support our Tritonic isotonic drinks, which are promoted mostly in sporting events to create brand awareness and target health conscious consumers including the sporting community.



Some of these events includes, Borneo Marathon, Mt. Kinabalu International Climbathon and Borneo Safari International Off-Road Challenge which allowed us to promote our brand to a wider spectrum of audience. For the Financial Years Under Review, we sponsored beverages for events consisting mainly running and sporting events in schools and communities in Sabah.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

(iii) School campaigns

We carry out grassroots promotions through our campaigns and programmes carried out in Sabah's government schools. In 2018, we obtained approval from the Sabah's Department of Education which allows us to carry out our 'Airku Hidupku' campaign in all government schools throughout Sabah. Due to COVID-19 restrictions since March 2020 up to April 2022, we were unable to visit schools to carry out this campaign. Since then and up to the LPD, we have yet to recommence the school visits. We plan to recommence school visits again by the second quarter of 2024.



This campaign is intended to educate school students on the importance of drinking clean water as well as promote environmental awareness through recycling and upcycling of PET bottles into creative decorative items.

(iv) School visits

We invite school children to our manufacturing plant to allow them to visualise and understand the production process of bottled drinking water. Free samples are also given to these school children to build our branding among the young community.

(v) Mascots

We created two mascots namely 'Qaqa' and 'Yaya' which are male and female-like characters replicating water droplets. The creation of mascots was our Group's way of personifying our brand and strengthening our brand identity. These mascots are a way for us to connect and bond with the community particularly the younger age groups. These characters appear in our advertisements with life-sized characters appearing in most of our sponsored events. We also created stuffed toys, note pads, key chains and other accessories incorporating these mascots which are handed out during our promotional campaigns and programmes.

Our Mascots, Qaqa (left) and Yaya (right)



(vi) Product samples

We also provide free samples of our beverage products at minimarkets, supermarkets, hypermarkets, night markets and events, as part of our brand awareness campaigns. During these campaigns, we will send our TRITONiC trucks and 2more Fun Trucks to provide free drinks to the community. Our 2more Fun Truck is a beverage truck used for marketing purposes that is designed to be interactive where children can interact with the truck for free 2more carbonated drinks.

(vii) In-store promotions

In-store promotions where samples are usually done together with our retail customers by setting up sampling booths in their stores.

As at the LPD, save for school campaigns, all the above marketing programmes are active.

As part of our Group's strategy to promote our beverage products to potential customers, we also participate and attend food exhibitions. Some of these events that we have participated in the Financial Years Under Review and up to the LPD include the following:

7. BUSINESS OVERVIEW (CONT'D)

Name of events	Location	Nature of Participation	Date
Malaysia International Halal Showcase (MIHAS) 2021	Virtual	Exhibitor	September 2021
Sabah International Business and Economic Summit 2022	Kota Kinabalu, Sabah	Exhibitor	January 2022
Selangor International Business Summit 2022	Kuala Lumpur	Exhibitor	October 2022
Malaysia EXPO Day 2023	Sandakan, Sabah	Exhibitor	September 2023
Sabah International Expo (SIE) 2023	Kota Kinabalu, Sabah	Exhibitor	September 2023
East ASEAN Growth Area Trade Convention 2023 (BETCON)	Brunei	Exhibitor	October 2023

For the Financial Years Under Review, we have spent approximately RM1.22 million, RM1.81 million and RM1.44 million in FYE 2021, FYE 2022 and FYE 2023, respectively, on advertising and promotional activities. To implement these marketing strategies, we have our own sales and marketing team to focus on business development with existing and potential customers. As at the LPD, our Group has 51 sales and marketing personnel.

7.11 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

We operate our business with social and environmental responsibility and strive towards a high standard of corporate governance.

(i) Environmental

As we are a manufacturer of beverages with in-house production of plastic bottles, we believe in the importance of promoting environmental awareness. From 2018, we carried out campaigns in Sabah's government school which were intended to, amongst others, promote environmental awareness among the school students to recycle and upcycle PET bottles into creative decorative items. In 2019, we received award from the Department of Environment for contribution towards environmental awareness programme.

In addition, we were awarded by the Malaysia Book of Records for being the first rPET bottled water manufacturer in 2022.

Further, we started a campaign called "K2 Goes Green" which aims to reduce the amount of PET or post-consumer PET bottles ending up in landfill. Under this programme, used or post-consumer PET bottles will be properly disposed of in designated recycle bins i.e. K2 Goes Green Recycle Bins and we will subsequently arrange to collect these recyclables from the participating hotels to a recycling centre.

Moving forward, we plan to organise a plastic recycling collection programme in selected cities in Sabah where we will proactively promote and organise plastic collection programmes together with schools and the community.

(ii) Social

We place strong emphasis on maintaining a safe and healthy workplace. Accordingly, we have in place operational safety policies such as safety briefings. Our manufacturing plants are inspected by local government authorities such as the Department of Occupational Safety and Health from time to time.

7. BUSINESS OVERVIEW (CONT'D)

From 2021 to 2024, Sandakan Sibuga Plant 1 has been accredited with ISO 22000:2018 (Food Safety Management System), HACCP and GMP certifications under the scope of manufacture and marketing of purified drinking water and aerated waters while KK IZ4 Plant has been accredited with the aforesaid certifications under the scope of production of purified drinking water.

Our Sandakan Sibuga Plant 1 and KK IZ8 Plant 1 have the MeSTI certification by the Ministry of Health. MeSTI or “Makanan Selamat Tanggungjawab Industri” which certify that we have complied to a full spectrum of basic hygiene requirement including operations control, hygiene and maintenance, traceability and record keeping.

Further, the PET resin manufactured by our Group’s supplier, namely Far Eastern Group are approved by the Food and Drug Administration of the United States of America (“US”) and are in compliance with the food packaging safety regulation of the US and Europe (Source: Far Eastern Group’s website).

In addition to the above, we are committed to review our compensation packages annually and reward our employees fairly and equitably based on their performance as well as providing on-the-job training to our employees.

As a good corporate citizen, we understand the need to give back to our society. The following are some of our social contributions in the Financial Years Under Review and up to the LPD:

- Blood donation campaign;
- Sponsor of drinking water to front liners including doctors, policeman and army during the COVID-19 pandemic;
- Disaster relief efforts by donating drinking water to fire and flood victims; and
- Organise visits to welfare homes of the elderly, less fortunate and disadvantaged.

(iii) Governance

Our Board is committed to achieving and sustaining high standards of corporate governance practices. We have put in place practices in accordance with the 3 principles provided in the MCCG which include:

- board leadership and effectiveness;
- effective audit and risk management; and
- integrity in corporate reporting and establishing meaningful relationship with our stakeholders.

As at the LPD, half of our Board members comprise independent directors. We have also met the MCCG’s recommendations to have at least 30% women directors. As at the LPD, 3 out of 8 of our Directors are women.

Further, we have the following policies to uphold good corporate governance practices:

- (a) adopted the Anti-Bribery and Corruption, and Whistleblowing Policy to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009;
- (b) adopted a Personal Data Protection Notice, which complies with the Personal Data Protection Act, 2010 in order to protect the personal data that we obtained from our stakeholders such as customers, suppliers and employees; and

7. BUSINESS OVERVIEW (CONT'D)

- (c) our anti-money laundering policy requires our directors, employees and associates to ensure that we conduct business with reputable customers, for legitimate business purposes and with legitimate funds.

Our Group has adopted all the practices as recommended by the MCGG.

7.12 SEASONALITY

Generally, we would record higher sales prior and during the festive seasons such as Hari Raya and Harvest Festival.

7.13 INTERRUPTION TO OUR BUSINESS IN THE PAST 12 MONTHS

Save for the impact of the COVID-19 pandemic as disclosed below, we have not experienced any interruptions that has had a significant effect on our operations during the Financial Years Under Review and up to the LPD.

7.13.1 Effects of COVID-19 on our business operations in Malaysia

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government of Malaysia implemented several measures to reduce and control the spread of COVID-19 in the country commencing from 18 March 2020. These measures include restrictions on the movement of people within Sabah, Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities.

From 18 March 2020 to June 2021, the MCO was implemented in various phases in Sabah, Malaysia, including conditional MCO, recovery MCO, and enhanced MCO, where restrictions were relaxed or tightened for specific states, districts and/or locations, based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government of Malaysia announced the National Recovery Plan (NRP), a phased exit strategy from the COVID-19 pandemic consisting of four phases where restrictions were gradually eased in each phase.

As a beverage manufacturer, our business falls within essential services, and thus, we were able to continue operations during the first phase of the MCO in March 2020, save for a temporary suspension of operations for 8 days from 18 March 2020 to 26 March 2020. We were allowed to operate however with a 50% workforce capacity. During this period, we implemented measures for our business operations to safeguard and protect our employees and customers. We gradually increased the workforce capacity as and when the Government eased restrictions.

Subsequently, on 1 April 2022, the Government of Malaysia announced that Malaysia was in the "Transition to Endemic" phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

During the various phases of the MCO including CMCO, RMCO, FMCO, EMCO, and NRP, and the "Transition to Endemic" phase, we continued to operate according to the specified guidelines and SOP, including specified workforce capacity during the respective periods.

7.13.2 Effects of COVID-19 on our financial performance

As a manufacturer of beverages, our business operation is regarded as an essential service provider. Between March 2020 and up to the LPD, save for several days of interruption and workforce capacity restrictions, we continued our business operations during the various phases of MCO and adopted precautionary measures to safeguard our operations and employees.

7. BUSINESS OVERVIEW (CONT'D)

Our Group's revenue grew by 17.27% from RM103.53 million in FYE 2021 to RM121.40 million in FYE 2022, and further increased by 24.35% to RM150.96 million in FYE 2023.

7.13.3 Effects of COVID-19 on our supply chain

During the various MCO periods, our supply chain was, to a certain extent, affected due to the containment measures imposed by the Government. Nevertheless, the impact was not material as we typically keep an estimated 2 to 3 months stock of our input materials for our manufacturing operations.

During the MCO period in 2020, there was some delay in the supply of our materials including plastic resins, bottle caps, and labels from our suppliers in China, Vietnam and Malaysia due to containment measures in the respective countries. However, we have the required level of stock of input materials during this period for our manufacturing operations. Similarly, during the FMCO and Phase 1 of NRP period in 2021, we did not experience any disruptions in our manufacturing operations as we have sufficient level of stock of input materials. Nevertheless, as a precautionary measure, we gradually increased our stock level of input materials including PET resin and bottle caps from 2 to 3 months to 4 to 6 months. This was also partly due to the rising plastic resin prices.

For the Financial Years Under Review, our plastic resins were mainly imported from manufacturers in China and Vietnam and hence we are subjected to the increases in sea freight rates. The increase in sea freight rates is reflected in our cost of sourcing materials. Despite the increase in material and transportation cost, we managed to pass the increases in cost to our customers since June 2022 in line with the increase in minimum wages.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.14 TYPES, SOURCES AND AVAILABILITY OF INPUT MATERIALS

The following are the input materials we purchased for our business operations for the Financial Years Under Review:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Input materials for plastic packaging	15,396	43.78	29,629	53.87	22,676	47.47
Plastic resin ⁽¹⁾	11,540	32.81	25,927	47.14	19,847	41.55
PET preforms	3,856	10.97	3,702	6.73	2,829	5.92
Labelling and packaging materials	13,476	38.32	18,957	34.46	16,662	34.87
Shrink and stretch films, and paper cartons	5,699	16.21	7,497	13.63	7,870	16.47
Bottle caps	3,883	11.04	6,121	11.13	5,363	11.22
Labels and stickers	2,025	5.76	3,038	5.52	1,948	4.08
Plastic cups and straws	1,171	3.33	1,265	2.30	669	1.40
Other materials ⁽²⁾	698	1.98	1,036	1.88	812	1.70
Input materials for beverage products	6,295	17.90	6,419	11.67	8,436	17.66
Flavourings and food ingredients	4,268	12.14	4,297	7.81	6,090	12.75
Public water supply ⁽³⁾	1,126	3.20	1,286	2.34	1,538	3.22
Liquid carbon dioxide	901	2.56	836	1.52	808	1.69
Total purchases	35,167	100.00	55,005	100.00	47,774	100.00

The breakdown of purchases by country of origin of our suppliers is set out below:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Plastic resin⁽¹⁾	11,540	32.81	25,927	47.14	19,847	41.55
- China	4,574	13.01	21,360	38.83	19,254	40.30
- Thailand	-	-	-	-	575	1.21
- Malaysia	733	2.08	1,787	3.25	18	0.04
- Singapore	3,739	10.63	-	-	-	-
- Vietnam	2,494	7.09	2,780	5.06	-	-
PET preforms	3,856	10.97	3,702	6.73	2,829	5.92
- Malaysia	3,856	10.97	3,702	6.73	2,829	5.92
Labelling and packaging materials⁽²⁾	13,476	38.32	18,957	34.46	16,662	34.87
- Malaysia	13,476	38.32	18,957	34.46	16,662	34.87
Flavourings and food ingredients	4,268	12.14	4,297	7.81	6,090	12.75
- Malaysia	2,952	8.40	3,017	5.48	3,942	8.25
- Singapore	1,316	3.74	1,280	2.33	2,147	4.50
Public water supply⁽³⁾ and liquid carbon dioxide	2,027	5.76	2,122	3.86	2,346	4.91
- Malaysia	2,027	5.76	2,122	3.86	2,346	4.91
Total purchases	35,167	100.00	55,005	100.00	47,774	100.00

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) Includes PET, rPET and HDPE resin.
 (2) Includes ink, glue, tape, paper cups, plastic tubes, plastic bottles, plastic handles and plastic bags.
 (3) Comprises payment for public water supply which also include water used for general purposes.

For the FYE 2021, FYE 2022 and FYE 2023, input materials for the manufacture of plastic packaging namely PET preforms and plastic resin (including PET, rPET and HDPE resin) constituted the largest component at 43.78% (RM15.40 million), 53.87% (RM29.63 million) and 47.47% (RM22.68 million) of our total purchases respectively.

We purchase three types of plastic resin namely PET resin and rPET resin for the production of PET preforms and in FYE 2023, we also started purchasing HDPE resin for the production of bottle caps. In addition, we purchase PET preforms for the production of plastic bottles. We source PET preforms and rPET resin locally while PET resins are mainly imported from manufacturers in China and Vietnam, and HDPE resins are mainly imported from Thailand. For the Financial Years Under Review, approximately 93.65%, 93.11% and 99.91% of plastic resins (including PET and HDPE resin) were imported from foreign suppliers.

For the Financial Years Under Review, the following are the sources of supply for our plastic resins (including PET, rPET and HDPE resin):

- We purchase PET resin from two suppliers (Far Eastern Group and one supplier in Malaysia), four suppliers (Far Eastern Group, two suppliers in China and one supplier in Malaysia) and three suppliers (Far Eastern Group and two suppliers China) for FYE 2021, FYE 2022 and FYE 2023 respectively. For the Financial Years Under Review, Far Eastern Group is our major suppliers of PET resin;
- We purchase rPET resin from one supplier in Malaysia in FYE 2021 and FYE 2022 while we did not purchase any rPET resin in FYE 2023; and
- We purchase HDPE resin from two suppliers in Thailand and one supplier from Malaysia in FYE 2023.

As plastic resins are globally traded materials, they are subject to price fluctuations or volatility in pricing. The following table displays the average annual price change of plastic resin that were purchased by our Group in the Financial Years Under Review:

Key plastic-based material	Average annual price increase/decrease (%)		
	FYE 2021	FYE 2022	FYE 2023
Plastic resin	-12.67%	52.78%	-2.22%

For the Financial Years Under Review, we experienced a decrease by 12.67% in the purchase prices for plastic resin in FYE 2021 before experiencing an increase by 52.78% in FYE 2022. Subsequently, prices decreased by 2.22% in FYE 2023. Consequently, we increased our selling prices for our drinking water and carbonated drinks in FYE 2022 and FYE 2023. However, we were unable to pass on the entire increment in material cost in a timely manner thus affecting our profitability in FYE 2022. Please refer to Sections 9.1.2 and 12.3.10(ii) of this Prospectus for further details on the risk and impact of fluctuation in raw material prices.

The second largest component of our purchases are labelling and packaging materials which accounted for 38.32% (RM13.48 million), 34.46% (RM18.96 million) and 34.87% (RM16.66 million) of our total purchases respectively. The labelling and packaging materials are sourced locally.

Meanwhile, the input materials used in the manufacture of our beverages accounted for 17.90% (RM6.30 million), 11.67% (RM6.42 million) and 17.66% (RM8.44 million) of our total purchases for FYE 2021, FYE 2022 and FYE 2023, respectively. This comprised mainly of flavourings and food ingredients used in the manufacturing of our carbonated drinks and fruit drinks such as flavourings, sugar, citric acid, sodium citrate, permitted artificial flavourings and calamansi puree. Purchases of water (including quantity used for general purpose) accounted

7. BUSINESS OVERVIEW (CONT'D)

for 3.20% (RM1.13 million), 2.34% (RM1.29 million) and 3.22% (RM1.54 million) of our total purchases for the FYE 2021, FYE 2022 and FYE 2023, respectively. A small proportion of our purchases of liquid carbon dioxide are for our carbonated drinks. The input materials for our beverages are sourced locally with the exception of certain flavourings that are imported from Singapore.

7.15 MAJOR CUSTOMERS

The table below lists our top 5 major customers for the Financial Years Under Review:

FYE 2021

Major Customers	Main type of products	Length of relationship ⁽¹⁾ (year)	Revenue contribution	
			RM'000	%
ST Food Sdn Bhd ⁽³⁾	Drinking water and carbonated drinks	7	2,838	2.74
Bataras Group ⁽⁴⁾	Drinking water and carbonated drinks	8	2,617	2.53
Sabanah Group ⁽²⁾	Drinking water and carbonated drinks	16	2,378	2.30
Tan Tong Guan Sdn Bhd	Drinking water and carbonated drinks	6	2,256	2.18
Check Point Frozen Trading	Drinking water and carbonated drinks	8	1,880	1.82
Sub-total			11,969	11.57
Total Group revenue			103,525	

FYE 2022

Major Customers	Main type of products	Length of relationship ⁽¹⁾ (year)	Revenue contribution	
			RM'000	%
Bataras Group ⁽⁴⁾	Drinking water and carbonated drinks	9	5,941	4.89
Sabanah Group ⁽²⁾	Drinking water and carbonated drinks	17	3,166	2.61
ST Food Sdn Bhd ⁽³⁾	Drinking water and carbonated drinks	8	3,001	2.47
Tan Tong Guan Sdn Bhd	Drinking water and carbonated drinks	7	2,863	2.34
Mu Group ⁽⁵⁾	Drinking water and carbonated drinks	6	2,235	1.84
Sub-total			17,186	14.15
Total Group revenue			121,400	

7. BUSINESS OVERVIEW (CONT'D)**FYE 2023**

Major Customers	Main type of products	Length of relationship ⁽¹⁾ (year)	Revenue contribution	
			RM'000	%
Bataras Group ⁽⁴⁾	Drinking water and carbonated drinks	10	7,830	5.19
Eco Water	Drinking water and carbonated drinks	7	3,355	2.22
Mu Group ⁽⁵⁾	Drinking water and carbonated drinks	7	3,322	2.20
Sabanah Group ⁽²⁾	Drinking water and carbonated drinks	18	3,238	2.15
ST Food Sdn Bhd ⁽³⁾	Drinking water and carbonated drinks	9	2,908	1.93
Sub-total			20,653	13.69
Total Group revenue			150,962	

Notes:

- (1) Length of business relationship is determined at each respective financial year.
- (2) Sabanah Group consists of Sabanah Marketing Sdn Bhd, Sabanah Trading Sdn Bhd and 4 sole proprietorship businesses namely Sabanah Store, Sabanah Trading Wholesale and Retail, Syarikat Sabanah, and Sabanah Sri Taman.
- (3) ST Food Sdn Bhd is a wholly-owned subsidiary of Lay Hong Berhad, a company listed on the Main Market of Bursa Malaysia.
- (4) Bataras Group consists of Bataras Hypermarket, Bataras Sdn Bhd and Bataras Distribution Centre. Drinking water includes private label brands as well as our brands.
- (5) Mu Group consists of Mu Market and Mu Superstore Sdn Bhd.

For the Financial Years Under Review, we were not dependent on any individual major customers as our largest customer for any one of the Financial Years Under Review contributed less than 10% of our total revenue. Although we do not have any long-term agreements with our major customers, we have an established business relationship supported by the fact that our major customers have been dealing with our Group between 7 years and 18 years in FYE 2023 which serves as a basis for continuing business relationship. In FYE 2023, we have approximately 3,300 customers which mainly consist of retailers, food service operators, wholesalers and hotels.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)**7.16 MAJOR SUPPLIERS**

The table below lists our top 5 major suppliers for the Financial Years Under Review:

FYE 2021

Major Suppliers	Country of Origin	Product supplied	Length of relationship ⁽¹⁾ (years)	Purchases contribution	
				RM'000	%
Far Eastern Group ⁽²⁾	China, Singapore, Vietnam and Malaysia	PET resins and preforms	8	12,702	36.12
Hwa Khoo Plastic Industries Sdn Bhd	Malaysia	Shrink films	3	4,496	12.78
Hon Chuan Malaysia Sdn Bhd	Malaysia	PET preform and plastic bottle caps	5	4,157	11.82
Givaudan Singapore Pte Ltd	Singapore	Flavourings	2	1,315	3.74
Sabah State Water Department	Malaysia	Public water supply	19	1,126	3.20
Sub-total				23,796	67.66
Total Group purchases				35,167	

FYE 2022

Major Suppliers	Country of Origin	Product supplied	Length of relationship ⁽¹⁾ (years)	Purchases contribution	
				RM'000	%
Far Eastern Group ⁽²⁾	China and Vietnam	PET resins	9	22,757	41.37
Hwa Khoo Plastic Industries Sdn Bhd	Malaysia	Shrink films	4	6,078	11.05
Hon Chuan Malaysia Sdn Bhd	Malaysia	PET preforms and plastic bottle caps	6	5,853	10.64
Bericap Malaysia Sdn Bhd	Malaysia	Plastic bottle caps	3	2,254	4.10
Win Smith Packaging Sdn Bhd	Malaysia	Labels	3	2,145	3.90
Sub-total				39,087	71.06
Total Group purchases				55,005	

FYE 2023

Major Suppliers	Country of Origin	Product supplied	Length of relationship ⁽¹⁾ (years)	Purchases contribution	
				RM'000	%
Far Eastern Group ⁽²⁾	China	PET resins	10	17,822	37.30
Hwa Khoo Plastic Industries Sdn Bhd	Malaysia	Shrink films	5	6,610	13.84
Hon Chuan Malaysia Sdn Bhd	Malaysia	PET preform and plastic bottle caps	7	5,827	12.20
Givaudan Singapore Pte Ltd	Singapore	Flavourings	4	2,147	4.49
Sabah State Water Department	Malaysia	Public water supply	21	1,538	3.22
Sub-total				33,944	71.05
Total Group purchases				47,774	

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) Length of business relationship is determined as each respective financial year.
- (2) Far Eastern Group consists of Far Eastern Industries (Shanghai) Ltd, Far Eastern Polytex (Vietnam) Limited, PET Far Eastern (M) Sdn Bhd and FE New Century Industry (Singapore) Pte Ltd. Far Eastern New Century Corporation, the ultimate holding company for the four companies, is a company listed on the Taiwan Stock Exchange. Far Eastern New Century Corporation ("FENC") is involved in the manufacturing and sales of polyester materials (including PET resin) and semi-finished and finished textiles such as cotton, synthetic or blended fabrics, towels and bed sheets, and woven and knitted garments; PET bottles and sheets; and natural, synthetic or blended yarns and polyester textured yarns (Source: FENC Annual Report 2022).

For the Financial Years Under Review, our purchase contribution from Far Eastern Group comprised of the following:

Far Eastern Group	Country of Origin	Product supplied	FYE					
			2021		2022		2023	
			RM'000	* %	RM'000	* %	RM'000	* %
Far Eastern Industries (Shanghai) Ltd	China	PET resin	4,574	13.01	19,977	36.32	17,822	37.30
Far Eastern Polytex (Vietnam) Limited	Vietnam	PET resin	2,494	7.09	2,780	5.02	-	-
FE New Century Industry (Singapore) Pte Ltd	Singapore	PET resin	3,739	10.63	-	-	-	-
PET Far Eastern (M) Sdn Bhd	Malaysia	PET preforms	1,895	5.39	-	-	-	-
Total			12,702	36.12	22,757	41.37	17,822	37.30

Note:

- * Percentage against the total purchases of RM35.17 million, RM55.01 million and RM47.77 million for the FYE 2021, FYE 2022, and FYE 2023, respectively.

For the Financial Years Under Review, we were not dependent on any of the abovementioned major suppliers, save for the Sabah State Water Department for the source of our public water supply which is used in the manufacture of our beverage products. We do not have any long-term agreements with Sabah State Water Department or any of our major suppliers. For the Financial Years Under Review and up to LPD, we only source our water supply from the Sabah State Water Department for the manufacture of our beverage products. Our arrangement with the Sabah State Water Department entails a one-off application for the supply of water to our respective manufacturing plants including the water supply capacity required at the point of application, and should our Group require an increase in the water supply capacity, a subsequent consent is to be obtained from Sabah State Water Department. There is only one single source of public water supply from the Sabah State Water Department. Therefore, we are dependent on the quality and continuous supply from this water source to maintain stable operations at our manufacturing plants and any interruptions in the water supply from the Sabah State Water Department will adversely affect our manufacturing operations. During the Financial Years Under Review and up to the LPD, there were numerous occasions of public water supply disruptions at our manufacturing plants, the duration of which ranges from 3 minutes to 5 days for each disruption. The public water supply disruption did not occur at all of our manufacturing plants simultaneously, as such, we were able to continue with productions at the other manufacturing plants that were not affected by the public water supply disruption. Further, we generally keep an inventory of approximately 1 week for our drinking water, 2 weeks for our 330 ml carbonated drinks and 3 months for our 1250 ml carbonated drinks. For further information, please refer to Section 9.1.1 of this Prospectus on the risk of interruption of water supply from the Sabah State Water Department. As at the LPD, we do not have any immediate alternative sources of water supply. In the event of a prolonged disruption of water supply, we had in the past made arrangements with water supplier licensed by the Sabah State Water Department to deliver water to our premises by water tank truck. Apart from sourcing water from the Sabah State Water Department public water supply or water supplier licensed by

7. BUSINESS OVERVIEW (CONT'D)

Sabah State Water Department during water disruptions, we do not procure water supply from other sources. Nevertheless, we are exploring a longer-term alternative source of water supply with the intention of constructing a tube well to extract water from underground sources within our existing and future manufacturing plants. However, this is subject to the suitability of the underground water source as determined by the Department of Minerals and Geoscience Malaysia (“JMG”), as well as water quality testing and approval from MOH.

One of the main criteria by JMG is that the tube well is recommended to have a 200-metre buffer-free zone from any heavy industrial development and potential pollution sources. In addition, a hydrology and geology report are required to be prepared consisting of, among others, a water quality analysis report.

As at the LPD, the underground water source within our KK IZ4 Plant, KK IZ8 Plant 1, Sandakan Sibuga Plant 1 and Keningau Plant is not suitable for the production of drinking water based on survey and analysis conducted. This is due to the fact that either our plants do not meet the 200-metre buffer-free zone requirement or the underground source of water is of low quality. Moving forward, we intend to explore alternative underground sources of water supply for our future Sandakan Sibuga Plant 2.

Although our purchases from Far Eastern Group was at 36.12%, 41.37% and 37.30% of our total purchases for the Financial Years Under Review, we are not dependent on Far Eastern Group as the PET resin and preforms which we are purchasing from them are readily available from other suppliers with comparable quality and competitive pricing. In addition, PET resin is a commodity which is widely and readily available in the market. We prefer to purchase PET resin and preforms from Far Eastern Group due to their quality and consistent supply. Furthermore, other than Far Eastern Group, we also source PET resin from one other supplier in FYE 2021, three other suppliers in FYE 2022 and two other suppliers for the FYE 2023. In the event of any disruptions in the supply of PET resin from Far Eastern Group, we are able to source from our four other alternative suppliers of PET resin that we have made purchases during the Financial Years Under Review.

Our Group’s top three suppliers, namely Far Eastern Group, Hwa Khoo Plastic Industries Sdn Bhd and Hon Chuan Malaysia Sdn Bhd collectively represented 60.72%, 63.06% and 63.34% of the total purchases for the Financial Years Under Review. As such, we are exposed to supplier concentration risk. In addition to Far Eastern Group which is a supplier of PET resin and preforms, Hwa Khoo Plastic Industries Sdn Bhd is our supplier of shrink films and Hon Chuan Malaysia Sdn Bhd is our supplier of PET preforms and plastic bottle caps. Although we have a concentration risk on these top three suppliers, we are not dependent on them as these materials are readily available from other suppliers with comparable quality and competitive pricing. For FYE 2023, we are also dealing with two other suppliers of shrink films, three other suppliers of PET preforms, and five other suppliers of plastic bottle caps. We prefer to purchase shrink films from Hwa Khoo Plastic Industries Sdn Bhd, and PET preforms and plastic bottle caps from Hon Chuan Malaysia Sdn Bhd due to their consistent quality.

7.17 DEPENDENCY ON COMMERCIAL CONTRACTS/AGREEMENTS, DOCUMENTS, MAJOR LICENCES, INTELLECTUAL PROPERTY RIGHTS OR OTHER ARRANGEMENTS

As at the LPD, save for the (i) major licences, certificates, permits and approvals in Annexure A and (ii) the 19 duly registered trademarks currently used by our Group and 2 copyrights in Annexure C of this Prospectus, the business and profitability of our Group are not materially dependent on any commercial contracts/agreements, documents, licences, intellectual properties rights or other arrangements.

7. BUSINESS OVERVIEW (CONT'D)**7.18 KEY MACHINERY, EQUIPMENT AND MOTOR VEHICLES**

Some of our key machinery, equipment and motor vehicles used in our business operations are as follows:

Manufacturing of beverage products

	As at 30 June 2023		
	Number of unit(s) / system(s)	Average age ⁽¹⁾ (years)	Net book value (RM'000)
<u>Sandakan Sibuga Plant 1</u>			
Drinking water manufacturing lines			
- PET bottle blow moulding machine	4	8	(2) 1,168
- Rinsing, filling and capping machine	2	5	(2) 708
- Labelling machine	3	2	(2) 701
- Packing machine	2	4	247
- Palletising machine	1	8	*
Carbonated drink manufacturing line			
- PET bottle blow moulding machine	1	10	(2) 158
- Pre-treatment and CIP cleaning system	1	9	*
- Boiler	2	9	(2) 9
- Carbonated mixer	1	15	*
- Rinsing, filling and capping machine	1	9	(2) 485
- Labelling machine	2	7	(2) 114
- Packing machine	3	6	(2) 444
Shared facilities			
- RO water system ⁽³⁾	3	5	(2) 1,138
<u>KK IZ4 Plant</u>			
Drinking water manufacturing lines			
- PET bottle blow moulding machine	3	8	(2) 498
- Rinsing, filling and capping machine	2	7	(2) 239
- Labelling machine	2	2	217
- Packing machine	2	5	89
- Palletising machine	2	9	322
Shared facilities			
- RO water system ⁽³⁾	1	2	(2) 246
<u>KK IZ8 Plant 1</u>			
Drinking water manufacturing line			
- PET bottle blow moulding machine	1	2	1,216
- Rinsing, filling and capping machine	1	2	2,962
- Labelling machine	1	2	465
- Packing machine	1	2	672
- Palletising machine	1	2	1,166
PET preform injection moulding machine	4	6	4,157
Bottle cap injection moulding machine	1	#	3,778
General facilities			
- RO water system ⁽³⁾	2	2	805

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- * Less than RM1,000; # Less than 1 year old
- (1) Average age is computed based on the date of acquisition of the machine/equipment. It does not take into consideration upgrades and/or modification made subsequent to the purchase of the machine/equipment.
- (2) Net book value includes upgrade and/or modification of machine/system.
- (3) RO water system comprises several units of equipment including, among others, sand filter, carbon filter, softener filter, RO filter, UV steriliser, tanks, pumps and meters.

Transportation and distribution

Motor vehicles	As at 30 June 2023		
	Number of units	Average age (years)	Net book value (RM'000)
Delivery trucks	60	7	2,481
Forklifts	27	7	670

We intend to continue using the machinery and equipment which are near their average useful life or have passed their useful life, after taking into consideration the following:

- condition and efficiency of the machinery and equipment; and
- the financial impact (depreciation and maintenance cost of the existing machinery and equipment as compared to replacement of new machinery and equipment), of which is not expected to be material to our Group.

The average useful life of our machinery and equipment is 7 years, while the average useful life of our motor vehicles is 5 years. The average age of some of our key machinery and equipment, and motor vehicles are more than their respective average lifespan of approximately 7 years and 5 years, respectively, and we continue to use the said machines and motor vehicles as they are still operational, which is in line with the above considerations.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.19 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS

Our Group's business operations are subject to the following laws and regulations:

(a) Industrial Co-ordination Act 1975 ("ICA 1975")

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued with a licence in respect of such manufacturing activity. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Failure to comply is an offence under the ICA 1975 and the person is liable, on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

Manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at the LPD, our Group holds and maintains valid manufacturing licences issued by the MITI.

(b) Factories and Machinery Act 1967 ("FMA 1967")

The FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 govern the control of factories with respect to matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery and for matters connected therein.

Under Section 34 of the FMA 1967, every person who occupies or uses any premises as a factory shall within three months submit particulars of the factory to the Chief Inspector of Factories and Machinery. No person shall, except with the written permission of the Inspector of Factories and Machinery, begin to use any premises as a factory until one month after the service of the notice.

Section 19(1) of the FMA 1967 further states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA 1967. In the case of any contravention, an Inspector of Factories and Machinery appointed under the FMA 1967 shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued. The person who contravenes Section 19(1) shall be liable for an offence and shall, on conviction, be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding three years or to both.

For the purposes of FMA 1967,

- (a) the term "machinery" includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:
 - (aa) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
 - (bb) any machinery driven by manual power other than hoisting machines;
 - (cc) any machinery used solely for private and domestic purposes; or

7. BUSINESS OVERVIEW (CONT'D)

- (dd) office machines; and
- (b) the term “material handling equipment” includes any power-driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

The Factories and Machinery (Repeal) Act 2022 (“FMA 2022”) has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the FMA 2022 was not in force as the FMA 2022 will come into operation on a date to be appointed by the Minister by notification in the gazette. The FMA 2022 will repeal the FMA 1967 when it comes into operation and any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA 1967 shall be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations.

As at the LPD, our Group holds valid certificates of fitness issued by Department of Occupational Safety and Health Malaysia for the relevant machineries we use.

(c) **Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009**

The Food Act 1983 and the Food Regulations 1985 are laws governing the food safety and quality control including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, sale and use of foods and for other related matters. The legislation applies to all foods, locally produced or imported, which are sold in the country. It covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalties.

Regulation 360B(1A) of the Food Regulations 1985 provides that no person shall take any drinking water from any source for the purpose of trade or business unless a licence to take drinking water has been granted. Regulation 360B(1D) of the Food Regulations 1985 further provides that a person who has been issued with a licence under sub-regulation (1A) and who contravenes any of the terms and conditions imposed by the MOH may have his licence suspended or revoked.

The Food Hygiene Regulations 2009 governs and controls the hygiene and safety of food sold in Malaysia. The objectives are to ensure food premises are hygienic and satisfactory in terms of design and building, ensure food handlers maintain personal hygiene and avoid practices that can contaminate food, and, amongst others, to provide for requirements of mandatory food safety assurance programmes in food manufacturing factories. The legislation applies to all food premises including any building, tent or structure in Malaysia.

Regulation 3 of the Food Hygiene Regulations 2009 requires all the following food premises to be registered, the non-compliance of which shall be an offence punishable with a fine not exceeding RM10,000 or imprisonment not exceeding 2 years:

- (i) all food premises involved in manufacturing of food;
- (ii) all food premises involved in food catering;
- (iii) all premises where food is prepared, processed, kept and served for sale; and
- (iv) all vehicles where food ready for consumption is sold.

As at the LPD, our Group holds and maintains valid (i) licences to take drinking water and (ii) certificates of registration for food premises issued by MOH.

(d) **Trades Licensing Ordinance (Sabah Cap. 144) (“Trades Licensing Ordinance”) and the by-laws of the respective local councils**

Under the Trades Licensing Ordinance, a trading licence shall authorise the holder to carry on the business described in the licence. If any person contravenes the said provisions, he shall be liable for each offence to a fine of four times the amount of the licence fee and to a further fine of RM10 for each day or part of a day subsequent to a conviction during which the contravention continues.

7. BUSINESS OVERVIEW (CONT'D)

Every trading licence shall be exhibited in a conspicuous place of the premises and any person who fails to exhibit the licence shall on conviction be liable to a fine of RM500.

As at the LPD, our Group holds and maintains valid trading licences issued by the respective local councils for our premises in various locations where we conduct our business activities.

(e) Local Government Ordinance 1961 (“LGO 1961”) and the advertisement by-laws of the respective local councils

Under the LGO 1961, the relevant local authority may exercise and perform within such area all or any powers and duties conferred on them under the LGO 1961 or by any by-laws, rules or regulations passed pursuant to the LGO 1961. The powers include the issuance of licences and the imposition of any conditions and restrictions (if any) on the licences as they deem fit.

Under the respective by-laws of the Sabah local councils and authorities, no person shall exhibit or cause to be exhibited any advertisement without a license (other than those exempted under the by-law). For instance, by-law 3(1) of the Kota Kinabalu Municipal Council (Advertisement) By Laws 1983 provides that no person shall exhibit or cause to be exhibited any advertisement other than those exempted under by-law 9 without a licence issued by the council. By-law 18 provides that any person who contravenes any of the provisions of these by-laws or any condition in a licence shall be guilty of an offence and shall be liable to a fine not exceeding RM5,000 and in the case of a continuing offence, a fine not exceeding RM200 for everyday during which such offence is continued.

As at the LPD, our Group holds and maintains valid signboard licences issued by the respective local councils for our premises in various locations where we exhibit our signboards.

(f) Labour Ordinance (Sabah Cap. 67)

Section 118(1) of the Labour Ordinance (Sabah Cap. 67) provides that no person shall employ any non-resident employee unless he has obtained a licence to employ non-resident employee. An employer who fails to comply with this section, or any person who forges, alters or tampers with a licence to employ non-resident employee or any person in possession of a forged, altered or tampered licence to employ non-resident employee, commits an offence and shall be liable on conviction to a fine not exceeding RM10,000 or to imprisonment for six months or to both. Section 118(2) of the Labour Ordinance (Sabah Cap. 67) further provides that the power of the Director of the Labour Department of Sabah to issue a licence to employ non-resident employee shall be subject to the laws on immigration applicable to Sabah and such licence shall be in such form and subject to such conditions as may be prescribed.

As at the LPD, our Group holds and maintains valid licences to employ non-resident employees.

(g) Local Government Ordinance 1961 and the building by-laws of the respective local councils

The Local Government Ordinance 1961 provides that subject to the provisions of any written law and subject to limitations and conditions as may be specified therein, the local councils shall perform or may perform all or any of the following functions, including regulate and control all buildings and building operations and the repair and removal of ruinous and dangerous buildings and subject to any written law relating to town planning, prohibit the erection of a building of a particular class, design or appearance in particular districts, localities or streets or portions of streets.

- (i) For instance, pursuant to by-law 38C(1) of the Sandakan Building By-Laws 1951 (“**Sandakan Building By-Laws**”), no person shall occupy or permit to be occupied any building or, any part thereof unless an OC, a partial OC or a temporary OC has been issued under the by-laws for such building.

7. BUSINESS OVERVIEW (CONT'D)

With respect to Sandakan Sibuga Plant 1, Life Water Industries has occupied the Sandakan Sibuga Plant 1 without OC from 2010 to 2 November 2023. Based on the findings of the architect appointed by our Group, there was a road reserve on the Sandakan local plan, which runs across the land where the Sandakan Sibuga Plant 1 is located. Hence, the building plan of the Sandakan Sibuga Plant 1 will not be approved by Sandakan Municipal Council until the road reserve is removed from the Sandakan local plan or a no objection letter is received from Jabatan Perancang Bandar Dan Wilayah. Upon receiving confirmation that the road reserve has been removed from the Sandakan local plan, Life Water Industries had applied for the building plan approval and obtained the approval on 10 August 2023. Life Water Industries had on 23 October 2023 applied to the Sandakan Municipal Council and obtained the OC on 3 November 2023.

Pursuant to By-Laws 4 and 38C(2) of the Sandakan Building By-Laws: (a) Life Water Industries shall, on conviction, be liable to a fine not exceeding RM500 and in the case of continuing offence, shall be liable to a fine not exceeding RM10 for every day during which such offence is continued and in either case shall be liable to imprisonment for 6 months; and (b) Sandakan Municipal Council may order Life Water Industries to demolish and remove the buildings, and if Life Water Industries fails to comply with such order, Sandakan Municipal Council may demolish and remove the buildings and recover the costs from Life Water Industries.

The potential maximum penalty which may be imposed on Life Water Industries for the period of past non-compliance i.e. from 2010 up to November 2023 is approximately RM51,040. In this respect, Life Water Industries had on 10 August 2023 received a compound of RM3,000 from the Sandakan Municipal Council for building the structure without approval and had paid off the compound. Save for the compound above, our Group has not received any other notices, penalties, or compounds from Sandakan Municipal Council in relation to the above incident.

Our Board is of the view that the non-compliance for occupying building without an OC has been addressed as our Group has obtained the OC for the Sandakan Sibuga Plant 1. In any case, the potential maximum penalty of approximately RM51,040 is less than 0.5% of our Group's PAT for the Financial Years Under Review, which would not have material adverse impact to our Group's business operations or financial performance. Further, Sandakan Municipal Council had imposed compound on Life Water Industries, which had been settled.

- (ii) With respect to KK IZ4 Plant, Green Borneo Industries had constructed an extension to the then existing building in 2018. Pursuant to Kota Kinabalu Municipal Council (Building) By-Laws 1951 ("**KK Building By-Laws**"), Green Borneo Industries is required to apply for the building plan approval and OC. Subsequently, Green Borneo Industries submitted the applications for the building plan approval and OC for the extension in 2018 and had obtained (i) building plan approval on 24 February 2023 and (ii) OC on 26 October 2023.

Pursuant to By-Laws 4 and 38C(2) of the KK Building By-Laws, Green Borneo Industries shall on conviction be liable to a fine not exceeding RM5,000 and in the case of continuing offence shall be liable to a fine not exceeding RM100 for every day during which such offence is continued. By-Law 4A(a) of the KK Building By-Laws further provides that if Green Borneo Industries fails to comply with any notice issued or order, Kota Kinabalu Municipal Council may at its absolute discretion summarily close, seal or physically lock up any building or eject any person therefrom or remove any equipment, machinery, article or anything whatsoever therefrom where Green Borneo Industries has erected, re-erected occupied or used the building in contravention of any

7. BUSINESS OVERVIEW (CONT'D)

provision of the by-laws or any written law or any order, direction or notice issued by the Council thereunder.

The potential maximum penalty which may be imposed on Green Borneo Industries for the period of past non-compliance i.e. from 2018 up to 24 February 2023 is approximately RM193,000.

As at the LPD, our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above incident. Our Board is of the view that the non-compliance for occupying the extension without an OC has been addressed as our Group has obtained the OC for the said extension. In any case, the potential maximum penalty of approximately RM193,000 is less than 1.5% of our Group's PAT for the Financial Years Under Review, which would not have material adverse impact to our Group's business operations or financial performance.

(h) **Commercial Vehicles Licensing Board Act 1987 ("CVLB 1987")**

CVLB Act 1987 governs the licensing and regulation of commercial vehicles. Commercial vehicles include public service vehicles and goods vehicles.

Under CVLB Act 1987, goods vehicles shall be divided into and licensed under carrier's licence A and carrier's licence C. A carrier's licence A shall entitle the holder thereof to use the authorized vehicle for the carriage of goods for hire or reward for or in connection with any trade or business carried on by him as a carrier of goods. A carrier's licence C shall entitle the holder thereof to use the authorized vehicle for the carriage of his own goods for or in connection with any trade or business carried on by him, but it shall be a condition of the licence that no vehicle which is for the time being an authorized vehicle shall be used for the carriage of goods for hire or reward other than goods sold and delivered by the holder under a contract of sale where a charge is made for the delivery of the goods.

Under Section 34 of CVLB Act 1987, no person shall use a goods vehicle or cause or permit a goods vehicle to be used for the carriage of goods unless there is in force a carrier's licence granted under CVLB Act 1987 authorizing such use, or otherwise than in accordance with such licence and any conditions attached thereto, and if he does so he shall be guilty of an offence and shall on conviction be liable to a fine of not less than RM1,000 but not more than RM10,000 or to imprisonment for a term not exceeding one year or to both.

As at the LPD, our Group holds and maintains valid carrier licences issued by the CVLB.

(i) **Land Ordinance (Sabah Cap. 68)**

The Sabah Land Ordinance (Sabah Cap. 68) ("**SLO**") governs the administration of land matters in Sabah.

Pursuant to Section 54 of the SLO, land which has been alienated under Part II of the SLO or under similar part of any previous Land Ordinance shall not be used for other than agricultural purposes except with permission of the Minister who may impose additional premium or rent or add or substitute such terms and conditions as the Minister may think fit.

Pursuant to Section 54A(1) of the SLO, whenever any land is alienated for agricultural purposes, there shall be implied the condition that no building shall be erected on the land other than a building or buildings to be used for one or more of the purposes specified or referred to in Section 54A(2) of the SLO.

Section 54A(2) of the SLO provides that the purposes referred to in Section 54A(1) of the SLO are the following:

- (a) one dwelling house for the owner of the land or any other person lawfully in occupation thereof;

7. BUSINESS OVERVIEW (CONT'D)

- (b) such other buildings as may be necessary for accommodating any domestic servants of the owner of the land or of any other person lawfully in occupation thereof;
- (c) such other buildings as may be necessary for accommodating persons lawfully employed on the land in connection with the use of the land for agricultural purposes as may be approved by the Director of Lands and Surveys or the Deputy Director of Lands and Surveys.

Pursuant to Sections 34(1) and 171A of the SLO: (a) in the absence of any express condition to the contrary in the document of title, there shall by virtue of Section 34 of the SLO be implied in every document of title the condition that in case of a breach or default in the observance of any of the conditions of the said title, whether expressed or implied by the SLO, or any previous land ordinance, the government may re-enter upon the land and resume the whole or any portion of the land; and (b) Life Water Industries shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years or to both.

Life Water Industries currently owns a land held under CL No. 075323894, District of Sandakan, Sabah (i.e. Sandakan Sibuga DC 2). Since there is no express provision on the land use indicated on the title, the land would be deemed to be alienated for agricultural purposes only. However, there was an existing single-storey laboratory with store cum workshop erected on the land, acquired on an as-is-where-is basis by Life Water Industries from Aqthal Jasmeg Agronomics Sdn Bhd pursuant to a SPA dated 4 August 2022. Life Water Industries is in breach of or default in the observance of the conditions of the land title of this land as the building currently erected on the said agricultural land is not a building as prescribed in Section 54A of the SLO.

Upon completion of the SPA on 10 February 2023, Life Water Industries had on 18 May 2023 through its solicitors submitted an application to the Sabah Lands and Surveys Department to convert the land use from agricultural to industrial. As at the LPD, the Sabah Lands and Surveys Department is in the process of verifying the documents and information submitted during the application process before a decision is made on the said application. Life Water Industries expects to complete the process of conversion of land use by the second half of 2024. Meanwhile, Life Water Industries had also demolished the store cum workshop that was erected on the land to align with the description of the OC dated 20 November 1986 which provides for a laboratory. The estimated cost for the conversion of land use is approximately RM200,000, which constitutes less than 1% of our Group's PAT for the FYE 2023.

As at the LPD, we are not occupying or using the building for our business operations and will not be occupying or using the building until the completion of the conversion of land use. In addition, as at the LPD, our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above incident.

Our Directors are of the view that there are no material adverse impact to our Group's business operations and financial condition because we are not occupying or using the buildings for our business operations and will not be occupying or using the buildings until the completion of the conversion of land use. Upon completion of the land conversion, our Group intends to use the single-storey laboratory as an office while planning for the construction of a warehouse on the land to be used as a distribution centre.

As at the LPD, our Group has implemented the following measures to enhance our internal control in order to prevent recurrence of such non-compliance:

- (a) We had appointed Tricor Axcelasia Sdn Bhd to perform a detailed evaluation on our Group's policies, procedures, systems and internal control measures. Following the review by Tricor Axcelasia Sdn Bhd, we had implemented improvement measures as recommended by them. Our management is now aware of and well informed of all requisite compliance areas as well as being able to manage compliance on an on-going basis.

7. BUSINESS OVERVIEW (CONT'D)

- (b) Further, we have established an Audit and Risk Management Committee, which comprise entirely Independent Non-Executive Directors. The duties and obligations of our Audit and Risk Management Committee include, but not limited to, reviewing the risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of our Group, and recommend for approval by the Board as well as reviewing the regulatory and clinical compliance reports and any other reports within the purview of the Committee.
- (c) Where necessary, we will seek professional advice and assistance from internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to the internal controls and compliance of our Group, and to provide our Group updates on the applicable laws related to our Group from time to time.

(j) Public Health Ordinance 1960 (Sabah No. 7 of 1960) (“PHO 1960”) and the offensive trades by-laws of the respective local councils

PHO 1960 governs the public health matters in Sabah. PHO 1960 requires the offensive traders to be licensed and it shall not be lawful for the occupier of any premises to use or permit such premises to be used for the purpose of any offensive trade or business unless he holds a licence authorising him to keep those premises for the purpose of such offensive trade or business. A person who uses any premises for any offensive trade or business in contravention of the provisions of this section, or permits any premises to be used, shall be guilty of an offence and shall be liable on conviction to a fine of RM1,000 and RM100 for every day during which the offence continues.

As at the LPD, our Group holds and maintains valid offensive trades licences issued by the respective local councils.

(k) Fire Services Act 1988 (“FSA 1988”)

The FSA 1988 prescribes the effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks or emergencies. The FSA 1988 prescribes the effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks or emergencies. The FSA provides, among other things, that a fire certificate be issued only after the designated premises have been inspected and the Fire and Rescue Department of Malaysia (“FRD”) is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Pursuant to Section 28 of the FSA 1988, every designated premises shall require a fire certificate. Where there is no fire certificate in force in respect of any designated premises, the owners of such premises shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or imprisonment for a term not exceeding five years or to both. The FRD also has a general authority to order or direct the owner or occupier of the premises to cease any activities if the FRD is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

As at the LPD, our Group holds and maintains valid fire certificates issued by the FRD.

(l) Control of Supplies Act 1961 (“CSA 1961”)

The CSA 1961 governs the Control of Supplies Regulations 1974 (“**Control of Supplies Regulations**”) for the control and rationing of supplies of any controlled article.

Regulation 9(2) of the Control of Supplies Regulations provides that a wholesaler shall not sell any scheduled article in which he is authorised to sell to any person other than to a wholesaler or retailer who is authorised to deal or purchase such scheduled article by wholesale or retail, as the case may be unless he is authorised in writing by the Controller of Supplies appointed under the CSA 1961 to sell the scheduled article to

7. BUSINESS OVERVIEW (CONT'D)

any purchaser or class of purchasers; or the purchaser is authorised in writing by the Controller to purchase such scheduled article.

Section 22(2) of the CSA 1961 states that any body corporate which commits an offence against CSA 1961 shall, on conviction, be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000.

As at the LPD, our Group holds and maintains valid scheduled controlled articles permits.

(m) Trade Descriptions Act 2011 ("TDA 2011")

The TDA is enforced by the MDTCL and provides protection for traders and consumers from unhealthy trade practices. The TDA aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services.

Under the TDA, a body corporate who applies a false trade description to any goods shall be on conviction, liable to a fine not exceeding RM250,000, and for a second and subsequent offence, to a fine not exceeding RM500,000.

Under the Trade Descriptions (Definition of Halal) Order 2011 and the Trade Descriptions (Certification and Marking of Halal) Order 2011, which form part of the TDA, JAKIM is authorised to certify any food, goods or services as "Halal". Halal certificates issued by JAKIM shows that a product is qualified to be consumed by Muslims, which means that the food or goods does not contain any harmful or any part of matter that was forbidden by the Shariah law. JAKIM will from time to time carry out scheduled inspections on Malaysia Halal Certificate holders to verify their compliance to certification requirements, use of logo and halal standard.

As at the LPD, our Group is in compliance with the relevant provisions under the TDA 2011 and the regulations thereunder and our Group has obtained Halal certifications for its products which are described as Halal.

(n) Occupational Safety and Health Act 1994 ("OSHA 1994")

The OSHA 1994 makes provisions for securing the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

It shall be the duty of every employer to conduct its undertaking in such a manner as to ensure, as far as possible, that he and other persons, not being its employees who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains, or imports any machinery, equipment, or appliance for use at work shall ensure the aforesaid, and the installation thereof, is safe and without risks to health when properly used; carry out testing and examination as necessary; and ensure the results of such tests are available.

The OSHA 1994 also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Pursuant to the OSHA 1994, a person who by any act or omission contravenes any provision of the OSHA 1994 or any regulation made thereunder, shall be guilty of an offence, and if no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding one year or to both, and in the case of continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

As at the LPD, our Group is in compliance with the relevant provisions under the OSHA 1994.

7. BUSINESS OVERVIEW (CONT'D)**(o) Immigration Act 1959/63 ("Immigration Act")**

The employment of foreign workers in Malaysia is subject to the provisions contained in the Immigration Act, which prohibits the employment of one or more persons not in possession of valid pass or entry permit issued under the Immigration Act. Any person who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such employee.

As at the LPD, all of our foreign employees hold valid and subsisting working permits.

(p) Environmental Quality Act 1974 ("EQA") and Environment Protection Enactment 2002

The EQA sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment whilst the Environment Protection Enactment 2002 governs the protection of environment and for matters connected therewith in Sabah.

The EQA sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment whilst the Environment Protection Enactment 2002 governs the protection of environment and for matters connected therewith in Sabah.

The EQA provides that no person shall:

- (a) place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters;
- (b) receive or send, or cause or permit to be received or sent any scheduled wastes in or out of Malaysia; or
- (c) transit or cause or permit the transit of scheduled wastes,

without any prior written approval of the Director General.

Any person who contravenes the said provision shall be guilty of an offence and shall on conviction be punished with imprisonment for a term not exceeding five years and shall also be liable to a fine not exceeding RM500,000.

As at the LPD, our Group complies with the relevant provisions of the EQA and its regulations. Our Group has also appointed a licensed service provider to collect and transport scheduled wastes from our plant, and dispose, treat and carry out other waste management related services at premises of the licensed service provider.

(q) Electricity Supply Act 1990 ("ESA 1990") Electricity Regulations 1994 ("Electricity Regulations")

The ESA 1990 including the Electricity Regulations regulate the electricity supply industry, the supply of electricity, the licensing of any electricity installation, as well as the registration of any electrical contractors, manufacturers, importers and any competent person involved in the supply or use of electricity.

ESA 1990 provides that, subject to the exemptions prescribed under the ESA 1990, no person other than a supply authority shall (i) use, work, or operate or permit to be used, worked or operated any installation or (ii) supply to or for the use of any other person electricity from any installation, except under and in accordance with the terms of a licence granted by the Energy Commission expressly authorising the supply or use, as the case may be. Any person who supplies electricity from an installation to or for the use of any person without a licence shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM100,000 and to a further fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

As at the LPD, our Group holds and maintains a valid licence for private installation to use, work and operate an electrical installation at KK IZ8 Plant 1.

7. BUSINESS OVERVIEW (CONT'D)**(r) Sabah Water Supply Enactment 2003**

Sabah Water Supply Enactment 2003 governs the control and regulation for the supply and distribution of water and for matters connected therewith and incidental thereto.

Any consumer who has a contract with the State Water Authority for the supply of water allows or causes any such water to be carried or conveyed or used outside such premises for purposes other than the purpose of the contract (the extinguishments of fire excepted), wilfully or negligently misuses or wastes or causes or permits to be misused or wasted any water supplied to his premises, or has agreed to use the water supplied for a particular purpose only but uses or causes or permits the use of water for a different purpose (the extinguishments of fire excepted), commits an offence and shall on conviction be liable to a fine not exceeding RM10,000.

As at the LPD, our Group is in compliance with the relevant provisions of the Sabah Water Supply Enactment 2003.

(s) Sabah Water Resources Enactment 1998

Sabah Water Resource Enactment 1998 provides for the sustainable management of the water resources of Sabah, so as to promote the orderly, equitable and efficient use of water and to maximise its economic, social and environmental benefits for the future, and for other matters connected therewith and incidental thereto.

Any person who, without the authorisation of the Director, wilfully destroys, damages, defaces, moves, or otherwise interferes with any notice, record or mark placed or set up for the purpose of identification or indicating any level or direction necessary for the carrying out of any of the purposes of Sabah Water Resource Enactment 1998 commits an offence and on conviction:

- (a) shall be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding one year or to both; and
- (b) may, in addition to or in place of that penalty, be ordered to pay to the Director of Water Resources a sum, recoverable as a fine, not exceeding three times the cost of repairing or replacing the notice, record or mark and of making any survey rendered necessary by the act in respect of which the person is convicted.

As at the LPD, our Group is in compliance with the relevant provisions of the Sabah Water Resources Enactment 1998.

The above summary does not purport to be an exhaustive description of all laws and regulations of which our Group's business is subject to.

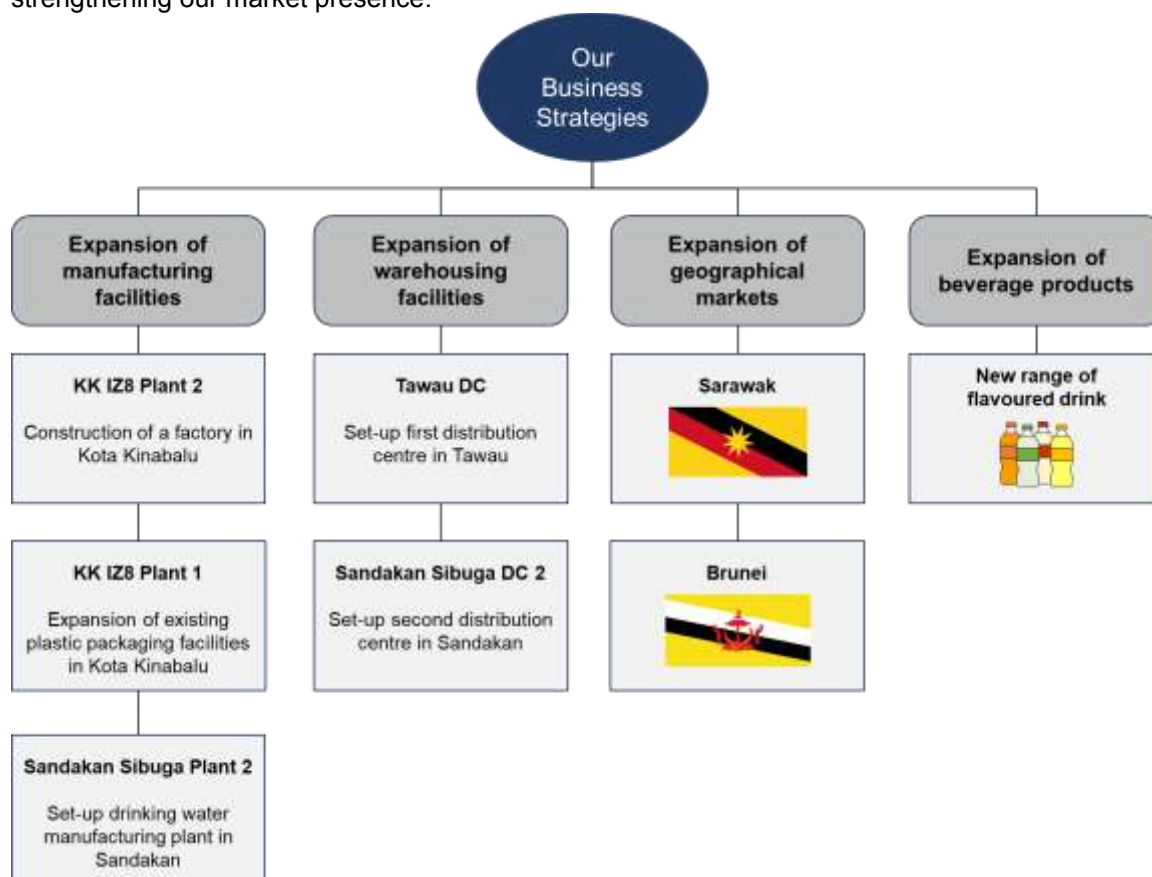
As at the LPD, save as disclosed above, there are no breach of laws and regulations governing our business operations, and environmental issues which may materially affect our Group's business operation and usage of our properties.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

7.20 BUSINESS STRATEGIES AND PLANS

Moving forward, our strategy is to leverage on our core competency and strength as a manufacturer of drinking water and carbonated drinks to serve the Sabah market. We will continue to focus on our core competencies in beverage manufacturing with an objective of strengthening our market presence.



(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

We aim to implement the business strategies and plans between 2024 and 2027. The following table summarises our business strategies and plans including its expected timeline, estimated cost and source of funding.

Our Business Strategies	Expected timeline	Estimated cost RM'000	Source of funding	
			IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Expansion of manufacturing facilities				
(i) Construction of a factory in Kota Kinabalu (KK IZ8 Plant 2)	By 2025	38,483	-	38,483
(ii) Expansion of existing plastic packaging facilities at KK IZ8 Plant 1	By 2025	[•]	[•]	-
(iii) Set-up drinking water plant in Sandakan (Sandakan Sibuga Plant 2)	By 2027	[•]	[•]	9,000
Expansion of warehousing facilities				
(i) Set-up first distribution centre in Tawau (Tawau DC)	By 2025	6,336	-	6,336
(ii) Set-up second distribution centre in Sandakan (Sandakan Sibuga DC 2)	By 2027	[•]	[•]	-
Expansion of geographical markets	By 2024	-	-	-
Expansion of beverage products	By 2024	-	-	-
TOTAL		[•]	[•]	53,819

7.20.1 Expansion of manufacturing facilities

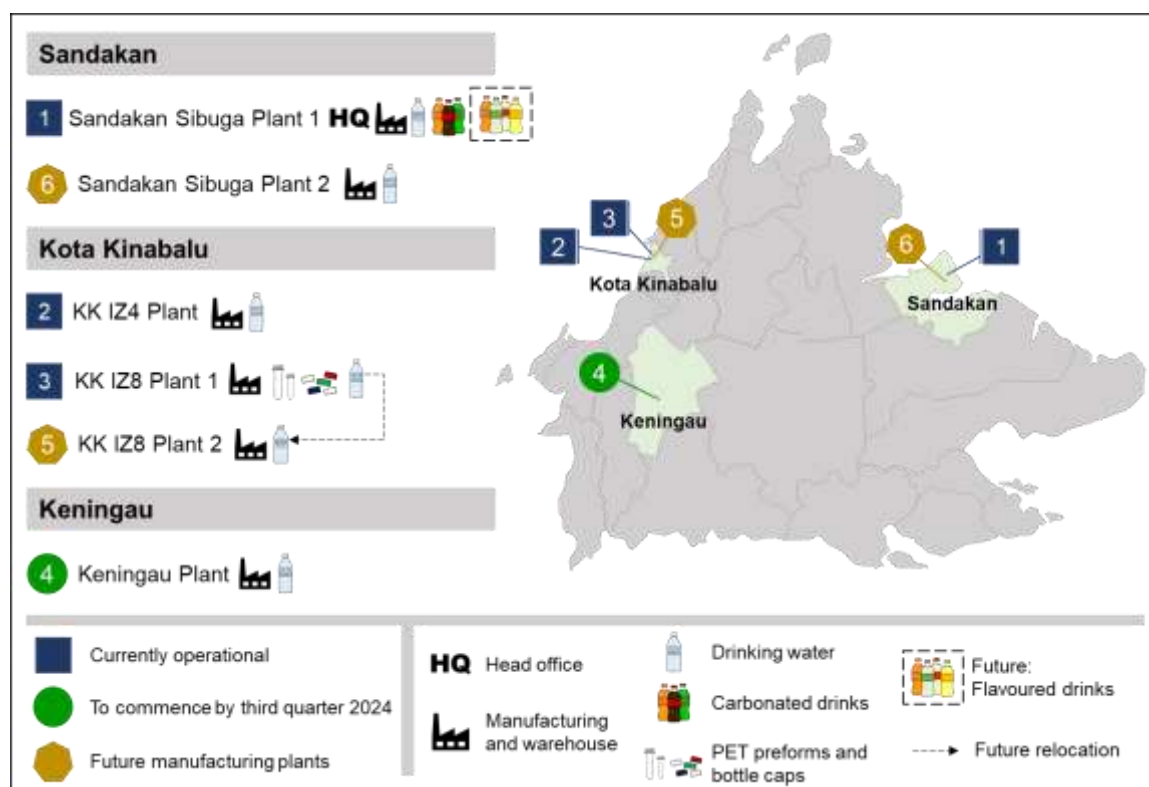
As at the LPD, we have 1 manufacturing facility in Sandakan namely Sandakan Sibuga Plant 1 and 2 manufacturing facilities in Kota Kinabalu namely KK IZ4 Plant and KK IZ8 Plant 1. Additionally, we have 1 manufacturing facility in Keningau which is expected to commence operations by the third quarter of 2024.

Moving forward, we plan to expand our manufacturing facilities in Kota Kinabalu and Sandakan as follows:

- (i) Construction of a factory in Kota Kinabalu, namely KK IZ8 Plant 2 to house the relocation of drinking water lines from KK IZ8 Plant 1;
- (ii) Expansion of existing plastic packaging facilities at KK IZ8 Plant 1 to become a dedicated plant for plastic packaging in Kota Kinabalu; and
- (iii) Set up a drinking water manufacturing plant in Sandakan, namely Sandakan Sibuga Plant 2 where we will construct a new factory and purchase new drinking water manufacturing lines.

7. BUSINESS OVERVIEW (CONT'D)

Our existing and future manufacturing facilities in Sabah



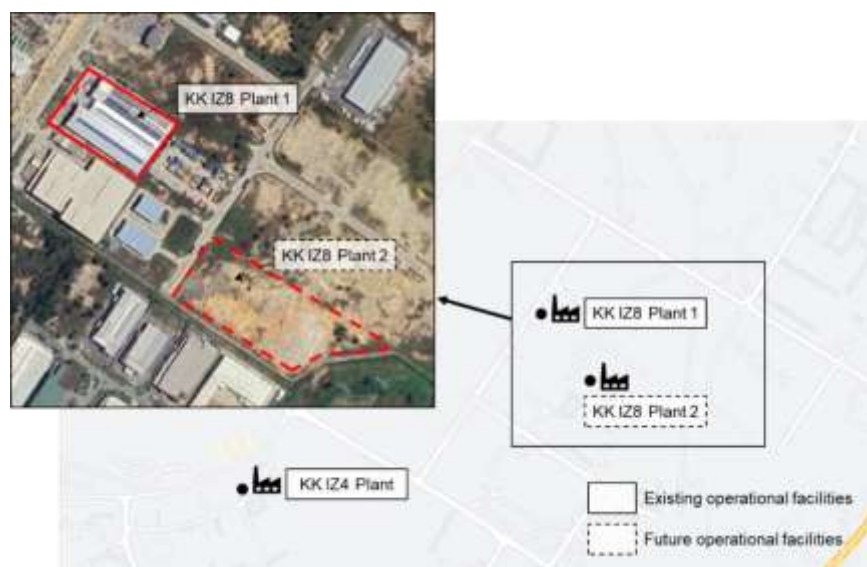
(i) Construction of a factory in Kota Kinabalu

As part of our expansion plans in Kota Kinabalu, we intend to construct a factory in Kota Kinabalu namely KK IZ8 Plant 2 to house the relocation of 1 drinking water manufacturing line from KK IZ8 Plant 1.

In November 2023, we entered into a SPA with K.K.I.P. Sdn Bhd to purchase 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 plant using internally generated funds. We expect the SPA to be completed by March 2024 where the remaining 90% amount (RM16.64 million) will be using bank borrowings to fund the purchase of the land. The said land for the construction of KK IZ8 Plant 2 is located within close proximity to our existing KK IZ8 Plant 1 and within the vicinity of our existing KK IZ4 Plant (as depicted below). We intend to construct a factory building on the said land with an estimated total built-up area of 100,000 sq. ft. comprising factory, warehouse and office by 2025.

7. BUSINESS OVERVIEW (CONT'D)

The following diagram depicts our existing and future operational facilities in Kota Kinabalu:



The rationale of the construction of a new factory in Kota Kinabalu are as follows:

- **Conversion of KK IZ8 Plant 1 into a dedicated plastic packaging plant**

As part of our plans to gradually convert KK IZ8 Plant 1 into a dedicated plastic packaging plant to support our beverage manufacturing operations, we plan to relocate the existing drinking water production line at KK IZ8 Plant 1 to KK IZ8 Plant 2 by the first half of 2025. Please refer to Section 7.20.1 (ii) of this Prospectus for details on our plan for the conversion of KK IZ8 Plant 1 into a dedicated plastic packaging plant.

- **To cater for the growing demand of our drinking water in West Coast and Kudat Divisions of Sabah and prepare for long-term expansion**

Currently, our customers in West Coast and Kudat Divisions of Sabah are served by our manufacturing operations in Kota Kinabalu. Please refer to Section 7.5.3.2 of this Prospectus for further details of our distribution network throughout Sabah.

Sales of our drinking water to customers in the West Coast and Kudat Divisions of Sabah represented 31.30% (RM47.24 million) and 5.99% (RM9.05 million) of our total revenue in FYE 2023. Revenue for West Coast and Kudat Divisions of Sabah grew at a CAGR of 23.25% and 20.66% respectively, between FYE 2021 and FYE 2023.

7. BUSINESS OVERVIEW (CONT'D)

The following table depicts our revenue that were generated from sales of drinking water to customers located in West Coast and Kudat Divisions of Sabah for the Financial Years Under Review:

Revenue from drinking water	FYE 2021		FYE 2022		FYE 2023	
	RM'000	* %	RM'000	* %	RM'000	* %
West Coast Division ⁽¹⁾	31,099	30.04	36,214	29.83	47,244	31.30
Kudat Division ⁽²⁾	6,215	6.00	7,705	6.35	9,049	5.99

Notes:

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

(1) West Coast Division includes Kota Kinabalu, Kota Belud, Ranau, Tuaran, Penampang, Papar and Putatan districts.

(2) Kudat Division includes Kota Marudu, Kudat and Pitas districts.

In view of the growing demand of drinking water in West Coast and Kudat Divisions of Sabah, the proposed KK IZ8 Plant 2 has a built-up area of 100,000 sq. ft. which is able to cater for any expansion of drinking water production lines in the future.

The following table depicts the estimated timeline for the KK IZ8 Plant 2:

Estimated Timing	Details
Completed	<ul style="list-style-type: none"> Sign the SPA to purchase land
1H 2024	<ul style="list-style-type: none"> Completion of SPA Submission of building plan and appointment of contractor Commencement of building construction
1H 2025	<ul style="list-style-type: none"> Completion of building construction and obtain the relevant building approvals
2H 2025	<ul style="list-style-type: none"> Relocate drinking water manufacturing line from KK IZ8 Plant 1 Obtain the necessary certifications, registrations and licences such as business licence, manufacturing licence and premises registration Commence operations of the drinking water line at KK IZ8 Plant 2

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

The following table sets out the estimated cost for the setting up of KK IZ8 Plant 2 for the manufacturing of drinking water:

Set-up of KK IZ8 Plant 2	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Purchase of land	18,483	-	⁽¹⁾ 18,483
Construction of factory building	18,000	-	⁽¹⁾ 18,000
Relocation of drinking water manufacturing line from KK IZ8 Plant 1	2,000	-	2,000
Total estimated cost	38,483	-	38,483

Note:

- (1) As at the LPD, we have secured 2 term loans amounting to RM17.27 million and RM19.90 million to partially fund the purchase of land, and construction of factory building, respectively.

The total cost to set-up KK IZ8 Plant 2 is estimated at RM38.48 million and the entire cost will be funded using internally generated funds and bank borrowings.

(ii) Expansion of existing plastic packaging facilities in Kota Kinabalu

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

Our existing and proposed set-up of KK IZ8 Plant 1



KK IZ8 Plant 1 was established in three phases as follows:

- Phase 1 – a factory building which currently being used for the production of PET preform and bottle cap, and storage space for PET preforms and bottle caps.
- Phase 2 – a factory building which currently being used for the production of drinking water, and storage space for plastic resin and drinking water.
- Phase 3 – a warehouse building which is currently being utilised as storage space for finished goods, namely drinking water and carbonated drinks.

7. BUSINESS OVERVIEW (CONT'D)

Moving forward, we intend to purchase the following machinery/systems and install them at the Phase 2 building:

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

In addition, once the construction of KK IZ8 Plant 2 is completed, we plan to relocate the drinking water line from KK IZ8 Plant 1 to KK IZ8 Plant 2.

Automated warehouse racking system

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

Example of the automated warehouse racking system



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

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

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

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

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

Block stacking method



7. BUSINESS OVERVIEW (CONT'D)

- **Improve warehouse productivity and efficiency**

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

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

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

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

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

PET preform injection moulding machine

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

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

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

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

- (i) We are utilising one of our 72-cavity PET preform injection moulding machine to produce 26g PET preforms (for 1500ml bottles) with an annual production capacity (based on machine design) of 168.77 million pieces. In FYE 2023, we produced 124.48 million pieces of 26g PET preforms, thus the utilisation rate was 73.76%. This machine commenced operations in April 2019.

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

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

(iii) Set-up a drinking water manufacturing line in Sandakan

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

7. BUSINESS OVERVIEW (CONT'D)

In January 2023, we acquired a vacant land measuring 5.82 acres along Jalan Lintas Sibuga in Sandakan for RM3.87 million using internally generated funds and bank borrowings. We intend to construct a factory building, namely Sandakan Sibuga Plant 2 with an estimated total built-up area of 50,000 sq. ft. comprising factory and office.

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

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

- **Growing demand for our drinking water in Sandakan and Tawau Divisions of Sabah**

Currently, our customers in the Sandakan and Tawau Divisions of Sabah are served by Sandakan Sibuga Plant 1. Please refer to Section 7.5.3.2 of this Prospectus for further details of our distribution network throughout Sabah.

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

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

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

Notes:

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

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

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

- **Increased production output and utilisation of our manufacturing facility in Sandakan**

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

7. BUSINESS OVERVIEW (CONT'D)

The following table depicts our production capacity, output and utilisation of 250ml, 500ml and 1500ml bottled drinking water at Sandakan Sibuga Plant 1 for the Financial Years Under Review.

	No. of production lines	Production capacity ⁽¹⁾ (million litres)	Production output (million litres)	Utilisation rate
FYE 2021	2	⁽²⁾ 106.92	66.43	62.13%
FYE 2022	2	⁽³⁾ 108.32	72.24	66.69%
FYE 2023	2	⁽⁴⁾ 116.82	85.27	72.99%
From 1 July 2023 up to the LPD	2	⁽⁵⁾ 48.68	41.70	85.66%

Notes:

- (1) Production capacity is based machine design capacity multiplied by the respective machine efficiency rate in the respective year, running 22 hours per day for two shifts and 25 working days per month.
- (2) In FYE 2021, we have 2 lines where 1 line producing 1500ml drinking water only and 1 line producing 500ml drinking water only ("**Line 2**").
- (3) In FYE 2022, we upgraded and purchased a new fully automated drinking water production line ("**New Line 2**") to produce 500ml and 250ml bottled drinking water which replaced Line 2 and commenced operations in March 2022. Line 2 was suspended, dismantled and has been transferred to Keningau Plant for future use.
- (4) In FYE 2023, the production capacity increased due to full year operation of New Line 2.
- (5) Production capacity is prorated to 5 months.

The following table depicts our Group's estimated timeline for the set-up of Sandakan Sibuga Plant 2:

Estimated Timing	Details
Completed	<ul style="list-style-type: none"> Application of land conversion for industry use Site clearance and land levelling process Engagement of architect to design the building structure
2H 2024	<ul style="list-style-type: none"> Submission of development plan Submission of building plan and appointment of contractor
1H 2025	<ul style="list-style-type: none"> Commencement of building construction
1H 2026	<ul style="list-style-type: none"> Purchase of new drinking water manufacturing line
2H 2026	<ul style="list-style-type: none"> Completion of building construction Obtain the relevant building approvals
1H 2027	<ul style="list-style-type: none"> Installation of new drinking water manufacturing line Obtain the necessary certifications, registrations and licences such as business licence, manufacturing licence and premises registration Commencement of operations of drinking water production at Sandakan Sibuga Plant 2

7. BUSINESS OVERVIEW (CONT'D)

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

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

Note:

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

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

7.20.2 Expansion of warehousing facilities

As at the LPD, we have 4 distribution centres located in Sandakan, Lahad Datu and Kota Kinabalu. Moving forward, we plan to expand our warehousing facilities by setting up 2 new distribution centres in Tawau and Sandakan, respectively, as follows:

(i) Set-up a first distribution centre in Tawau

As part of our expansion plan, we also intend to set-up our first distribution centre in Tawau, namely Tawau DC to cater to the growing demand of our beverage products in Tawau Division market in Sabah by 2025. In September 2023, we signed an offer to purchase a single storey office with an open shed building with total built-up area of 12,600 sq ft on a 1.98-acres land in Tawau for RM3.98 million. We signed the SPA in January 2024 and paid a 10% deposit (RM0.40 million) for the said property using internally generated funds. Subsequently, we expect the SPA to be completed by April 2024 where the remaining 90% amount (RM3.58 million) is to be paid using bank borrowings to fund the purchase of the land.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (CONT'D)

Revenue from customers in the Tawau Division of Sabah represented 21.00% of our total revenue in FYE 2023 where it registered double digit CAGR of 21.67% from RM21.41 million in FYE 2021 to RM31.70 million in FYE 2023. The following table depicts our revenue from customers located in Tawau Divisions of Sabah for the Financial Years Under Review:

	FYE					
	2021		2022		2023	
	RM'000	* %	RM'000	* %	RM'000	* %
Tawau Division	21,415	20.68	25,880	21.32	31,701	21.00
Lahad Datu	11,433	11.04	13,379	11.02	16,999	11.26
Semporna	6,676	6.45	8,336	6.87	9,550	6.33
Kunak	1,823	1.76	2,181	1.80	2,588	1.71
Tawau	1,483	1.43	1,984	1.63	2,564	1.70

Revenue includes sales of beverage and other products.

Note:

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

Tawau district is the third most populous district in Sabah after Kota Kinabalu and Sandakan while Lahad Datu is ranked fourth (Source: Department of Statistics Malaysia). Currently, our customers in Lahad Datu district are being served by our distribution centres in Lahad Datu, namely Lahad Datu DC 1 and 2, while our customers in Tawau district are being served directly from our warehousing facilities in Sandakan.

In FYE 2023, we are able to record sales of RM17.00 million from customers in Lahad Datu district, while our sales to customers in Tawau district were only RM2.56 million during the same period. Moving forward, we intend to set-up a distribution centre in Tawau to capture the potential market from the large population in area.

We intend to commence the renovation works on the warehouse building by the second quarter of 2024 mainly to strengthen the floor load and install a fire protection system. We estimate that the renovation works as well as obtaining the relevant approvals, licenses and registration would take approximately 1 year. As such, we target to commence operations at Tawau DC by the second half of 2025.

The total cost to renovate the building is estimated at RM2.36 million which will be funded using bank borrowings and/or internally generated funds. The following table sets out the estimated cost for the setting up of Tawau DC:

	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Set-up of Tawau DC			
Purchase of warehouse building	3,980	-	3,980
Renovation of warehouse building	2,356	-	2,356
Total estimated cost	6,336	-	6,336

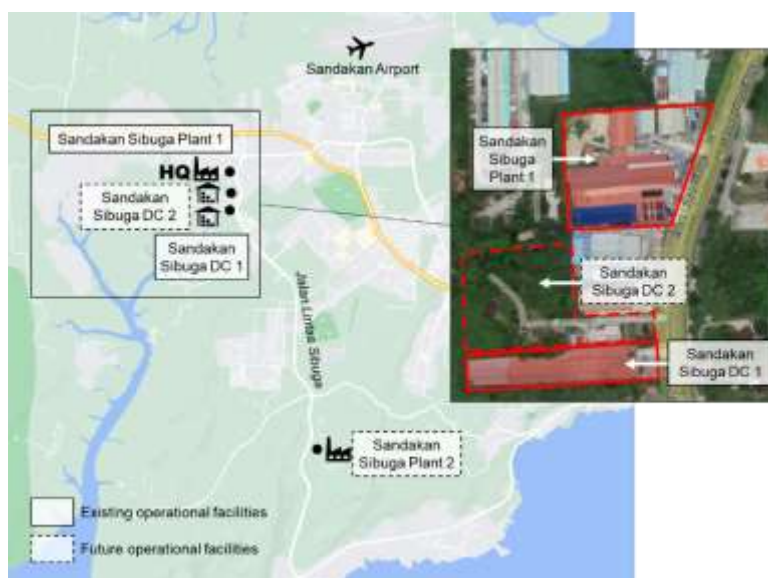
The total cost to set-up Tawau DC is estimated at RM6.34 million and the entire cost will be funded using internally generated funds and bank borrowings.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Set-up a second distribution centre in Sandakan

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

The following diagram depicts our existing and future operational facilities in Sandakan:



We plan to construct a warehouse with an estimated built-up area of 70,000 sq. ft. which will serve as our distribution centre, and set-up a depot covering a floor area of 10,000 sq. ft. to park our fleet of delivery trucks.

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

- commencement of operations of Tawau DC by 2025.

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

The following table depicts our Group's estimated timeline for the set-up of Sandakan Sibuga DC 2:

Estimated Timing	Details
Completed	<ul style="list-style-type: none"> • Application of land conversion for industry and commercial use
2H 2024	<ul style="list-style-type: none"> • Completion of land conversion
2H 2025	<ul style="list-style-type: none"> • Site clearance and land levelling process • Engagement of architect to design the building structure • Submission of development plan • Submission of building plan and appointment of contractor
1H 2026	<ul style="list-style-type: none"> • Commencement of building construction
1H 2027	<ul style="list-style-type: none"> • Completion of building construction
2H 2027	<ul style="list-style-type: none"> • Obtain the relevant building approvals • Commencement of operations at Sandakan Sibuga DC 2

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

Set-up of Sandakan Sibuga DC 2	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds and/or bank borrowings RM'000
Preliminaries ⁽¹⁾	[•]	[•]	-
Earthworks	[•]	[•]	-
Piling works	[•]	[•]	-
Building works for 70,000 sq. ft. covered warehousing building including mechanical and electrical works	[•]	[•]	-
External works including drainage, landscaping, fencing, road, and carpark	[•]	[•]	-
Total estimated cost	[•]	[•]	-

Note:

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

The total cost of setting-up Sandakan Sibuga DC 2 is estimated at RM[•] million. We intend to allocate RM[•] million, representing approximately [•]% of the gross proceeds from the Public Issue to fund the abovementioned plans.

7.20.3 Expansion of geographical markets

Currently, our main geographical market is in Sabah which represents 98.72% (RM149.03 million) of our total revenue in FYE 2023. We also generate revenue from other markets such as Sarawak and Labuan, albeit small. Currently, we are only serving customers in the fringes of Sarawak namely Limbang and Lawas which is located close to Sabah. Currently, we do not have any existing appointed distributor for the distribution of our beverage products.

Moving forward, we plan to make further inroads to other parts of Sarawak and Brunei. As at the LPD, we are in the midst of seeking to appoint distributors in Sarawak and Brunei to increase the distribution of our beverage products in these respective markets. In view that we do not intend to have any physical presence in Sarawak or Brunei, we intend to leverage on

7. BUSINESS OVERVIEW (CONT'D)

the distributors' existing distribution network including retailers, wholesalers or food service operators. This would enable us to gain access into these markets by using the distributor's existing distribution network without the need for capital investment. We intend to enter into a distribution agreement with the appointed distributor where the agreement may include terms such as duration of agreement, territorial coverage and product coverage.

We intend to commence the process of identifying and shortlisting distributors by the third quarter of 2025 before appointing distributors for Sarawak and Brunei by the end of 2025.

As this plan only involves the appointment of distributors, there is no capital expenditure or material operational expenditure that we will incur, save for some minor administrative expenses for the preparation and stamping of the distributorship agreement which will be funded through internally generated funds.

7.20.4 Expansion of beverage products

We plan to expand our portfolio of beverage products to include a new range of flavoured drinks under the brand of "Mandak" which is currently pending trademark registration as at the LPD.

At this stage of the milestone, we are in the midst of carrying out research and development on the flavoured drink recipe and have undertaken a trial production run for one batch of flavours as at the LPD. In addition, we have carried out internal product testing including nutritional content testing and shelf-life testing. We are also in the midst of undergoing the internal taste testing sessions for product improvement and enhancement.

We aim to commercialise and launch the flavoured drinks to our existing customers including retailers, wholesalers and food service operators in the Sabah market by the second quarter of 2024. The sales and marketing of the new flavoured drink product is estimated to cost up to RM15,000 per month which will be funded through internally generated funds. We intend to utilise our existing carbonated drinks production line for the production of the flavoured drinks at Sandakan Sibuga Plant 1.

7.21 EMPLOYEES

As at the LPD, we have a total workforce of 488 employees, which consist of 460 permanent employees and 28 contractual workers.

The following table sets out the breakdown of our employees in our Group based on job function as at the LPD:

Departments	Number of employees as at the LPD				Total
	Permanent		Contract		
	Locals	Foreigners	Locals	Foreigners	
Key Senior Management	5	-	-	-	5
Sales and Marketing	51	-	-	-	51
Technical and IT	9	-	-	-	9
Finance & Account and Administrative	21	-	1	-	22
Procurement	2	-	-	-	2
Production and Warehouse	235	6	12		253
Quality Assurance/Control	9	-	-	-	9
Transportation/Distribution	116	-	14	-	130
Human Resources	6	-	1	-	7
Total	454	6	28	-	488

As at the LPD, none of our Group's employees are a member of any union and there has not been any major industrial dispute. As at the LPD, all of our foreign employees hold valid and subsisting working permits.

8. INDUSTRY OVERVIEW

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

20 December 2023

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

Vital Factor Consulting Sdn Bhd
Company No.: 199301012059 (266797-T)

V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel: (603) 7931-3188
Fax: (603) 7931-2188
Email: enquiries@vitalfactor.com
Website: www.vitalfactor.com

Dear Sirs and Madams

**Independent Assessment of the Manufacture of Bottled Water and
Carbonated Drinks Industry**

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Life Water Berhad for the listing of its shares on the Main Market of Bursa Securities. We have prepared this report independently and objectively and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Date of Report: 20 December 2023

INDEPENDENT ASSESSMENT OF BOTTLED WATER AND CARBONATED DRINKS INDUSTRY

1. INTRODUCTION


- Life Water Berhad together with its subsidiaries (herein referred to as Life Water Group) is mainly involved in the manufacture of bottled water particularly drinking water, and carbonated drinks in Malaysia which will form the focus of this report. Life Water Group's manufacturing operations and market are focused in Sabah, which will also be the focus of this report.
- This report focuses on branded and packaged beverages that can be consumed without further preparation. All information in this report refers to Malaysia unless stated otherwise. In the context of this report, the term "beverages" is used interchangeably with "drinks" and refers to non-alcoholic beverages only, and bottled water refers to mineral water and drinking water unless otherwise specified. All gross domestic product (GDP) referred to in this report is nominal GDP unless mentioned otherwise. This report primarily discusses the 3-year compound annual growth rate (CAGR) as it represents a more recent industry performance compared to the 5-year CAGR. Nevertheless, 3-year and 5-year CAGR are provided.

2. INDUSTRY SEGMENTS

- Manufactured beverages can be categorised as follows:

- **Bottled water:** Comprises treated plain water segmented as follows:
 - natural mineral water from underground water sources containing various naturally found minerals; and
 - drinking water commonly from public water supply but could also be from surface or underground water, not including natural mineral water.

Bottled drinks	Carbonated drinks	Functional drinks
Dairy drinks	Non-alcoholic beverages	Fruit-based drinks
Concentrates and syrup	Asian drinks	Flavoured drinks

 Life Water Group is mainly involved in these segments

- **Carbonated drinks:** Beverages containing dissolved carbon dioxide. A large proportion of carbonated drinks are sweetened, coloured and flavoured. Common examples of carbonated drinks include soda, sparkling water, and flavoured carbonated drinks.
- **Functional drinks:** Includes energy, sports and hydration (referred to as isotonic), health and wellness, weight management, and ready-to-drink coffee, tea, chocolate, malt and probiotic drinks.
- **Fruit-based drinks:** Water with added natural fruit juice or concentrates including:
 - fruit juices (expressed juice or reconstituted product of concentrated juice and potable water);
 - fruit drinks (soft drinks with more than 5% of fruit juice (by weight or volume));
 - fruit juice drinks (soft drinks with more than 35% of fruit juice (by weight or volume)).

This category also includes the following less common categories:

- sparkling fruit juice (carbonated fruit-based drinks);
- natural fruit-flavoured drinks (extracts of fruits used as flavouring and sometimes classified under bottled water).
- **Flavoured drinks:** Non-carbonated and mainly artificially flavoured and artificially coloured drinks.

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

- **Asian drinks:** This category is popular in Asian countries and mainly includes Asian fruit, flower, herb, legume or vegetable-based drinks, such as chrysanthemum, soybean, grass jelly, winter melon, lychee, aloe vera and sugar cane.
- **Concentrates and syrups:** Mainly refers to cordials that require the addition of water prior to drinking or added to other drinks.
- **Dairy drinks:** Includes milk and milk-based drinks including plain milk, flavoured milk and yoghurt drinks.

The above are the general industry categorisation of beverages and some categories overlap other categories.

- Life Water Group is mainly involved in the manufacture of drinking water and carbonated drinks including flavoured carbonated drinks and a small proportion of carbonated isotonic drinks.

3. MANUFACTURING PROCESS OF BOTTLED WATER

- The key process in the manufacture of bottled water is to obtain water and treat the water to ensure it is safe for consumption before packaging it for wholesale or retail to consumers.

3.1 Sources of water

- Natural mineral water is sourced directly from underground water resources (at the point when water flows out to the surface of the earth) through a spring, well, bore or other exits from the ground. It must be obtained directly from the point of natural emergence of the water and packaged as close as possible to its source. It must be collected under conditions which guarantee its original bacteriological purity. It cannot be transported in bulk for further processing or packaging. These water sources must contain natural minerals such as magnesium, calcium, fluoride, sodium and sulphate, and cannot be artificially fortified or enriched with added minerals or vitamins.
- Meanwhile, drinking water can be sourced from any potable water that is suitable for human consumption including public water supply, surface water or underground water, other than natural mineral water.
- Life Water Group is mainly involved in the manufacturing of drinking water, which is sourced from Sabah's public water supply system.

3.2 Methods of water treatment

- Water taken from any sources must be processed and treated to ensure that the end product is safe to drink directly from the container without further preparation. According to the Food Regulations 1985, bottled water needs to comply with the prescribed chemical, bacteriological and radioactivity standards. As such, it may undergo one or more treatment processes to remove or reduce contaminants such as pesticides, mineral oil, manganese, arsenic and coliform organisms to comply with the said standards.
- Some methods used in processing of bottled water include the following:
 - **Filtration** which uses various types of membranes to filter out impurities and particulates from water, but commonly retains the natural minerals in the water;
 - **Reverse osmosis (RO)** which uses pressure to force raw water through a semi-permeable membrane to remove most contaminants (such as dissolved salts, minerals and other impurities) and microorganisms; and
 - **Distillation** which uses heat to convert water into steam and subsequently cools them back to pure water, thereby eliminating microorganisms, minerals and other particulates.

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Generally, it is common for natural mineral water to use a filtration system to minimise the removal of minerals that are naturally present in the water, while drinking water uses reverse osmosis.

- Complementing the above are some of the key processes and treatments to ensure the safety and taste of the product including the following:
 - mechanical filtration including the use of various sizes of aggregates, sand, garnets and coal to remove particulates;
 - activated carbon to remove chlorine, odour, taste and other volatile organic chemicals;
 - ozonisation which involves the infusion of ozone gas into the water is used to eliminate contaminants, such as bacteria, viruses and metals;
 - ultraviolet ray sterilisation is used to disinfect bacteria, viruses and other microorganisms;
 - water softening to reduce the hardness of the water to improve its taste.
- Life Water Group utilises reverse osmosis as its main method of water treatment as well as the above complementing processes.

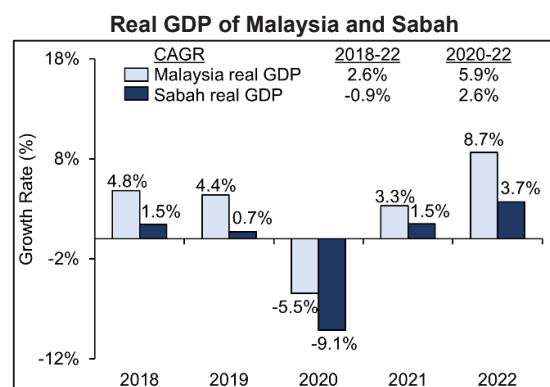
3.3 Manufacture of carbonated drinks

- Carbonated drinks use treated drinking water and infuse them with carbon dioxide under pressure to provide the fizziness in the drinks when they are opened for consumption. Carbonated drinks are commonly sweetened, flavoured and coloured. Others include plain and flavoured drinking or natural mineral water, fruit-based drinks and functional drinks.

4. PERFORMANCE OF THE ECONOMY AND FOOD AND BEVERAGES MANUFACTURING INDUSTRY

4.1 Economic growth of Malaysia and Sabah

- Beverages are consumer products where the economic well-being of the population would influence their purchasing patterns. GDP provides a macro-level indicator of the well-being of the economy of a country or a sector. GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP is a measure of “real” changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices due to inflation or deflation.
- In 2022, the real GDP of Malaysia grew by 8.7%, driven by domestic demand and an improved labour market resulting from the increase in household spending, investment and tourism, as well as robust external demand.
- Meanwhile, the real GDP of Sabah grew by 3.7% in 2022, driven by tourism-oriented industries including, among others, wholesale and retail trade, as well as food and beverages (F&B) and accommodation.
- For the first 9 months (9M) of 2023, the real GDP of Malaysia grew by 3.9% compared to the 9M 2022, mainly attributed to the expansion in domestic demand, continued improvement in labour market conditions, as well as higher tourism and construction activities. These factors were offset by the weaker external demand which affected production and exports of goods. (Source: Bank Negara Malaysia (BNM))



(Source: Department of Statistics Malaysia (DOSM))

8. INDUSTRY OVERVIEW (CONT'D)

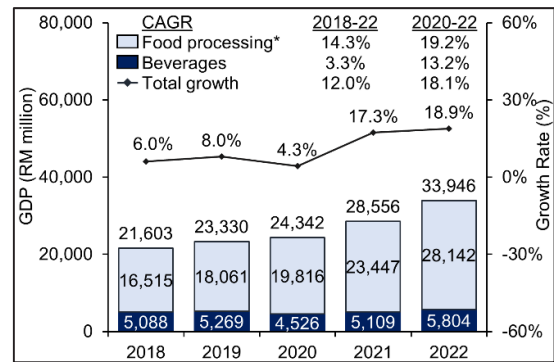


VITAL FACTOR CONSULTING
Creating Winning Business Solutions

4.2 F&B manufacturing industry in Malaysia

- In 2022, the manufacturing sector accounted for 23.4% of the GDP of Malaysia, while the F&B manufacturing industry contributed 8.1% of the GDP of the manufacturing sector (*Source: DOSM*).
- Between 2020 and 2022, the GDP of the F&B manufacturing industry grew at a CAGR of 18.1% from RM24.3 billion in 2020 to RM33.9 billion in 2022. In 2022, the F&B manufacturing industry grew by 18.9%, contributed by 20.0% growth from the food processing industry, and 13.6% growth from the beverage manufacturing industry.
- For the 9M 2023, the GDP of the F&B manufacturing industry grew by 7.3%, contributed by 8.6% growth from the food processing industry, and 1.2% growth from the beverage manufacturing industry, compared to the 9M 2022.

GDP of F&B manufacturing industry in Malaysia



* Includes fruit and vegetable juices, dairy beverages, sugar syrup, coffee, tea and soya bean beverages
(Source: DOSM)

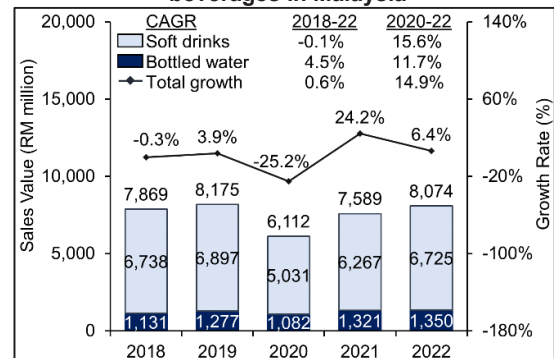
5. SUPPLY AND DEMAND CONDITIONS OF BEVERAGES

- In this section, beverages refer to bottled water and soft drinks. Bottled water comprises natural mineral water and drinking water, which may be still or sparkling. Soft drinks refer to carbonated drinks, flavoured drinks, Asian drinks, functional drinks and other sweetened and flavoured water. Life Water Group manufactures mainly drinking water and carbonated drinks.

5.1 Production of beverages

- The demand for beverages was dominated by soft drinks, which accounted for 83.3% of sales value of manufactured beverages in 2022, while the remaining 16.7% was for bottled water.
- Between 2020 and 2022, sales value of manufactured beverages grew at a CAGR of 14.9%, with a 6.4% growth to RM8.1 billion in 2022. The growth in 2022 was contributed by 7.3% and 2.1% growth from soft drinks and bottled water respectively.

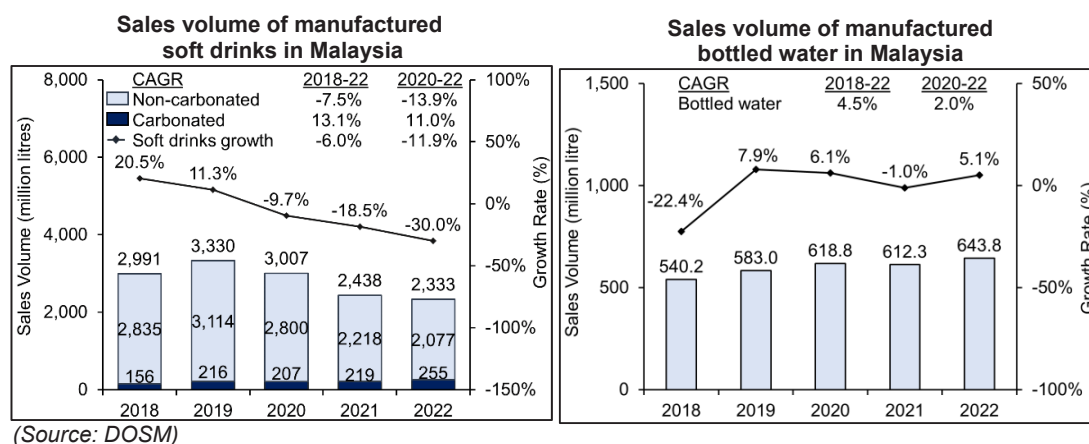
Sales value of manufactured beverages in Malaysia



(Source: DOSM)

- For the 9M 2023, sales value of manufactured beverages grew by 5.3%, contributed by 5.9% and 2.5% growth from soft drinks and bottled water respectively, compared to the 9M 2022.
- In Malaysia, 89.1% of the sales volume of manufactured soft drinks are non-carbonated drinks in 2022, while the remaining 10.9% was for carbonated drinks. Between 2020 and 2022, the sales volume of manufactured soft drinks declined at an average annual rate of 11.9% to 2.3 billion litres in 2022. The decline in the production volume of soft drinks was mainly due to non-carbonated soft drinks where between 2020 and 2022, the production volume contracted by an average annual rate of 13.9%.

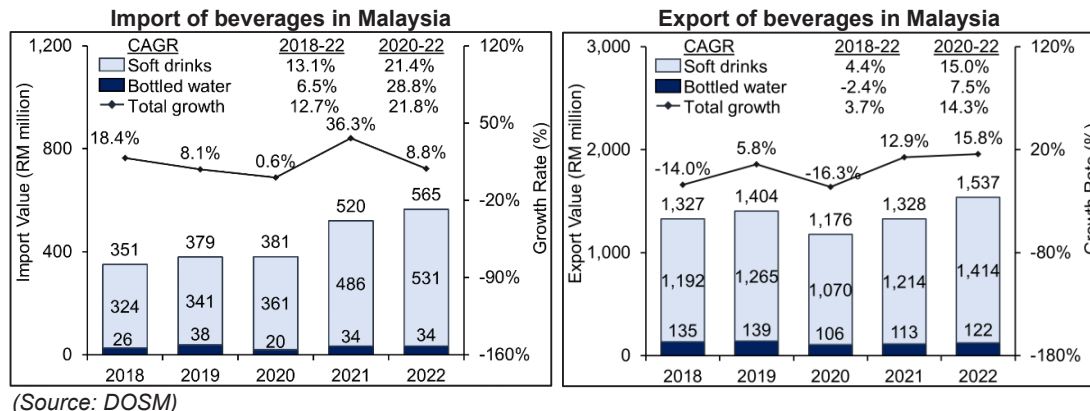
8. INDUSTRY OVERVIEW (CONT'D)



- In 2022, the sales volume of manufactured bottled water grew by 5.1% to 643.8 million litres which was equivalent to approximately 19.7 litres per capita. For the 9M 2023, sales volume of manufactured soft drinks declined by 1.6%, while sales volume of manufactured bottled water grew by 5.2%, compared to the 9M 2022.

5.2 Import and export values of beverages

- In 2022, the import value of beverages in Malaysia comprised 94.0% and 6.0% of soft drinks and bottled water respectively, while the export value of beverages comprised 92.0% and 8.0% of soft drinks and bottled water respectively.

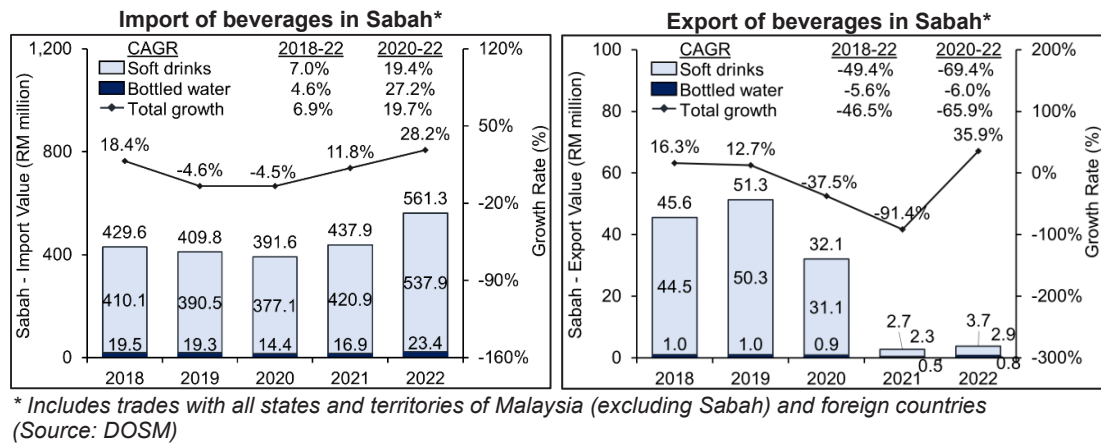


- In 2022, import value of beverages increased by 8.8%, driven by a 9.4% growth in soft drinks, despite stagnant growth in bottled water. For the 9M 2023, the import value grew by 0.9%, contributed by a 23.9% growth in bottled water and offset by a decline of 0.4% in soft drinks compared to the 9M 2022.
- In 2022, export value of beverages in Malaysia increased by 15.8%, driven by 16.5% and 8.0% growth in soft drinks and bottled water respectively. For the 9M 2023, the export value grew by 5.8%, driven by 3.1% and 39.2% in soft drinks and bottled water respectively compared to the 9M 2022.
- Sabah is a net importer of beverages, where import and export values were RM561.3 million and RM3.7 million respectively in 2022. In 2022, import value of beverages in Sabah increased by 28.2%, driven by 27.8% and 38.0% growth in soft drinks and bottled water respectively. For the 9M 2023, import value of beverages declined by 10.5%, contributed by a decline of 10.8% and 3.8% in soft drinks and bottled water respectively compared to the 9M 2022.

8. INDUSTRY OVERVIEW (CONT'D)



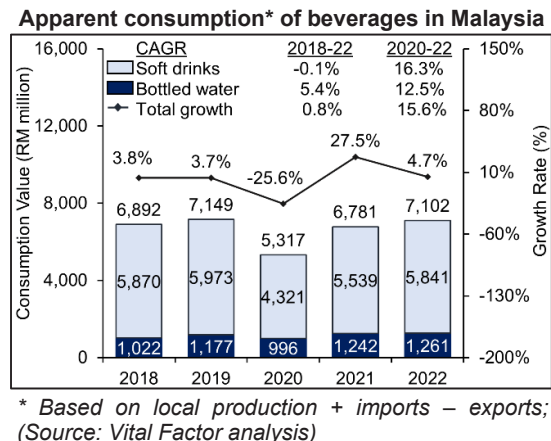
VITAL FACTOR CONSULTING
Creating Winning Business Solutions



- In 2022, export value of beverages in Sabah increased by 35.9%, driven by 29.2% and 66.9% growth in soft drinks and bottled water respectively. For the 9M 2023, export value of beverages grew by 12.4%, driven by growth of 9.9% and 17.9% in soft drinks and bottled water respectively compared to the 9M 2022.

5.3 Apparent consumption of beverages in Malaysia

- Between 2020 and 2022, apparent consumption of beverages in Malaysia grew at a CAGR of 15.6%. In 2022, apparent consumption of beverages in terms of value increased by 4.7%, driven by 5.5% and 1.5% growth in soft drinks and bottled water respectively.
- For the 9M 2023, apparent consumption of beverages grew by 4.9%, driven by a 6.0% growth in soft drinks and offset by a 0.3% decline in bottled water respectively compared to the 9M 2022.



6. DEMAND DEPENDENCIES

- Potable water is easily available to most of the population of Malaysia. As such, packaged and branded beverages are regarded as discretionary items and their performance is dependent on several factors including population size and growth, tourist arrivals, consumer sentiments and household expenditure.

6.1 Wholesale and retail trade of food, beverages and tobacco products

- Bottled water and carbonated drinks are commonly sold in wholesale and retail trade, therefore the following section focuses on the performance of these sectors. In 2022, sales value of overall wholesale trade in Malaysia amounted to RM710.3 billion, of which wholesale of food, beverages and tobacco products accounted for 19.3% or RM137.2 billion of the sales value of overall wholesale trade. Meanwhile, sales value of overall retail trade in Malaysia amounted to RM661.1 billion in 2022, of which retail of food, beverages and tobacco products accounted for 6.0% or RM39.7 billion of the sales value of overall retail trade. (Source: DOSM)
- Between 2020 and 2022, sales value of the wholesale and retail trade of food, beverages and tobacco products in Malaysia grew by a CAGR of 6.7% and 10.0% respectively. The continuing growth in both the wholesale and retail trade for food, beverages and tobacco products in

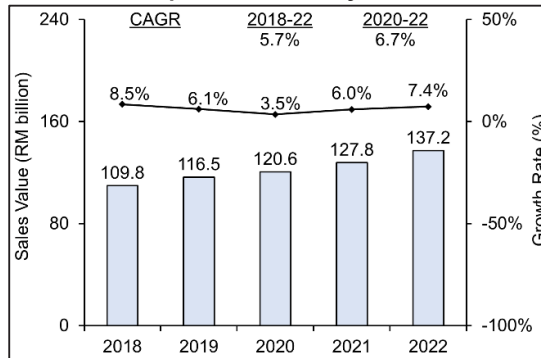
8. INDUSTRY OVERVIEW (CONT'D)



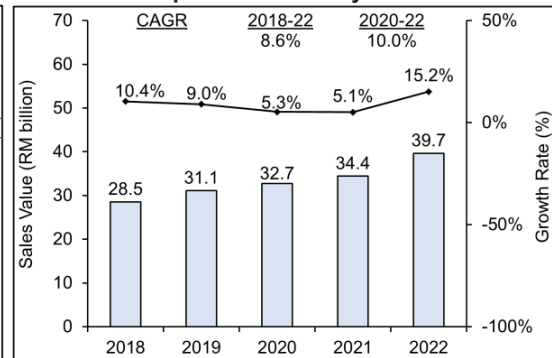
VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Malaysia indicates continuing demand for these types of products which augurs well for manufacturers.

Wholesale trade of food, beverages and tobacco products in Malaysia



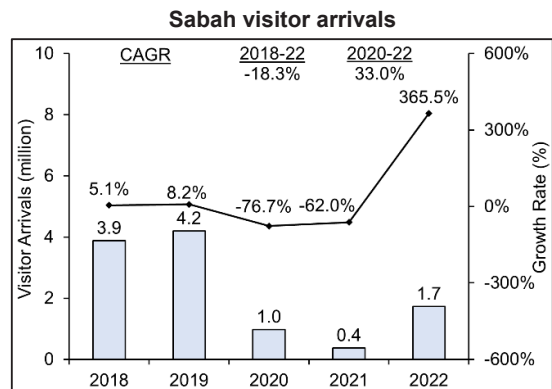
Retail trade of food, beverages and tobacco products in Malaysia



Note: No segmentation of food, beverages and tobacco products is available (Source: DOSM)

6.2 Tourist arrivals in Sabah

- As Life Water Group also manufactures drinking water for hotels under the respective brand names of the hotels, the performance of the tourism industry would have an impact on consumer-based sectors including the beverage manufacturing industry.
- In 2020 and 2021, the number of visitors arriving in Sabah declined by 76.7% and 62.0% respectively, mainly attributed to the containment measures including the closure of international borders arising from the COVID-19 pandemic. In 2022, the number of visitor arrivals in Sabah recovered and increased by 365.5% to 1.7 million. For the 9M 2023, the number of visitor arrivals increased by 58.2% to 1.9 million, compared to 1.2 million during the 9M 2022. Nevertheless, the number of tourist arrivals in Sabah is still below the pre-COVID-19 pandemic level in 2019.

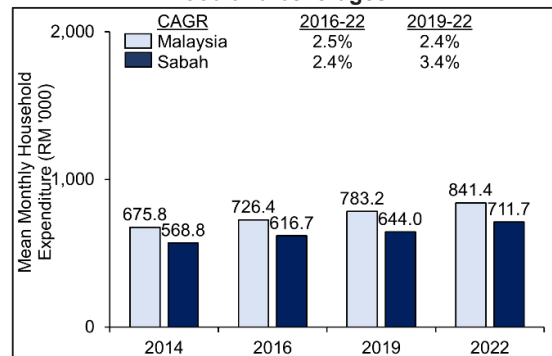


(Source: Sabah Tourism Board)

6.3 Household income and expenditure

- Increases in household income serve as one of the driving factors of demand through increases in discretionary spending including bottled water and carbonated drinks. Between 2020 and 2022, Malaysia's mean monthly household income recorded a CAGR of 9.4% from RM7,089 in 2020 to RM8,479 in 2022, while Sabah recorded a CAGR of 8.8% from RM5,215 in 2020 to RM6,171 in 2022. (Source: DOSM). Meanwhile, the overall mean monthly household expenditure on F&B in Sabah has been lower than the overall mean monthly household expenditure on F&B in Malaysia from 2014 to 2022. In 2022, Sabah's mean monthly household expenditure on F&B accounted for 21.3% of total mean monthly household expenditure in Sabah, which was higher than 16.3% for overall Malaysia. (Source: DOSM)

Mean monthly household expenditure on food and beverages



Note: Based on survey carried out for that year. (Source: DOSM)

8. INDUSTRY OVERVIEW (CONT'D)



7. REGULATIONS GOVERNING THE BEVERAGE INDUSTRY

- The manufacture of bottled water is regulated and governed by the Ministry of Health (MOH) and various acts, regulations and guidelines, including, among others, the following:
 - All natural mineral water and drinking water manufacturers must obtain a licence for the source of the water from the MOH;
 - The manufactured natural mineral water must not be fortified nor enriched with vitamins or minerals, whereas artificial minerals may be added into packaged drinking water;
 - The packaging for natural mineral and drinking water must be transparent and/or translucent. Drinking water is bottled with a white coloured cap, whereas natural mineral water is bottled with a coloured cap, mainly blue or green coloured cap;
 - The methods of water treatment that are permitted for the manufacture of drinking water for human consumption and trade purposes are filtration, distillation, reverse osmosis, electrodialysis, ion exchange, sterilisation and water softening.
 - All beverages must be labelled according to the labelling guidelines in the Malaysia Food Act 1985 before it is released to the market. Some of the key information that must be on the label include product name, ingredients, nutrition facts, distributor, manufacturer, and best before/expiry date.
- In July 2019, the Malaysian government imposed an excise duty of RM0.40 per litre on sugar-sweetened beverages (also commonly referred to as sugar tax) to combat obesity and related non-communicable diseases. The sugar tax was subsequently raised to RM0.50 per litre under Budget 2024, effective on 1 January 2024. The tax applies to the following categories:
 - beverages including carbonated drinks containing added sugar or flavoured and other sweetening matters which contain sugar exceeding 5g per 100ml;
 - milk-flavoured beverages containing lactose, excluding soybean milk products which contain sugar exceeding 7g per 100ml; and
 - fruit juices and vegetable juices which contain sugar exceeding 12g per 100ml.

The imposition of the sugar tax is likely to increase the price of beverages. According to the MOH, the consumption of sugar-sweetened beverages will reduce by 10% to 12% for every 10% price increment of sugar-sweetened beverages. In light of this, the imposition of sugar tax may affect the demand for sugar-sweetened beverages and this may have a negative impact on manufacturers in this industry.

8. COMPETITIVE LANDSCAPE

- As of October 2023, there were 214 packaged drinking water licence holders registered with the MOH, of which 28 licence holders were from Sabah. The operators in the table below were selected to facilitate a comparative analysis of their financial performance based on their business activity mainly manufacturing of bottled drinking and/or mineral water. The companies were selected based on the following criteria:
 - licensed by MOH;
 - have manufacturing facilities in Sabah or other parts of Malaysia; and
 - availability of the latest financial information.

Given the bulky and relatively low-priced nature of bottled water, logistics cost has an impact on the financial performance of operators in this industry. Thus, the table below categorises manufacturers into two groups: one with manufacturing operations in Sabah similar to Life Water Group, while the other group has manufacturing operations in other parts of Malaysia. The list is not exhaustive and operators are listed in descending order of revenue within their respective categories:

Operators in the industry	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP/(GL) ⁽²⁾ (RM mil)	GP/(GL) margin(%)	NP/(NL) ⁽²⁾ (RM mil)	NP/(NL) margin(%)
Operators with manufacturing operations in Sabah*						
F&N Beverages Manufacturing S/B ⁽³⁾	Sep-22	860.2	56.9	6.6	31.3	3.6
Life Water Group ⁽⁴⁾	Jun-23	151.0	65.1	43.2	20.6	13.7

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Operators in the industry	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP/(GL) ⁽²⁾ (RM mil)	GP/(GL) margin(%)	NP/(NL) ⁽²⁾ (RM mil)	NP/(NL) margin(%)
C.Y.C. Holdings S/B ⁽⁵⁾	Dec-22	23.5	3.5	14.8	1.6	6.8
Wanum S/B	Dec-22	14.6	2.6	18.0	0.1	1.0
Nabalu Trading S/B	Dec-22	8.0	0.3	3.4	(0.5)	(5.8)
Alam Segar Industri Makanan S/B	Dec-22	7.7	2.6	34.3	0.3	4.1
Unigrowth Beverages Manufacturer S/B	Sep-22	5.2	0.9	16.4	(0.1)	(1.7)
Ridwan Food Industries S/B	Oct-22	4.8	n.a.	n.a.	0.1	1.9
Operators with manufacturing operations in other parts of Malaysia						
Chuan Sin S/B ⁽⁶⁾	Dec-22	348.4	n.a.	n.a.	23.9	6.9
R O Water S/B	Dec-22	195.1	42.3	21.7	14.3	7.3
Angenet S/B ⁽⁶⁾	Dec-22	80.6	n.a.	n.a.	5.0	6.3
Borneo Springs S/B ⁽³⁾	Sep-22	39.3	3.5	8.9	2.8	7.0
Vitaton (M) S/B	Oct-22	30.8	(1.4)	(4.5)	(7.5)	(24.3)
Momawater S/B ⁽⁷⁾	Dec-22	24.8	4.2	16.9	(3.7)	(14.8)

* These operators may also have manufacturing operations in other parts of Malaysia; FYE = Financial Year Ended; Rev = revenue; GP = gross profit; GL = gross loss; NP = net profit after tax; NL = net loss after tax; S/B = Sdn Bhd; mil = million; n.a. = not available

- (1) Latest available audited financial information from the Companies Commission of Malaysia, annual reports of respective companies and Life Water Group.
 (2) May include other business activities and products.
 (3) A subsidiary of Fraser & Neave Holdings Berhad, a listed entity in Bursa Securities.
 (4) Life Water Group is also involved in other products. The revenue for the manufacture of beverages amounted to RM150.2 million for the FYE 31 June 2023.
 (5) The company is also involved in trading of cooking oil and white rice. The revenue for the manufacture of reverse osmosis water amounted to RM7.9 million for the FYE 31 December 2022.
 (6) A subsidiary of Spritzer Berhad, a listed entity in Bursa Securities.
 (7) A subsidiary of Subur Tiasa Holdings Berhad, a listed entity in Bursa Securities. The company is also involved in surface sanitiser and general trading. The revenue for the manufacture of bottled water amounted to RM11.6 million for the FYE 31 December 2022.

Based on revenue, Life Water Group* was ranked among the top 4 largest manufacturers of bottled water with manufacturing operations in Malaysia and among the top 2 largest manufacturers of bottled water with manufacturing operations in Sabah in 2022.

Note: *Life Water Group's revenue for FYE 30 June 2023 was used as a proxy for the calendar year 2022.

8.1 Barriers to entry

- The barriers to entry into the manufacture of bottled water and carbonated drinks include obtaining a manufacturing licence, compliance with regulations imposed by the MOH, a distribution network and capital investment in setting up a manufacturing plant. Generally, the level of barriers to entry is indicated by the number of operators in the industry where a high number of operators indicates a low barrier to entry. As of October 2023, there were 214 and 28 packaged drinking water licence holders in Malaysia and Sabah respectively.

9. MARKET SIZE AND SHARE

The following is based on the apparent consumption in Malaysia:

2022 - Malaysia	Market Size (RM million) ^{(1) (a)}	Life Water Group	
		Revenue ^{(2) (b)} (RM million)	Market share ⁽³⁾
Non-alcoholic beverages	7,102	150	2%
- Bottled water ⁽⁴⁾	1,261	120	10%
- Soft drinks ⁽⁵⁾	5,841	30	Less than 1%

Sources: (a) Vital Factor analysis; (b) Life Water Group.

Notes: (1) Based on apparent consumption = local production + imports – exports; (2) Life Water Group's revenue from various categories for FYE 30 June 2023 was used as a proxy for the calendar year 2022; (3) ((b) divided

8. INDUSTRY OVERVIEW (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

by (a)) $\times 100\%$; (4) Includes natural mineral water and drinking water, which may be still or sparkling; (5) Include carbonated drinks, flavoured drinks, Asian drinks, functional drinks, and other sweetened and flavoured water.

10. INDUSTRY CONSIDERATION FACTORS

Some industry consideration factors for the bottled water and carbonated drink manufacturing industry are as follows:

- The economic well-being of the nation will influence the purchasing patterns of consumers including bottled water and carbonated drinks. In 2022, the real GDP of Malaysia grew by 8.7%, while local consumption of beverages in Malaysia grew by 4.7%, driven by 5.5% and 1.5% growth in soft drinks and bottled water respectively. For the 9M 2023, the real GDP of Malaysia grew by 3.9% compared to the 9M 2022. In 2023, the real GDP of Malaysia is estimated to expand by approximately 4.0%, and is forecasted to expand between 4.0% and 5.0% in 2024. The growth is anticipated to be driven by sustained domestic consumption and improved export activities. (Source: Ministry of Finance)
- Life Water Group mainly serves the market in Sabah. Sabah is a net importer of beverages, where the import and export values of beverages were RM561.3 million and RM3.7 million respectively in 2022. As such, there are potential opportunities for import substitution from locally manufactured beverages. In 2022, the real GDP of Sabah grew by 3.7%, while the number of visitor arrivals in Sabah grew by 365.5% to 1.7 million. For the 9M 2023, the number of visitor arrivals increased by 58.2% to 1.9 million, compared to 1.2 million during the 9M 2022. Nevertheless, the number of tourist arrivals in Sabah is still below the pre-COVID-19 pandemic level in 2019. The performance of Sabah's tourism industry would have an impact on consumer-based sectors including the beverage manufacturing industry.
- **Market trends and consumer preferences** are essential as bottled and carbonated water are discretionary consumer products. The increase in health consciousness would increase the demand for bottled water as a healthier alternative compared to other types of beverages. Between 2020 and 2022, the sales volume of domestically manufactured bottled water grew at a CAGR of 2.0%, while soft drinks declined at an average rate of 11.9%.
- **Regulations** such as strict quality standards, labelling requirements, and health regulations would serve as a barrier for new entrants in the manufacturing of bottled water and carbonated drinks. Additionally, the imposition of sugar tax is likely to reduce the demand for sweetened beverages and have a negative impact on manufacturers of this type of products.
- **Competition** is intense in the bottled water and carbonated drinks manufacturing industry. As such, establishing brand awareness, loyalty and equity, coupled with a robust distribution network, becomes critical for operators in the industry to maximise market coverage.
- Bottles represent a major cost component for the manufacture of bottled water and carbonated drinks. The bottles are commonly made of polyethylene terephthalate (PET) resins, due to their lightweight, durability, clarity, recyclability and safety for beverages. As Life Water Group mainly sources PET resins from China, the Northeast Asia region price index is used as an indication for price movements.
- Overall, the price index of PET increases between 2020 and 2022, mainly due to factors including, among others, supply chain disruptions and increased plastic product demand during the COVID-19 pandemic, as well as the increased demand as a result of global economic recovery. In November 2023, the price index of PET subsequently declined due to the reduced demand attributed to the global economic slowdown.



Note: The chart indicates the price index between Jan 2018 and Nov 2023 (Source: Vital Factor analysis)

9. RISK FACTORS

BEFORE INVESTING IN OUR SHARES, YOU SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT WE AND TO A LARGE EXTENT, OUR BUSINESS AND OPERATIONS ARE SUBJECT TO LEGAL, REGULATORY AND BUSINESS RISKS WHERE WE OPERATE. OUR OPERATIONS ARE ALSO SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY CONSIDER, ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS, THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW.

9.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

9.1.1 Disruption in water supply at our manufacturing plants

Our Group currently sources potable water from public water supply system to process beverages namely drinking water and carbonated drinks at each of our manufacturing plants. There is only one single source of public water supply from Sabah State Water Department. We are therefore dependent on the quality and continuous supply from this water source to maintain stable operations at our manufacturing plants respectively.

Our following plants are equipped with storage tanks to store potable water:

- (a) Sandakan Sibuga Plant 1 has 3 storage tanks to store up to 135,000 litres of potable water;
- (b) KK IZ4 Plant is equipped with 2 storage tanks to store up to 75,700 litres of potable water; and
- (c) KK IZ8 Plant 1 is equipped with 3 storage tanks to store up to 170,000 litres of potable water.

In the event of public water supply disruption, these water storage tanks will be able to last 2 to 4 hours of continuous production at our manufacturing plants. Any prolonged disruption in the public water supply would force us to temporarily shut down or scale down the operations at our manufacturing plants.

We have previously experienced, and may continue to experience frequent disruptions in public water supply due to, among others, water rationing, burst water pipes, water contamination, as well as maintenance and repair works on water treatment plants conducted by Sabah State Water Department. During the Financial Years Under Review and up to the LPD, there were numerous occasions of public water supply disruptions at our manufacturing plants, the duration of which ranges from 3 minutes to 5 days for each disruption. The public water supply disruption did not occur at all of our manufacturing plants simultaneously, as such, we were able to continue with productions at the other manufacturing plants that were not affected by the public water supply disruption. Further, we generally keep an inventory of approximately 1 week for our drinking water, 2 weeks for our 330 ml carbonated drinks and 3 months for our 1250 ml carbonated drinks. Hence, the aforesaid public water supply disruption of up to 5 days did not have any adverse impact on our revenue and earnings as our inventory is able to support our customers' demands. In addition, our machineries and equipment that are idle during the public water supply disruption will undergo maintenance checks and repairs to ensure performance efficiency and optimum utilisation. As such, there was no material impact on these machineries and equipment. Moreover, in the event of a prolonged disruption of water supply, we had in the past made arrangements with water supplier licensed by the Sabah State Water Department to deliver water to our premises by water tank truck. Nevertheless, there is no assurance that our future production output, revenue and earnings would not be affected by any future prolonged water disruptions.

In the event of any significant disruption in public water supply, and we are unable to timely secure new water sources, our water supply may be insufficient to meet our business needs, which could in turn materially and adversely affect our operations and business prospects.

9. RISK FACTORS (CONT'D)

9.1.2 Fluctuation in raw material prices and shortages of raw materials

The nature of our business operation requires us to obtain sufficient quantities of raw materials in a timely manner and at acceptable prices to maintain stable operations and meet the demands of our customers. Accordingly, our business operations and financial condition are vulnerable to changes in the price and supply of raw materials. Plastic packaging materials and flavour and ingredients are our primary raw materials and constitute the major component of our cost of sales. These plastic-based materials being petrochemical-based material and flavour and ingredients such as sugar are commodities which are highly susceptible to price fluctuations or volatility.

Our purchases of input materials for plastic packaging represented 43.78%, 53.87% and 47.47% of our total purchases for FYE 2021, FYE 2022 and FYE 2023 respectively. This mainly consists of PET preforms and plastic resins for the manufacture of PET bottles. PET bottles are used for bottling during the manufacturing process. Other plastic-based materials include bottle caps, shrink films, cups and straw. Our purchases of flavour and ingredients represented 12.14%, 7.81% and 12.75% of our total purchases for FYE 2021, FYE 2022 and FYE 2023 respectively. This comprised mainly ingredients used in the production of our carbonated drink and fruit drink such as sugar.

Although we have not encountered any shortage of raw materials in the past, any sudden shortage of supply or reduction of allocation of raw materials to us from our suppliers, or any increase in raw material prices may result in us having to pay a higher cost for these raw materials. An increase in the price of raw materials that is not passed on to our customers and/or end consumers could have an impact on our financial performance. Alternatively, if the increase in cost is passed onto our customers and/or end consumers, our price competitiveness may be reduced, thus having an impact on our revenues and earnings.

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.

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, there are circumstances where we were unable to pass on the entire increment in material cost in a timely manner as we were unable to anticipate and react to the increase in price of material cost, for example, fluctuation in prices of plastic resin 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.

9. RISK FACTORS (CONT'D)

9.1.3 Changes in consumer demands

Consumer demands evolve with their tastes, preferences and values reshaping his/her purchasing decisions, and hence may be difficult to predict. The growth and success of our Group depend, in part, on the market acceptance and popularity of our products as well as our ability to continuously identify and meet the evolving consumer's behaviour which may be affected by the following factors:

- (a) increasing consumer awareness of high environmental impacts on single-use plastic such as water bottles, cups and straws;
- (b) substitutes of bottled drinking water such as availability of water vending machines and convenience to free drinking water at public areas; and
- (c) consumer becoming more conscious of dietary trends and hence will give more attention to the nutritional composition in packaged beverages due to awareness of health consequences associated with diseases such as obesity, diabetes and other common ailments due to diet.

While historically, we have managed to not only penetrate but grow our business in the non-alcoholic beverages market in Sabah, we cannot provide assurance that our historical achievement will be repeated in the future. If market popularity or consumer's demand for our products declines, or if our Group fails to react in a timely manner to any significant shifts or changes in consumer preferences, dietary habits or tastes, our sales volumes, business and profitability may be negatively affected. Nonetheless, we believe that we remain well-positioned in the market because of our existing brand equity, product positioning and marketing strategies.

9.1.4 Dependency on our Executive Directors and Key Senior Management

Our Group's continued success, future business growth and expansion depend largely on our Directors' experience, expertise and continued efforts. Our Group's Executive Directors, namely Liaw Hen Kong and Chin Lee Ling, have been actively involved in our Group's operations since its commencement of business and are instrumental to its expansion. Their long service and in-depth knowledge on all aspects of our Group's operations are invaluable to our Group and our Group's business strategies.

Our Group's Executive Directors are assisted by the Key Senior Management team for the leadership, business planning and development as well as management of our Group's operations. 4 out of 5 of our Key Senior Management have been with us for at least 10 years and have extensive knowledge and experience in their respective business operation. The loss of any of our Group's Executive Directors and our Key Senior Management team without suitable and timely replacement may adversely affect the Group's ability to maintain or improve its business performance.

9.1.5 Dependency on the strength of our reputation, brands and product quality

Our Group packages, advertises, distributes and sells products under our own brands and trademarks. We have a reputation as an established manufacturer of drinking water and carbonated drinks in Sabah, and that our brands are recognised by our customers and end consumers. Their recognition and trust in our brands depend on various factors, such as consistent product quality, safety, taste and competitive pricing. Accordingly, any actual or perceived contamination, spoilage or other adulteration, product misbranding or tampering, or any negative publicity or news making accusations of the occurrence of any of these incidents may lead to the loss of consumers' confidence in our products and/or erosion of our brands, regardless of its merits. Further, any adverse publicity and news about the safety and quality of domestically produced beverage products, or publicity and news casting doubts on the quality and authenticity of the nature of our beverage products could also damage consumers' confidence in our products resulting in a decrease in demand for our products. If our brand image or reputation deteriorates or if we are unable to continuously maintain the standard of our product quality, our business and financial performance may be materially and adversely affected.

9. RISK FACTORS (CONT'D)

In the past, we have encountered isolated and infrequent cases of complaints from our customers and end-customers alleging that the taste of our drinking water was compromised and that our products were contaminated. Upon the quality and safety inspection conducted by our quality control department, none of our products were found to have contaminants or reported to be associated with any contamination or spoilage. These incidents were due to mishandling of our products by our customers and we were not subject to any product liability claims. However, in FYE 2023, we received complaints from consumers that our products (namely “K2” 230ml plastic cups) had a strong plastic smell and had then recalled the products for inspection. Upon the quality and safety inspection conducted by our quality control department, we realised that the strong plastic smell was attributed to the cup machine’s temperature being set above the recommended level, resulting in a burnt plastic smell being trapped in our products. We had then adjusted the temperature to the recommended level and had addressed other related issues of the machine. We have incurred a loss of approximately RM0.01 million due to this products recall incident where our customers received full refund for the products purchased. Save for this products recall, there were no other compensations provided to our customers. Since then, no similar incidents have occurred, and we have ceased the production of plastic cups which were fully sourced from our suppliers as at the LPD. Nonetheless, we cannot assure you that contamination, spoilage, misbranding or tampering of our products will not occur in the future or that such occurrence will not have any material adverse impact on us.

In addition, protection of our Group’s brands and intellectual property rights is important in maintaining our Group’s distinctive corporate and market reputation. We have invested in branding campaigns to promote our brands and trademarks under which our products are marketed and sold. We have also filed intellectual property rights pertaining to our products to protect any infringement of our brands and trademarks. Details of our Group’s intellectual property rights which have been filed and registered or pending approval for registration in and outside Malaysia are set out in Annexure C of this Prospectus. There is no assurance that our applications for the intellectual property rights registrations which are currently pending approval for registration will be successful. The failure to register our intellectual property rights in a timely manner may mean that third parties may exploit these intellectual property rights.

We also possess a significant number of know-how or trade secrets in relation to our product formulations, technologies and manufacturing process, which we believe are material to our business operations and which are not covered by patents. Failure to protect our proprietary information could adversely damage our business reputation and brand name, and subsequently have long-term repercussions on our business operations. To safeguard such unpatented proprietary information, we rely on various protective measures including having confidentiality and non-disclosure clauses in agreements with our employees and relevant third parties.

9.1.6 Disruptions to business operations at our manufacturing plants

Our business operations rely on a range of machineries and equipment to run smoothly and efficiently. These machineries and equipment may, on occasions, be out of service due to accidents, unanticipated failures or damages sustained during normal business operations. In the event of any breakdown of our machineries and equipment, our manufacturing process may be interrupted. Any disruption or prolonged suspension of our manufacturing process may cause production downtime and delay in the delivery of products to our customers. We may also incur additional cost to repair or replace the affected machineries and equipment and may not be able to address any such problems or obtain timely replacements.

Nonetheless, we schedule and conduct regular maintenance on our machineries and equipment to ensure performance efficiency and optimum utilisation. We also engage an external technical team to conduct regular monitoring and maintenance of our machineries and equipment. We have also maintained certain machineries and equipment as backup to enable us to continue our manufacturing process in the event of any breakdown.

9. RISK FACTORS (CONT'D)

For the Financial Years Under Review and up to the LPD, we have not experienced any major breakdown in our machineries and equipment or material disruption to our business operations. However, there can be no assurance that such incidences will not happen in the future which may result in interruptions to our operations and adversely affect our business operations and financial performance.

In addition, our manufacturing process is dependent on continuous supply of electricity, failing which our operations would be temporarily halted. Any interruption or prolonged disruption in the electricity supply may lead to unscheduled shutdown of our manufacturing facilities.

During the Financial Years Under Review and up to the LPD, there were occasional electricity supply disruptions at our manufacturing plants, the duration of which ranges from 20 minutes to 10 hours. However, the disruptions did not occur at all of our manufacturing plants simultaneously, as such, we were able to continue with productions at the other manufacturing plants that were not affected by the electricity supply disruptions. Further, we generally keep an inventory of approximately 1 week for our drinking water, 2 weeks for our 330 ml carbonated drinks and 3 months for our 1250 ml carbonated drinks. Hence, the aforesaid disruptions of up to 10 hours did not have any adverse impact on our revenue and earnings as our inventory is able to support our customers' demands. Nevertheless, there is no assurance that our future production output, revenue and earnings would not be affected by any future prolonged electricity supply disruptions.

Our manufacturing process is also subject to disruptions caused by unforeseen events such as fire outbreaks, burglaries, floods and earthquakes. These unexpected events may lead to emergency shutdowns, forced closing or suspension of our manufacturing process which could materially and adversely affect our Group's production schedules.

There was one flood occasion at our KK IZ8 Plant 1 in 2022, where road access to our KK IZ8 Plant 1 was hindered and we were forced to close our KK IZ8 Plant 1 for 2 hours. As the occasion only lasted for 2 hours and there is a contingency plan to address such occasion including coordinating evacuation procedures and evacuation routes as well as securing critical assets, we did not encounter any major interruptions in our operations. However, we cannot assure you that our contingency plan is sufficient to address any unforeseen emergencies or natural disasters which are beyond our control, or we may have recovery capabilities in place to deal with a major incident or crisis, in the future.

9.1.7 We are exposed to supplier concentration risk

We purchase raw materials for our products including shrink films, PET resin and preforms as well as plastic bottles caps from suppliers. Our top three suppliers, namely Far Eastern Group, Hwa Khoo Plastic Industries Sdn Bhd and Hon Chuan Malaysia Sdn Bhd collectively represented 60.72%, 63.06% and 63.34% of the total purchases for the Financial Years Under Review. As such, we are exposed to supplier concentration risk. In addition to Far Eastern Group which is a supplier of PET resin and preforms, Hwa Khoo Plastic Industries Sdn Bhd is our supplier of shrink films and Hon Chuan Malaysia Sdn Bhd is our supplier of PET preforms and plastic bottle caps. Although we have a concentration risk on these top three suppliers, we are not dependent on them as these materials are readily available from other suppliers. For FYE 2023, we are also dealing with two other suppliers of shrink films, three other suppliers of PET preforms, and five other suppliers of plastic bottle caps. We prefer to purchase shrink films from Hwa Khoo Plastic Industries Sdn Bhd, and PET preforms and plastic bottle caps from Hon Chuan Malaysia Sdn Bhd due to their consistent quality.

Nonetheless, there can be no assurance that these suppliers will continue to or be able to supply their products in the quantities and timeframes required by us. A supplier's inability to supply a raw material for any reason, a disruption or interruption in the supply chain or the loss of our material suppliers would affect our ability to manufacture, sell and deliver our products and could significantly increase our costs and affect our business, profitability and reputation.

9. RISK FACTORS (CONT'D)

9.1.8 Product liabilities and product recalls

Being an operator in the beverage manufacturing industry, our Group serves the general public directly as members of the general public are the main end consumers consuming our products. Accordingly, we are exposed to the risk of product liability claims arising from, amongst others, products contamination and deterioration, manufacturing defects, design defects or label defects.

As raw materials used in our beverage manufacturing are contaminable and perishable in nature, the risk of contamination and deterioration is ever present in our Group's raw materials and products during the manufacturing process. Any improper processing, storage or handling during the manufacturing and/or distribution phases may also cause our products to become contaminated, which might result in food poisoning or other illnesses. We may also be targets of illegal tampering or malicious sabotage whereby harmful substances may be maliciously introduced into our products by disgruntled employees, dissatisfied customers or aggressive rivals. Therefore, the effectiveness of our quality control process is critical to the success of our business. Our quality control process primarily consists of quality control measures for raw materials and packaging materials, manufacturing process, finished products storage, as well as delivery and sales of products.

Further, we are also subject to the risk of product misstatement and mislabelling associated with our products, including providing inaccurate information regarding its contents resulting in end consumers consuming ingredients that they are allergic to, which are not safe for their consumption or which are against their preferences. When food mislabelling occurs during manufacturing process, it will pose risks to end customers as well as compromise product integrity, brand reputation, business and profitability.

In addition, members of the public may take legal action against us and claim damages from these product liabilities, which may have an adverse financial impact on our business. Negative public perception regarding the products that we manufacture as well as the safety and quality of our products may arise from regulatory investigations and product liability claims regardless of whether the claim is successful or otherwise. Although we have taken up product liability insurance, we cannot assure you that our insurance is adequate to cover all the losses, damages or liabilities arising from the product liability claims by the general public. Our Group had not encountered any past occurrence of product liability claims.

Further, a more robust focus on product safety regulations by authorities, the growing consumer awareness and the increasing influence of social media would also increase the exposure of the risk of product recalls to our Group. In the event any of our raw materials, packaging materials and/or products are contaminated, tampered, adulterated, damaged, mislabelled or out of specification throughout the products' shelf life, we may need to dispose, recall and/or replace the defective batches of our products. This may cause losses to our business and profitability due to destruction of inventories, cost of conducting a product recall and loss of sales resulting from the unavailability of products. A product recall, regardless of its validity, could also cause our Group's reputational damage.

The direct cost of a product recall may be estimated by multiplying the price of recalled product with the quantity of the recalled product and adding the notification and transportation costs involved in the product recall. There may be indirect cost of a product recall which would be difficult to measure, such as litigation cost arising from consumer claims, fines from the relevant authorities and reputation damage and brand avoidance by consumers which can last for an indefinite period.

9. RISK FACTORS (CONT'D)

9.1.9 Dependency on particular markets and geographical locations

Our Group's customers base is very focused and dependent on revenue from Sabah. Any decline in the revenue contributions from Sabah will have an adverse effect on our revenue.

Recognising the importance of diversifying our customer base, our Group has shown efforts to diversify our customer base and move away from being too focused on these regions in Sabah. Banking on our strength as an established manufacturer of beverages in Sabah, our Group is looking to target more regions i.e. Sarawak and Brunei as part of our future plans. Nonetheless, there can be no assurance that our expansion plan to these regions will be successful.

9.1.10 Exchange rate fluctuations and weakening of the RM

Our Group has transactional currency exposure arising from the procurement of imported PET resins and flavour and ingredients that are denominated in USD. For FYE 2021, FYE 2022 and FYE 2023, 34.47%, 46.21% and 46.00%, respectively, of our total purchases were transacted in USD.

Our Group entered into various foreign exchange forward contracts to hedge our exposure against transactions in foreign currencies. In addition, we constantly monitor our foreign currency exchange risk exposure and will hedge as and when we consider necessary.

Notwithstanding the above measures to minimise our foreign currency exchange risk exposure, any significant fluctuations in foreign currency exchange rate may still affect our operations, businesses and financial conditions.

Further, any depreciation of RM against USD may increase the cost of packaging materials and raw materials. An increase in the price of raw materials that is not passed on to our customers and/or end consumers could have an impact on our financial performance. Alternatively, if the increase in cost is passed onto our customers and/or end consumers, our price competitiveness may be reduced, thus having an impact on our revenues and earnings.

We recorded a net loss of RM79,620 for the FYE 2021, and a net gain of RM2,888 and RM32,939 for the FYE 2022 and FYE 2023 respectively on foreign currency exchange, which constituted less than 0.6% of our Group's PAT for the Financial Years Under Review. While exchange rate fluctuations and weakening of the RM have not had material adverse effect on our financial performance during the Financial Years Under Review, there can be no assurance that we will not be adversely affected in the future.

9.1.11 Regulatory requirements

Our Group's business is subject to various laws, rules and regulations. We have obtained the necessary major licences, permits and registrations including licences to take drinking water from its source, manufacturing licences and certificate of registration for food premises (as detailed in Annexure A of this Prospectus) from the relevant regulatory authorities. Some of these licences, permits and certificates are subject to periodical inspections and/or renewal. The revocation or non-renewal of these licences, permits and certificates and/or any variations or imposition of additional conditions by the relevant regulatory authorities may cause material impact on our Group's ability to continue operations and hence, may affect our profitability. If additional approvals, licences or permits are required for the operation of any part of our business and we are not able to obtain such approvals, licences, or permits or adjust our business model to comply with such new laws in a timely manner, we could be subject to operational disruption and penalties.

9. RISK FACTORS (CONT'D)

In addition, laws and regulations governing the beverage manufacturing industry have in the past, and may continue to, become more restrictive. The imposition of new laws and regulations may increase our operating costs or impose restrictions on our operations, which could have an adverse impact on our business, financial condition and results of operations. There can be no assurance that new and stricter standard will not be adopted or become applicable to us, or that stricter interpretations of existing laws and regulations will not occur. Any of these events may require us to spend additional funds to gain compliance with the new rules and may therefore increase our cost of operation.

In addition, we are also subject to the rise in salary cost with the revision of national minimum wages from RM1,200 to RM1,500 per month from 1 May 2022 through the introduction of Minimum Wages Order 2022. As such, from 1 May 2022, we have revised the salary for employees earning less than RM1,500 per month to RM1,500 per month. The revision of the salary of our employees is expected to increase of our salary cost by approximately RM1.37 million per annum, which will not materially affect our financial performance as it only constitutes approximately 1.6% of our Group's cost of sales for the FYE 2023. However, our salary cost may continue to increase in the future if the Government continues to revise the relevant policies. Any further increase in national minimum wages will increase our salary cost which may negatively affect our financial performance should we fail to pass on the increase in cost to our customers and/or end consumers in a timely manner.

International Financial Reporting Standards and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition and long-lived asset impairment are highly complex and involve many subjective assumptions, estimates and judgments. Any changes in these rules or their interpretation, such as MFRS 16 - Leases, which came into effect on 1 January 2018, or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. New accounting guidance may require systems and other changes that could increase our operating costs and/or change our financial statements.

9.1.12 Risk of inadequate insurance coverage

Our Group maintains insurance coverage for our business operations and material machineries and equipment. Currently, the insurance policies taken out by us, include those against all risks, fire and third-party liability which are subject to exclusions and limitations of liability both in amount and with respect to the insured events. Presently, we believe that our current insurance coverage is adequate for our business and level of operations. Nonetheless, we are still exposed to the risk that the insurance coverage would be inadequate to cover the losses, damages or liabilities, which may incur in the course of our business operations.

For instance, floods, fires, storms and similar natural disasters such as earthquakes or other events may cause damages to our property or production facilities in excess of insurance coverage and may thus lead to significant costs in connection with remediation and repair work that must be borne by us. If our Group suffers a loss or incur liability against which we are uninsured or insufficiently insured, this could adversely affect our business and financial condition and operating results. Our insurance premiums may also increase due to claims made. In such circumstances, our financial results will be materially and adversely affected.

In addition, we do not have insurance coverage for loss of key personnel or certain risks such as political risks, terrorism or war. Hence, our business may be adversely and materially affected in the event of such occurrences where our losses and liabilities are not covered by insurance.

9.1.13 Expansion plans

Our business strategy and future plans include expansion of our manufacturing facilities, warehousing facilities, geographical markets and beverage products. Please refer to Section 7.20 of this Prospectus for details.

9. RISK FACTORS (CONT'D)

The implementation of these business strategies and future plans involves risks and uncertainties and may not be successful. We believe that our business continuity and future growth can be attained by expanding our manufacturing facilities and capacity, expanding our distribution network to the interior division market in Sabah as well as developing new product ranges. Nonetheless, there is no guarantee that the demand for our products will match our enlarged capacity. This may lead us to incur higher costs and affect our profitability in the future.

The implementation of these business strategies and future plans will depend on, amongst others, the presence of a favourable economic conditions, timing of execution and ability to raise the required funding from our IPO. We may face execution risk if we are not able to generate sufficient returns to offset our costs of investment or incur higher costs than expected due to timing and execution delay or inability to raise sufficient funding from our IPO to successfully implement our future plans. In the event of higher than anticipated construction costs, we may be required to utilise our internally generated funds which will reduce our available working capital or alternatively utilise additional bank borrowings which will increase our interest costs to fund the increased construction costs. This will then have a material adverse impact on our business, operations and future financial performance.

Further, the construction and completion of the new plants are subject to, among others, the approval for the building plans and issuance of OC. There is no assurance that the necessary approval and OC can be obtained in accordance to our timeline, which in turn could impact our prospects and financial performance.

9.1.14 Increase in interest rate of borrowings

Our business operations are funded by internally generated funds as well as external financing. As at the LPD, our Group's total borrowings was RM78.81 million and our gearing ratio was 0.77 times. Our finance costs mainly comprise interest charges on bank and trade facilities including term loans, term financing, bank overdraft, finance lease liabilities, bankers' acceptance, invoice financing and revolving credits, that are granted by banks and financial institutions. We incurred finance costs of RM1.57 million, RM2.29 million and RM2.71 million for the FYE 2021, FYE 2022 and FYE 2023, respectively. Our finance costs have been increasing from FYE 2021 to FYE 2023 mainly due to drawdown of term loans and finance lease liabilities used to purchase of new land and properties, machineries, equipment and tools, higher utilisation of bankers' acceptance and invoice financing which were used to finance our working capital for our business operations.

As at the LPD, with the exception of our outstanding term loans and finance lease liabilities of RM23.53 million which are fixed rate borrowings, all of our remaining outstanding borrowings of RM55.28 million are floating rate borrowings. In this respect, we face financial risks relating to the increases in interest rates of our floating rate borrowings. Any increase in interest rates may result in an increase in our interest expense, which may in turn have an adverse impact on our financial performance as well as debt and interest servicing obligations.

9.1.15 Credit risk of customers

Generally, the normal trade credit terms granted to a majority of customers range from 7 days to 90 days. Our customers have varying degrees of creditworthiness which exposes us to the risk of non-payment by them. In the event that our customers default on their payments, our operating cash flows, financial condition and results of operations could be materially and adversely affected.

We are aware of our exposure to credit risk and have put in place stringent credit management policies in our Group through the application of credit approval, credit limit and monitoring procedures on an on-going basis. Our Group only provides credit terms to recognised and credit worthy customers and we deal with all other customers solely on a cash basis. We perform credit evaluations on our customers and an appropriate credit limit is then allocated to each customer based on their observed risk level. In addition, we also emphasise on close monitoring and efficient collection of accounts to minimise the risk of default.

9. RISK FACTORS (CONT'D)

Although we have not encountered any material impairment losses on trade receivables or bad debts and there have been no material collection problems for trade receivables during the Financial Years Under Review up to the LPD, there is no guarantee that our customers will be able to fulfil their debt obligations and our Group will not encounter collection problems in the future. In the event that our customers default or delay on their payments, this could affect our cash flow, lead to impairment losses on trade receivables or bad debts which may materially and adversely affect our financial condition and results of operations.

9.1.16 Environmental laws, regulations and standards

Due to the scale of our manufacturing operations, it is inevitable that a large quantity of waste is produced in our manufacturing process, some of which require appropriate disposal. We are therefore required to comply with environmental protection, health and safety laws and regulations, and adopt measures to effectively control and properly dispose of wastewater, waste gases, scheduled wastes and other environmental waste materials.

While we have adopted measures to control the disposal of wastewater, waste gases, scheduled wastes and other environmental waste materials to reduce the environmental impact of the discharged wastes through a contractor licensed by the Department of Environment, Malaysia to dispose of our discharged wastes, there is no assurance that these measures may be sufficient now or in the future. Even with careful and regular monitoring, such environmental issues may continue until they are brought to our attention.

Any failure to comply with relevant environmental laws, regulations and standard may cause us to subject to, amongst others, warnings from relevant regulatory authorities, imposition of fines and/or criminal liability, forced closure of business operations and suspension of relevant permits, depending on the type and severity of violation.

9.1.17 Misconducts and omission by our employees

We may not be able to detect or prevent fraud, bribery, or other misconducts committed by our employees. Such misconducts and omission by our employees could subject us to liabilities and/or negative publicity.

For the Financial Years Under Review up to the LPD, there was one incident of misappropriation of fund by our ex-senior procurement staff amounting to approximately RM0.96 million resulting from sales invoices on marketing materials issued by fictitious suppliers. The matter is currently under investigation by Jabatan Siasatan Jenayah Komersil. Jabatan Siasatan Jenayah Komersil is in the midst of locating the suspect and will inform us once it manages to locate the suspect. Save for the loss of RM0.96 million, we do not foresee any other implications, and the incident has not had any adverse impact on our business operations. Following this incident, we have improved our internal control procedures to ensure that vendor registration in the procurement system is carried out with adequate supporting documents, bank account verification is conducted as part of the vendor registration process and only authorised personnel are allowed full administrative access to the procurement system. As at the LPD, Liaw Hen Kong oversees the procurement department. The vendor registration in the procurement system is required to be verified by the Financial Controller (Christina Yap Chui Fui) and approved by either the Managing Director (Liaw Hen Kong) or Executive Director (Chin Lee Ling). There was also another incident involving our ex-employee who was convicted for misusing our truck for smuggling of dutiable and uncustomed cigarettes. Although none of our Group is being prosecuted or charged, our truck was confiscated by the Jabatan Kastam Diraja Malaysia and we incurred a sum of RM0.13 million in the FYE 2023 to reclaim our truck from the Jabatan Kastam Diraja Malaysia. Both these incidents were not covered by our insurance. Following this incident, we have also improved our internal control system by imposing that the drivers shall not carry any prohibited items such as drugs, alcohol, etc. In order to ensure such compliance, drivers are provided daily briefing on the requirements by the supervisors and are required to sign off the terms and conditions of their services. Further, human resources and transportation/distribution departments conduct periodic and random checks on the drivers.

9. RISK FACTORS (CONT'D)

Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we will suffer from financial losses, penalties from governmental authorities, negative publicity and reputation damage.

9.1.18 Business and operations may be affected by the prolonged COVID-19 pandemic

Following the outbreak of COVID-19 as a global pandemic, our business and operations faced temporary interruption. The Government has implemented different forms of MCOs commencing from 18 March 2020 to contain the spread of the virus, which has resulted in, among others, restrictions on movement of people within Malaysia, controls on international travel and mandatory closure of all government and private premises, except those involved in essential services, unless written permission is obtained from the relevant governmental bodies.

As a manufacturer of beverages, our business operation is regarded as an essential service provider. Between March 2020 and up to the LPD, save for an 8-day temporary suspension, as well as interruption and workforce capacity restrictions, we continued our business operations during the various phases of MCO and adopted precautionary measures to safeguard our operations and employees. There are additional restrictions and obligations imposed on our operations at our manufacturing plants and offices as we were required to, among others, comply with social distancing measures and strict hygiene requirements to contain the COVID-19 outbreak since the first MCO period. The 8-day temporary suspension of our operations had not materially affected the business operations and financial performance of our Group. Please refer to Sections 7.13.1 and 7.13.2 of this Prospectus for the COVID-19 conditions in Sabah, Malaysia and its impact to our business and financial performance, respectively.

Although our Group had taken necessary precautionary measures and steps in response to the COVID-19 situation, there can be no assurance that we will not encounter any COVID-19 outbreak at our manufacturing plants and offices. In the event of such outbreak, we may be required to close the affected production facility and/or office, and would only be permitted to re-open them after taking the relevant measures according to the applicable SOPs and guidelines which may require us to implement certain measures such as disinfecting our premises, monitoring our employees who were exposed to the COVID-19 outbreak and ensuring our employees are tested for and found not to have been infected by COVID-19. Our operations would be disrupted by such closure and these disruptions could be material if they affect any of our manufacturing plants and offices simultaneously. While some of our employees have tested positive for COVID-19 in the past, we were able to take the necessary precautions including identifying close contacts in the manufacturing plants and offices, and implementing testing measures, to ensure the safety of our staff and to facilitate our Group's continued operations. In light of this, we prescribed our employees to work from home according to our work from home policy.

While our business, financial performance and profitability were not significantly impacted by this COVID-19 incident, our ability to meet our customers' orders on time or at all will be significantly disrupted if a more serious outbreak occurs, and we may not be able to ensure that critical systems and operations will be restored in a timely manner or at all. Failure to meet our customers' expectations and made deliveries as required by our agreements with customers could damage our reputation and expose us to legal claims and may, as a result, lead to a loss of business and adversely affect our business, financial performance, operations and prospects.

Although the roll-out of vaccines has started in Malaysia since early 2021, there is no assurance that the COVID-19 pandemic will not persist or that there will not be another resurgence of the COVID-19 virus or other contagious or virulent diseases. If adverse events materialise and persist for an extended period of time together with movement and business operation restrictions, our business operations and financial performance may be adversely affected.

9. RISK FACTORS (CONT'D)

Further, the prolonged COVID-19 pandemic or a future outbreak of infectious disease in any countries where our customers or suppliers are based, as well as quarantines or other regulatory measures or restrictions taken in response to an outbreak could severely disrupt their business operations, which in turn may affect the supply of raw materials to us. During the different forms of MCOs, there was some delay ranges from 1 day to 3 weeks in the supply of our materials including plastic resins, bottle caps, and labels from our suppliers in China, Vietnam and Malaysia due to shipping and freight disruptions as well as containment measures in the respective countries. However, we have sufficient level of stock of input materials during this period for our operations. Nevertheless, as a precautionary measure, we gradually increased our stock level of input materials including PET resin and bottle caps from 2 to 3 months to 4 to 6 months.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other industry players

We operate in a competitive industry and we expect to face competition from existing industry players and potential new market entrants. As a discretionary consumer item, our beverage products face competition from local and global brands and some of the factors of competition include branding, market coverage, product differentiations and pricing. In addition, our beverage products also face competition indirectly with other non-alcoholic beverages such as coffee, tea, juices and energy drinks.

Competition for drinking water and carbonated drinks in Sabah comes from manufacturers in Sabah, other parts of Malaysia and imports from foreign countries. Nevertheless, as beverage products are bulky and relatively low price, manufacturers in Sabah have some advantage with its local presence.

The barriers to entry into the manufacture of non-alcoholic beverages including drinking water and carbonated drinks include obtaining a manufacturing licence, compliance to regulations imposed by the Ministry of Health, distribution network and capital investment of setting-up a manufacturing plant. The level of barriers to entry is indicated by the number of operators in the industry where as at October 2023, there were 214 and 28 packaged drinking water licence holders in Malaysia and Sabah respectively (*Source: IMR Report*).

Although we have our competitive advantages and key strengths, there is no assurance that we will be able to continue to compete effectively against our peers in the future. If we are unable to remain competitive, this may result in a reduction in our profit margins and/or reductions in orders or the loss of business from customers, all of which would adversely affect our financial performance.

9.2.2 We are subject to political, social, economic and regulatory risks in Malaysia as well as the occurrence of force majeure events such as global pandemic risks

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia could materially or adversely affect our business operations and financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our business operations and adversely affecting our financial performance.

9. RISK FACTORS (CONT'D)

Changes in the political, social, economic and regulatory conditions include, but are not limited to, changes in political leadership, changes in general economic and business conditions, fluctuations in foreign exchange rates and interest rates, acts of terrorism, riots, wars and/or sanctions, expropriation or nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies (including SST, excise, duties and tariffs), foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, outbreak of diseases and other matters that influence consumer confidence and spending. Our Group could also be affected by new laws, regulations and guidelines that are introduced to govern the drinking water and carbonated drinks manufacturing industry.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia may materially and adversely affect our business operations, financial performance and prospects.

Further, with the Sales Tax (Rate of Tax) (Amendment) (No. 3) Order 2018 coming into force on 1 January 2019, a 5% sales tax now applies for waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured. All of our Group's manufactured products are affected by the sales tax. The implementation of the 5% sales tax is not expected to materially affect the operations and financial performance of our Group as the sales tax will be paid to the Government. However, the implementation of the 5% sales tax may have an adverse impact on the demand by end consumers for our Group's products due to dampen consumer sentiment which may reduce private consumption.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares

Prior to our Listing, there has been no prior public market for our Shares. Hence, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, that such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

9.3.2 Our Share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include material variations in our results and operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. Market sentiment is also influenced by factors such as the prevailing economic and political climate of the country, and the potential for growth in various sectors of the economy. Other factors that may negatively affect investor sentiment include natural disasters, and health epidemics including outbreaks of contagious diseases. These factors contribute to the volatility of trading volumes on Bursa Securities, and of the market price of our Shares.

9. RISK FACTORS (CONT'D)

9.3.3 There is no assurance of payment of dividends to our shareholders

It is the intention of our Board to recommend and distribute a dividend of up to 20% of the profit attributable to the owners of the Company. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, capital expenditure and other investment plans. In addition, some of our Subsidiaries have entered into facility agreements which contain certain financial covenants restricting our ability to pay dividends. If our Subsidiaries are in breach of any of these covenants, it may affect our ability to pay dividends. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

9.3.4 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

As disclosed in Section 5.1 of this Prospectus, our Promoters will directly or indirectly hold at least approximately 73.38% of our enlarged issued Shares upon Listing. As a result, they will be able to effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends and having substantial voting control. Due to the size of their shareholdings, our Promoters will have significant influence on the outcome of matters that require the vote of the shareholders, including the ability to pass or block any of the ordinary resolutions and having significant influence in passing of any special resolutions or the ability to block any of the special resolutions, unless they are required by law or by the relevant guidelines or regulations to abstain from voting. There can be no assurance that the interests of our Promoters will always be aligned with those of our shareholders.

9.3.5 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 473,179,500 Shares, of which up to 125,953,000 Shares, will be held by investors participating in our Listing (representing approximately 26.62% of our enlarged issued Shares) and not less than 73.38% will be held by our Promoters and substantial shareholders via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the Main Market of Bursa Securities following our Listing.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, our Promoters and substantial shareholders could dispose of some or all of our Shares that they hold after the Moratorium Period pursuant to their own investment objectives. If our Promoters and substantial shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

9.3.6 Failure or potential delay in our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or abortion of our Listing on the Main Market of Bursa Securities:

- (a) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations;
- (b) our inability to meet the minimum public spread requirement under the Listing Requirements, i.e., at least 25% of the total number of our Shares for which our Listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing;
- (c) the revocation of the approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason; or

9. RISK FACTORS (CONT'D)

- (d) the occurrence of any event or circumstance beyond the control of our Group.

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which our Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA upon expiration of that period until full refund is made; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA upon expiration of that period until full refund is made; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
- (i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Sabah and Sarawak) and the confirmation of the High Court of Sabah and Sarawak, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

Therefore, there is a risk that monies paid in respect of our Shares may not be recovered in a timely manner.

In such an event, you will not receive any of our Shares and we will return in full, without interest, all monies paid in respect of any applications for our IPO Shares in accordance with Section 243 of the CMSA.

However, if our Listing is aborted and our IPO Shares have been issued and allotted to you, a return of monies could only be achieved by way of cancellation of share capital in accordance with the Act.

Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

9. RISK FACTORS (CONT'D)

9.3.7 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward-looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will subsequently materialise. Their inclusion in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

(The rest of this page has been intentionally left blank)

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:

- (i) a director, having the meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:
 - (a) 10% or more of all the voting shares in the corporation; or
 - (b) 5% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

(The rest of this page has been intentionally left blank)

10. RELATED PARTY TRANSACTIONS (CONT'D)**10.1.2 Material related party transactions entered into by our Group**

Save as disclosed below, there is no material related party transaction, existing or proposed, entered or to be entered into by our Group which involves the interests, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Financial Years Under Review and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
			FYE 2021 (RM)	FYE 2022 (RM)	FYE 2023 (RM)	From 1 July 2023 up to the LPD (RM)
Our Company and Vendors	The Vendors, who are our Promoters, Directors and major shareholders, are also the directors and major shareholders of our Subsidiaries	Acquisitions - These are one-off transactions pursuant to our internal reorganisation for our Listing. See Section 6.3 of this Prospectus for further details on the Acquisitions.	-	-	-	93,904.00 (⁽¹⁾ N/A)
Green Borneo Industries and Multihope Enterprise Sdn Bhd	Tan Hwong Kuen, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director, is also the director and shareholder of Multihope Enterprise Sdn Bhd	Sale of scrap irons, used battery, jumbo bag and replacement parts to Multihope Enterprise Sdn Bhd.	1,326.30 (⁽²⁾ 0.001%)	4,586.05 (⁽²⁾ 0.004%)	6,501.55 (⁽²⁾ 0.004%)	14,005.50 (⁽¹⁾ N/A)
Life Water Marketing and Multihope Enterprise Sdn Bhd	Tan Hwong Kuen, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director, is also the director and shareholder of Multihope Enterprise Sdn Bhd	Sale of drinking water and carbonated drinks to Multihope Enterprise Sdn Bhd.	3,890.04 (⁽²⁾ 0.004%)	4,590.20 (⁽²⁾ 0.004%)	5,651.50 (⁽²⁾ 0.004%)	2,386.00 (⁽¹⁾ N/A)

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
			FYE 2021 (RM)	FYE 2022 (RM)	FYE 2023 (RM)	
Life Water Marketing and Hong Seng Importer & Exporter Sdn Bhd	Lim Young Piau, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Senior Director, is also the director and shareholder of Hong Seng Importer & Exporter Sdn Bhd	Sale of drinking water and carbonated drinks to Hong Seng Importer & Exporter Sdn Bhd.	3,171.70 (⁽²⁾ 0.003%)	3,031.40 (⁽²⁾ 0.002%)	3,942.10 (⁽²⁾ 0.003%)	2,255.80 (⁽¹⁾ N/A)

Notes:

- (1) Not applicable as we did not prepare any financial statements from 1 July 2023 up to the LPD.
- (2) Calculated based on our Group's revenue for each of the respective financial years.

Our Directors (save for the interested Directors, where applicable) confirm that all the above related party transactions were carried out on arm's length basis as the respective considerations were fixed at the prevailing market rate and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not to the detriment to our non-interested shareholders.

Save for the transactions (i) between our Group and Multihope Enterprise Sdn Bhd and (ii) between our Group and Hong Seng Importer & Exporter Sdn Bhd, there are no other subsisting related party transactions after our Listing.

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

10. RELATED PARTY TRANSACTIONS (CONT'D)

In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other. Upon our Listing, our Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

(The rest of this page has been intentionally left blank)

10. RELATED PARTY TRANSACTIONS (CONT'D)**10.1.3 Transactions that are unusual in nature or condition**

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years Under Review and up to the LPD.

10.1.4 Loans and/or financial assistance (including guarantees of any kind) made to or for the benefit of related parties

Our Directors have confirmed that there are no loans (including guarantees of any kind) and/or financial assistance that have been made by our Group to or for the benefit of the related parties for the Financial Years Under Review and up to the LPD.

10.1.5 Loans and/or financial assistance (including guarantees of any kind) from related parties to our Group

For the Financial Years Under Review and up to the LPD, our Promoters have provided personal guarantees for the banking facilities extended by CIMB Bank Berhad, Hong Leong Bank Berhad, HSBC Amanah Malaysia Berhad, HSBC Bank Malaysia Berhad, MIDF Berhad, Maybank Islamic Berhad, OCBC Bank (Malaysia) Berhad, Public Bank Berhad, RHB Bank Berhad and RHB Islamic Bank Berhad to our Group. Further, our Promoters have also provided personal guarantees for hire purchase facilities extended by Affin Bank Berhad, Hong Leong Bank Berhad, RHB Bank Berhad, HSBC Amanah Malaysia Berhad and MIDF Berhad to our Group.

In conjunction with our Listing, we have written to the abovementioned financiers to seek approval for the release and/or discharge of the personal guarantees, or substituting the same with a corporate guarantee from our Company. We have received conditional approvals (subject to our Listing) from all the above mentioned financiers for the release and/or discharge or substitution of the said personal guarantees, with a corporate guarantee from our Company which is subject to the successful Listing of our Group.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**10.2.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest. It also sets procedures and processes to ensure that transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10. RELATED PARTY TRANSACTIONS (CONT'D)**10.2.2 Our Group's policy on related party transactions and conflicts of interest**

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties. Some of the directors of our Group are also directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders. In respect of our Directors' interest in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCGG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that at least half of our Board members are independent directors and will undertake an annual assessment of the independence of our Independent Directors;
- (ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group. Upon such disclosure, the interested Director (with any interest, direct or indirect), must abstain from deliberation and voting at the relevant Board meeting. Additionally, the said interested Director must abstain from voting and shall procure persons connected to the said interested Director to abstain from voting on the relevant resolution in respect of the related party transaction at a general meeting (if applicable); and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our Management will review the said transactions on whether the terms and conditions of the related party transactions to be entered into are at arm's length, and on transaction prices and terms not more favourable to the related parties than those generally available to the public, fair and not detrimental to the minority shareholders of our Company and will then propose the transactions to our Audit and Risk Management Committee for its review who would in turn, make a recommendation to our Board for deliberation and approval.

(The rest of this page has been intentionally left blank)

11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

11.1.1 Interest in entities carrying on a similar trade or customers or suppliers of our Group

None of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group. Details of the interests and directorships in other businesses of our Directors are disclosed in Section 5.2.3 of this Prospectus.

Save as disclosed in Section 10.1.2 of this Prospectus, none of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are the customers or suppliers of our Group.

Tan Hwong Kuen is a director and shareholder of Multihope Enterprise Sdn Bhd while Lim Young Piau is a director and shareholder of Hong Seng Importer & Exporter Sdn Bhd. Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd are not involved in the similar business activities as our Group. Multihope Enterprise Sdn Bhd is principally involved in trading of scrap metal and used vehicle parts while Hong Seng Importer & Exporter Sdn Bhd is principally involved in wholesale and retail of frozen foodstuffs.

The transactions (i) between our Group and Multihope Enterprise Sdn Bhd and (ii) between our Group and Hong Seng Importer & Exporter Sdn Bhd, respectively, were carried out on arm's length basis as the considerations were fixed at the prevailing market rate and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties. The transaction values (i) between our Group and Multihope Enterprise Sdn Bhd and (ii) between our Group and Hong Seng Importer & Exporter Sdn Bhd are set out below:

Transacting parties	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
		FYE 2021 (RM)	FYE 2022 (RM)	FYE 2023 (RM)	
Life Water Marketing and Multihope Enterprise Sdn Bhd	Sale of drinking water and carbonated drinks to Multihope Enterprise Sdn Bhd.	3,890.04	4,590.20	5,651.50	2,386.00
Life Water Marketing and Hong Seng Importer & Exporter Sdn Bhd	Sale of drinking water and carbonated drinks to Hong Seng Importer & Exporter Sdn Bhd.	3,171.70	3,031.40	3,942.10	2,255.80

In addition, our Group is not dependent on Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd for revenue as the revenue generated from Multihope Enterprise Sdn Bhd and Hong Seng Importer & Exporter Sdn Bhd was below 0.01% of our Group's revenue for the Financial Years Under Review and up to the LPD.

Further, Tan Hwong Kuen and Lim Young Piau are non-executive directors of our Group and hence, are not involved in the day-to-day running of the business operations of our Group. Their involvement in the other business activities outside our Group does not preclude them from allocating or committing their time and efforts to our Group in their respective roles on our Board.

In view of the above, the involvement of our Directors and/or substantial shareholders in other businesses or corporations does not give rise to any existing and potential conflict of interest situation.

Moving forward, our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations that may arise and review our Group's current and future related party transactions to ensure that such transactions will be carried out on an arm's length basis and on commercial terms in the best interest of our Group. Please refer to Section 10.2 of this Prospectus for further details of our monitoring and oversight policy on conflict of interest.

11. CONFLICT OF INTEREST (CONT'D)

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 Principal Adviser, Underwriter and Placement Agent

Malaysia Building Society Berhad (“**MBSB**”) is the holding company of MIDF Berhad and MIDF Investment is a wholly-owned subsidiary of MIDF Berhad. MBSB, its subsidiaries and its related companies (collectively referred to as “**MBSB Group**”) are involved in diversified financial activities. MBSB Group has been engaged, and may in the future be engaged, in transactions with and/or perform services for MBSB Group and its affiliates, in addition to MIDF Investment’s role as the Principal Adviser, Underwriter and Placement Agent for the IPO. Further, in the ordinary course of business, any member of MBSB Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of MBSB Group and its affiliates or any other entity or transactions for its own account or the account of its customer. This is a result of the business of MBSB Group generally acting independent of each other and accordingly, there may be situations where parts of MBSB Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, MBSB Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese Walls between different business divisions.

As at the LPD, our Group has outstanding banking facilities with MBSB Group amounting to approximately RM20.31 million.

Notwithstanding the above, MIDF Investment is of the view that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as our Principal Adviser, Placement Agent and Underwriter for our IPO as:

- (i) MIDF Investment is a licensed investment bank and its appointment as the Principal Adviser, Placement Agent and Underwriter for our IPO and the extension of the banking facilities by the MBSB Group arose in its ordinary course of business;
- (ii) the conduct of MBSB Group in its banking business is strictly regulated by the Financial Services Act 2013 and Islamic Financial Services Act 2013 as well as the MBSB Group’s own internal controls and checks; and
- (iii) the said banking facilities which are less than 0.50% of the audited net assets attributable to the owners of MBSB Group as at 31 December 2022 of RM8.96 billion, are not material.

MIDF Investment has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Underwriter and Placement Agent for the IPO. The Underwriting Agreement, which certain details are set out in Section 4.9 of this Prospectus, was entered into on arm’s length basis and on market terms.

11.2.2 Solicitors

Jeff Leong, Poon & Wong has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to our IPO.

11.2.3 Auditors and Reporting Accountants

BDO PLT has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to our IPO.

11.2.4 Independent Business and Market Research Consultants

Vital Factor has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants to our Group in relation to our IPO.

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.

(The rest of this page has been intentionally left blank)

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.

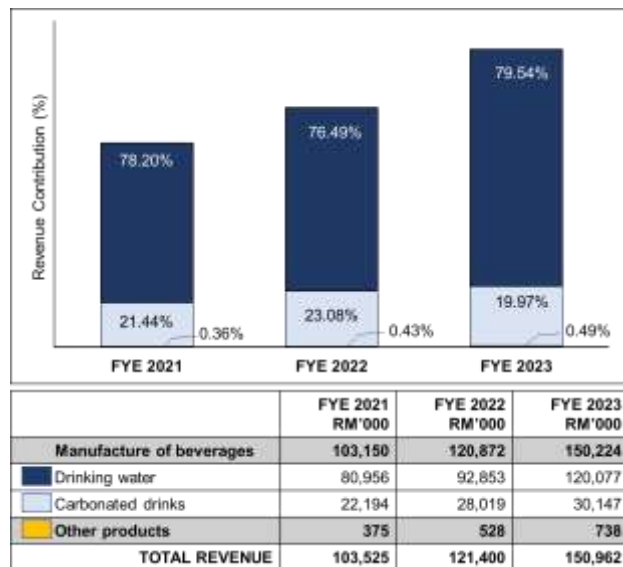
The growth was contributed by the overall increase in revenue from the manufacture of beverages and other products.

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.

(The rest of this page has been intentionally left blank)

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
<i>Plastic bottles and packaging material costs</i>	25,101	45.04	35,410	50.84	44,159	51.46
<i>Beverage input material costs⁽¹⁾</i>	5,821	10.44	6,389	9.18	7,490	8.73
<i>Others⁽²⁾</i>	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
<i>Depreciation costs</i>	5,743	10.30	7,169	10.29	8,088	9.42
<i>Electricity costs</i>	4,402	7.90	4,775	6.85	5,859	6.83
<i>Others⁽³⁾</i>	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	%
Administrative expenses						
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.

(The rest of this page has been intentionally left blank)

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.

(The rest of this page has been intentionally left blank)

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.

(The rest of this page has been intentionally left blank)

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



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)	[•]	[•]



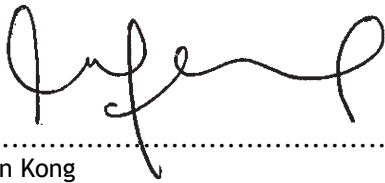
12. FINANCIAL INFORMATION (CONT'D)

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

APPROVAL BY THE BOARD OF DIRECTORS

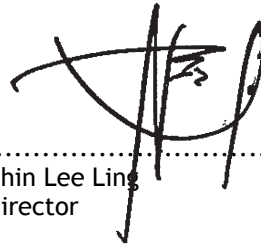
Approved and adopted by the Board of Directors of Life Water Berhad in accordance with a resolution dated 22 December 2023.

Signed on behalf of the Board of Directors.



.....
Liaw Hen Kong
Director

Kuala Lumpur
22 December 2023



.....
Chin Lee Ling
Director

13. REPORTING ACCOUNTANTS' REPORT

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

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Life Water Berhad. ("LW" or the "Company")

Opinion

We have audited the combined financial statements of Life Water Berhad and its combining entities ("the Group"), which comprise the combined statements of financial position as at 30 June 2021, 30 June 2022 and 30 June 2023 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 and notes to the combined financial statements, including a summary of significant accounting policies as set out in this report.

This historical combined financial statements have been prepared for inclusion in the prospectus of the Company (the "Prospectus") in connection with the listing and quotation of the entire ordinary shares in the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of their financial performance and their cash flows for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the 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.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Life Water Berhad ("LW" or the "Company") (continued)

Directors' Responsibilities for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Life Water Berhad ("LW" or the "Company") (continued)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)


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

- (e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.


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


 Pang Zhi Hao
 03450/09/2025 J
 Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
ASSETS				
Non-current assets				
Property, plant and equipment	6	41,935,175	62,822,359	67,662,411
Right-of-use assets	7	23,180,348	22,352,511	29,661,268
Deferred tax assets	16	158,744	80,114	88,790
		65,274,267	85,254,984	97,412,469
Current assets				
Inventories	9	13,241,159	25,040,475	20,394,348
Trade and other receivables	10	15,689,025	22,879,521	24,542,054
Current tax assets		1,086,087	2,565,316	1,569,274
Return assets	15	98,317	113,876	155,946
Short term funds	11	17,407,960	13,477,906	18,100,059
Cash and bank balances	12	6,484,713	9,859,301	11,615,463
		54,007,261	73,936,395	76,377,144
TOTAL ASSETS		119,281,528	159,191,379	173,789,613

EQUITY AND LIABILITIES

*Equity attributable to common
controlling shareholders of the
combining entities*

Invested equity	17	6,600,020	6,600,120	6,700,200
Retained earnings		53,035,034	67,572,428	87,193,846
TOTAL EQUITY		59,635,054	74,172,548	93,894,046

LIABILITIES

Non-current liabilities

Borrowings	13	30,925,515	43,539,542	48,664,650
Lease liabilities	7	5,634,102	3,006,635	2,122,005
Deferred tax liabilities	16	427,317	159,278	573,812
		36,986,934	46,705,455	51,360,467



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
EQUITY AND LIABILITIES (continued)				
Current liabilities				
Trade and other payables	14	10,947,542	12,769,930	10,085,734
Borrowings	13	7,835,121	22,842,647	16,262,498
Lease liabilities	7	3,574,728	2,031,739	1,769,755
Refund liabilities	15	139,682	151,680	204,778
Current tax liabilities		162,467	517,380	212,335
		<u>22,659,540</u>	<u>38,313,376</u>	<u>28,535,100</u>
TOTAL LIABILITIES		<u>59,646,474</u>	<u>85,018,831</u>	<u>79,895,567</u>
TOTAL EQUITY AND LIABILITIES		<u><u>119,281,528</u></u>	<u><u>159,191,379</u></u>	<u><u>173,789,613</u></u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
Revenue	18	103,525,521	121,400,239	150,962,159
Cost of sales		<u>(55,732,056)</u>	<u>(69,656,155)</u>	<u>(85,815,709)</u>
Gross profit		47,793,465	51,744,084	65,146,450
Other income		919,819	1,340,138	908,813
Net gain/(loss) on impairment of financial instruments		218,327	269,577	(56,377)
Selling and distribution expenses		(17,463,889)	(20,604,302)	(24,473,539)
Administrative expenses		(10,861,446)	(12,880,162)	(14,580,246)
Finance costs	19	<u>(1,574,293)</u>	<u>(2,285,789)</u>	<u>(2,711,854)</u>
Profit before tax	20	19,031,983	17,583,546	24,233,247
Tax expense	22	<u>(1,370,607)</u>	<u>(1,846,152)</u>	<u>(3,611,829)</u>
Profit for the financial year, representing total comprehensive income for the financial year		<u>17,661,376</u>	<u>15,737,394</u>	<u>20,621,418</u>
Profit attributable to common controlling shareholders of the combining entities		<u>17,661,376</u>	<u>15,737,394</u>	<u>20,621,418</u>
Total comprehensive income attributable to common controlling shareholders of the combining entities		<u>17,661,376</u>	<u>15,737,394</u>	<u>20,621,418</u>
Earnings per share attributable to common controlling shareholders of the combining entities				
Basic and diluted	23	2.72	2.38	3.12

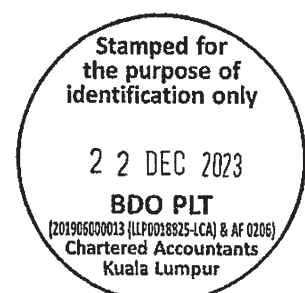


13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

<u>Audited</u>	Note	<i>Distributable</i>		
		Ordinary shares capital RM	Retained earnings RM	Total equity RM
Balance as at 1 July 2020		6,200,028	37,873,658	44,073,686
Profit for the financial year		-	17,661,376	17,661,376
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	17,661,376	17,661,376
Transactions with common controlling shareholders				
Dividends paid	24	-	(2,500,000)	(2,500,000)
Issuance of ordinary shares	17	399,992	-	399,992
Total transactions with common controlling shareholders		399,992	(2,500,000)	(2,100,008)
Balance as at 30 June 2021/1 July 2021		6,600,020	53,035,034	59,635,054
Profit for the financial year		-	15,737,394	15,737,394
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	15,737,394	15,737,394
Transactions with common controlling shareholders				
Dividends paid	24	-	(1,200,000)	(1,200,000)
Issuance of ordinary shares	17	100	-	100
Total transactions with common controlling shareholders		100	(1,200,000)	(1,199,900)
Balance as at 30 June 2022		6,600,120	67,572,428	74,172,548



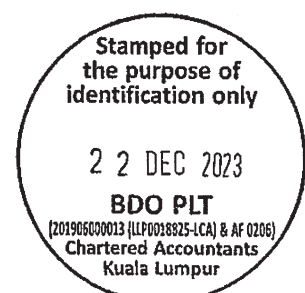
13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

<u>Audited</u>	Note	<i>Distributable</i>		
		Ordinary shares capital RM	Retained earnings RM	Total equity RM
Balance as at 1 July 2022		6,600,120	67,572,428	74,172,548
Profit for the financial year		-	20,621,418	20,621,418
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	20,621,418	20,621,418
Transactions with common controlling shareholders				
Dividends paid	24	-	(1,000,000)	(1,000,000)
Issuance of ordinary shares	17	100,080	-	100,080
Total transactions with common controlling shareholders		100,080	(1,000,000)	(899,920)
Balance as at 30 June 2023		6,700,200	87,193,846	93,894,046

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		19,031,983	17,583,546	24,233,247
Adjustments for:				
Amortisation of government grant	20	(36,000)	(36,000)	(52,752)
Inventories written off	9	176,108	11,544	10,810
Bad debts written off	20	78,329	97,695	98,263
Depreciation of right-of-use assets	7	3,635,393	3,368,305	2,544,865
Depreciation of property, plant and equipment	6	3,323,180	5,131,977	7,091,724
Finance costs	19	1,574,293	2,285,789	2,711,854
Interest income	20	(300,759)	(300,214)	(401,367)
Impairment loss on trade receivables	10(e)	-	51,293	90,899
Reversal of impairment loss on trade receivables	10(e)	(218,327)	(320,870)	(34,522)
(Gain)/Loss on disposal of property, plant and equipment	20	(6,412)	(112,236)	7,801
Gain on lease modification	7(e)	(2,755)	-	-
Gain on lease termination	7(e)	-	-	(105)
Unrealised loss/(gain) on foreign exchange	20	9,073	-	(31,337)
Fair value (gain)/loss on short term funds	20	(298,617)	60,517	(46,260)
Operating profit before changes in working capital		26,965,489	27,821,346	36,223,120
Changes in working capital:				
Inventories		(2,944,281)	(11,810,860)	4,635,317
Trade and other receivables		(1,994,036)	(7,018,414)	(1,758,363)
Trade and other payables		(112,843)	1,817,318	(2,959,817)
Return assets		(923)	(15,559)	(42,070)
Refund liabilities		11,934	11,998	53,098
Cash generated from operations		21,925,340	10,805,829	36,151,285
Interest received		247,950	261,672	360,769
Tax refunded		85,427	13,440	1,124,195
Tax paid		(3,709,418)	(3,173,317)	(3,639,173)
Net cash from operating activities		18,549,299	7,907,624	33,997,076



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		6,413	116,412	50,543
Purchase of property, plant and equipment	6	(15,799,769)	(24,605,183)	(11,939,976)
Purchase of right-of-use assets	7	(135,590)	(3,275,403)	(1,853,813)
Net (placement)/withdrawal of short term fund		(12,476,380)	3,869,537	(4,575,893)
Withdrawal of fixed deposits		-	-	569,685
Net cash used in investing activities		(28,405,326)	(23,894,637)	(17,749,454)
CASH FLOWS FROM FINANCING ACTIVITIES				
Government grant received		240,000	-	303,524
Net (repayments)/drawdown of bankers' acceptance		(630,788)	12,314,807	(7,017,781)
Net drawdowns/(repayments) of term loans		16,731,985	15,380,092	(1,638,505)
Net repayments of lease liabilities		(3,087,268)	(4,867,619)	(2,120,933)
Interest paid		(1,609,960)	(2,230,775)	(2,704,092)
Dividends paid to shareholders	24	(2,500,000)	(1,200,000)	(1,000,000)
Issuance of ordinary shares	17	399,992	100	100,080
Net cash from/(used in) financing activities		9,543,961	19,396,605	(14,077,707)
Net (decrease)/increase in cash and cash equivalents		(312,066)	3,409,592	2,169,915
Effect of exchange rate changes on cash and cash equivalents		(9,073)	-	-
Cash and cash equivalents at beginning of financial year		4,474,725	4,153,586	7,563,178
Cash and cash equivalents at end of financial year	12(d)	4,153,586	7,563,178	9,733,093

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 7) RM	Banker's acceptances (Note 13) RM	Term loans (Note 13) RM	Revolving credit RM
At 1 July 2020	11,512,240	4,544,563	17,908,084	-
Cash flows:				
- Net (repayments)/drawdown	(3,869,758)	(719,985)	15,759,883	-
- Drawdown of lease liabilities*	236,000	-	-	-
- Interest paid	546,490	89,197	972,102	-
	(3,087,268)	(630,788)	16,731,985	-
Non-cash flows:				
- Additions during the year	708,600	-	-	-
- Unwinding of interest	17,738	-	-	-
- Remeasurement	57,520	-	-	-
	783,858	-	-	-
At 30 June 2021/1 July 2021	9,208,830	3,913,775	34,640,069	-
Cash flows:				
- Net (repayments)/drawdown	(5,364,067)	12,020,089	13,947,217	(5,285)
- Interest paid	496,448	294,718	1,432,875	5,285
	(4,867,619)	12,314,807	15,380,092	-
Non-cash flows:				
- Additions during the year	683,219	-	-	-
- Unwinding of interest	13,944	-	-	-
	697,163	16,228,582	-	-
At 30 June 2022	5,038,374	16,228,582	50,020,161	-

* The amount represents lease liabilities drawdown during the financial year for assets manufactured and used by LWI in the financial year ended 2020.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Lease liabilities (Note 7) RM	Banker's acceptances (Note 13) RM	Term loans (Note 13) RM
At 1 July 2022	5,038,374	16,228,582	50,020,161
Cash flows:			
- Net (repayments)/drawdowns	(2,381,413)	(7,320,652)	3,309,140
- Interest paid	260,480	302,871	2,139,355
	(2,120,933)	(7,017,781)	5,448,495
Non-cash flows:			
- Additions during the year	966,707	-	-
- Unwinding of interest	11,471	-	-
- Lease termination	(3,859)	-	-
	974,319	-	-
At 30 June 2023	<u>3,891,760</u>	<u>9,210,801</u>	<u>55,468,656</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 20 January 2023 as a private limited company under the name of Life Water Sdn. Bhd. and was subsequently converted to a public limited company on 19 December 2023.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur.

The principal place of business of the Company is located at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah.

The Company is principally engaged in investment holdings activities. The principal activities of the combining entities are set out in Note 8 to the combined financial statements.

2. BASIS OF PREPARATION

The combined financial statements of the Group has been prepared in accordance with paragraph 10.04 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines. The combined financial statements of the Group consist of the combined financial statements of the Company and its combining entities as disclosed in Note 8 of the combined financial statements, which are prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and based on the Guidance Note on Combined Financial Statements issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements of the Group for the relevant period are prepared under historical cost convention except as otherwise stated in the combined financial statements. The combined financial statements are prepared for the relevant period in a manner similar to the "pooling of interest" method of accounting, as if the combining entities were operating as a single economic enterprise from beginning of the earliest comparative period covered for the relevant period. Such manner of presentation reflects the economic substance of the combined entities, which are under common control throughout the relevant period.

The Group's historical audited combined financial information for the purpose stated above were prepared in accordance with MFRSs and IFRSs while the audited separate statutory financial statements of K2 Water Sdn. Bhd. for the financial year ended ("FYE(s)") FYE 30 June 2021 has been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS").

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

2. BASIS OF PREPARATION (continued)

The statutory auditors of the combining entities of the Group are as follows:

Company	Relevant financial years	Auditors
Life Water Berhad	Financial Period Ended 30 June 2022 [^]	BDO PLT (First Auditors)
Life Water Industries Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Ernst & Young PLT BDO PLT BDO PLT
Green Borneo Industries Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Ernst & Young PLT BDO PLT BDO PLT
Life Water Marketing Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Ernst & Young PLT BDO PLT BDO PLT
Syarikat Maju Sasa Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Ernst & Young PLT BDO PLT BDO PLT
Syarikat Rasa Kool Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Ernst & Young PLT BDO PLT BDO PLT
K2 Water Sdn. Bhd.	FYE 30 June 2021* FYE 30 June 2022 FYE 30 June 2023	Jeta PLT BDO PLT BDO PLT
Cyplast Industries Sdn. Bhd.	Financial Period Ended 30 June 2022 [#] FYE 30 June 2023	BDO PLT (First Auditors) BDO PLT

[^] There was no audited financial statements for Life Water Berhad for FYE 30 June 2021 and FYE 30 June 2022 as the entity was incorporated on 20 January 2023.

* The financial statements of combining entities for the financial year ended 30 June 2021 were re-prepared by management and re-audited by BDO PLT for the purpose of inclusion into the combined financial statements of the Group.

[#] There was no audited financial statements for Cyplast Industries Sdn. Bhd. for FYE 30 June 2021 as the entity was incorporated on 9 March 2022.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Basis of accounting**

The combined financial statements of the Group for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The combined financial statements of the Group have been prepared under the historical cost convention except as otherwise stated in the combined financial statements.

The preparation of these combined financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the combined financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

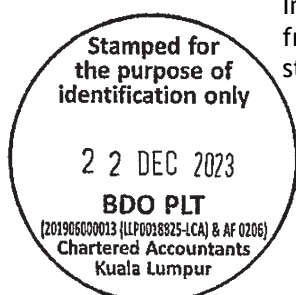
3.2 Basis of combination**Combining entities**

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities ("Controlling Shareholders"), and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have *de facto* power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The principal annual depreciation rates are as follows:

Buildings	2%
Motor vehicles	20%
Renovation, electrical and fittings	10% - 20%
Computer and software	20%
Plant and machinery	15%
Equipment, furniture and fittings	10% - 15%

Work-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

3.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.5 Current versus non-current classification

The Group presents assets and liabilities in the combined statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised when, and only when, the Group become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Categories of financial instruments and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequently unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income – debt securities

A debt security is measured at fair value through other comprehensive income (“FVOCI”) if it is held within a business model with the objective of both holding to collect contractual cash flows and selling; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as at fair value through profit or loss (“FVTPL”).

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Financial assets (continued)

(c) Fair value through other comprehensive income – equity securities

For an equity investment that is not held for trading, the Group may irrevocably elect to subsequently measure the equity securities at FVOCI on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

(d) Fair value through profit or loss

All financial assets not classified and measured at amortised costs or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Impairment of financial assets

The Group applies the simplified approach to measure expected credit loss (“ECL”). This entails recognising a lifetime expected loss allowance for all trade receivables that do not contain a significant financing component.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers based on grouping of customers sharing the same credit risk characteristics and past due days. Expected loss rates are calculated using the roll rate method. The expected loss rates are based on the Group's historical credit losses experience over the three (3) years period prior to the period end.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Financial assets (continued)

Impairment of financial assets (continued)

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward-looking information (gross domestic product (“GDP”), inflation rate and overnight policy rate (“OPR”)) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the combined statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other financial assets is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the other financial assets. For those in which the credit risk has not increased significantly since initial recognition of the other financial assets, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for other financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other financial assets is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for the other financial assets.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities classified at initial recognition are as follows:

(a) Fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that do not meet the hedge accounting criteria.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any interest expense recognised in profit or loss.

For financial liabilities where it is designated as FVTPL upon initial recognition, the amount of change in fair value of the financial liability that is attributable to change in credit risk are recognised in the other comprehensive income and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the credit risk of the liability would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

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

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



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting

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

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Finished goods: costs of direct materials, direct labour, other direct charges and appropriate proportions of factory overheads. These costs are assigned on weighted average cost method.
- Consumable stores and parts, general store and raw materials: purchase costs and expenses in bringing them into store on a weighted average cost method.

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

3.8 Cash and cash equivalents

Cash and cash equivalents in the combined statements of financial position comprise cash in hand and cash at banks, which are subject to an insignificant risk of change in value.

For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.11 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plan

The Group participates in the national pension scheme as defined by the laws of the country in which it has operations. The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

3.12 Leases

(a) As lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

(a) As lessee (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term of right-of-use assets is as follows:

Long leasehold land	80 - 999 years
Buildings	4 - 5 years
Motor vehicles	5 years
Plant and machinery	6 - 7 years
Computer and software	5 years

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases (continued)

(b) As lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

3.13 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Sale of finished goods

Revenue is recognised at point in time when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with discounts.

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

The Group recognised a contract liability for the expected refund and rebate payable to customer as a refund liability and corresponding expected goods to be returned as a return asset.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained, and its estimate of refund liability. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

Revenue recognition not in relation to performance obligations is described below:

Interest income

Interest income is recognised as it accrues, using the effective interest method.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxes

(a) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the combined statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions.

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxes (continued)

(b) Deferred tax (continued)

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

3.15 Fair value measurements

The fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Fair value measurements (continued)

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

3.16 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity and are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.17 Contingencies

A contingent liability or asset is a possible obligation or asset respectively that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the combined statements of financial position of the Group.

3.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

3.19 Operating segments

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Operating segments (continued)

Operating segments are defined as components of the Group that: (continued)

- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the consolidated revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the consolidated reported profit of all operating segments that did not report a loss; and
 - (ii) the consolidated reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the consolidated assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the combined financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group.

3.20 Earnings per share

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the weighted average number of ordinary shares outstanding during the financial year.

- (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

4.1 New MFRSs adopted during the financial year

The Company adopted the following Standards and Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
<i>Annual Improvements to MFRS Standards 2018-2020</i>	1 January 2022
<i>Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)</i>	1 January 2022
<i>Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)</i>	1 January 2022
<i>Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)</i>	1 January 2022

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group.

4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

Title	Effective Date
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 Insurance Contract)</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)</i>	1 January 2023
<i>Lease liability in a sale and leaseback (Amendments to MFRS 16 Leases)</i>	1 January 2024
<i>Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2024
<i>Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2024
<i>Supplier Finance Arrangements (Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures)</i>	1 January 2024
<i>International Tax Reform - Pillar Two Model (Amendments to MFRS 112 Income Taxes)</i>	See paragraph 98M of MFRS 112
<i>Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates)</i>	1 January 2025
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures)</i>	Deferred

Stamped for
the purpose of
identification only

22 DEC 2023

BDO PLT

(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

- 4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023 (continued)

The Group is still in the process of assessing the impact of implementing these standards, since the effects would only be observable in future financial years.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATION

The preparation of the Group's combined financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes reflected in the assumptions when they occur.

(i) Provision for expected credit losses of trade receivables

The impairment provisions for financial assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(ii) Estimating variable consideration for rebates

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price.

For rebates and discounts, management has determined that a portion of the estimated variable consideration based on the expected value method is subject to the constraint as it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue.

(iii) Estimating incremental borrowing rates for lease liabilities

Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

6. PROPERTY, PLANT AND EQUIPMENT

Audited						Equipment, furniture and fittings	Work-in- progress	Total
2021	Buildings RM	Motor vehicles RM	Renovation, electrical and fittings RM	Computer and software RM	Plant and machinery RM	RM	RM	RM
Carrying amount								
At 1 July 2020	14,275,207	577,597	2,344,317	421,205	5,809,431	548,390	5,811,406	29,787,553
Additions	158,456	113,118	1,852,698	111,485	8,151,012	94,529	5,318,471	15,799,769
Cost adjustment*	(111,420)	-	-	-	-	-	-	(111,420)
Depreciation charge for the financial year	(366,995)	(92,513)	(503,581)	(125,167)	(2,131,101)	(103,823)	-	(3,323,180)
Disposal	-	-	-	-	(1)	-	-	(1)
Reclassification (to)/from right-of-use assets	-	(286,128)	-	-	68,582	-	-	(217,546)
Reclassification	9,086,908	-	-	-	-	-	(9,086,908)	-
At 30 June 2021	23,042,156	312,074	3,693,434	407,523	11,897,923	539,096	2,042,969	41,935,175
Audited						Cost RM	Accumulated depreciation RM	Carrying amount RM
2021								
Buildings						24,831,702	(1,789,546)	23,042,156
Motor vehicles						6,280,593	(5,968,519)	312,074
Renovation, electrical and fittings						9,551,885	(5,858,451)	3,693,434
Computer and software						1,110,412	(702,889)	407,523
Plant and machinery						45,168,211	(33,270,288)	11,897,923
Equipment, furniture and fittings						1,267,286	(728,190)	539,096
Work-in-progress						2,042,969	-	2,042,969
						90,253,058	(48,317,883)	41,935,175



* Cost adjustment was made to correct prior year error arising from overstatement of a building.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited						Equipment, furniture and fittings	Work-in- progress	Total
2022	Buildings RM	Motor vehicles RM	Renovation, electrical and fittings RM	Computer and software RM	Plant and machinery RM	RM	RM	RM
Carrying amount								
At 1 July 2021	23,042,156	312,074	3,693,434	407,523	11,897,923	539,096	2,042,969	41,935,175
Additions	3,907,765	451,162	1,567,815	260,003	14,023,363	88,698	4,306,377	24,605,183
Disposal	-	(7)	-	-	-	(4,169)	-	(4,176)
Depreciation charge for the financial year	(530,915)	(111,031)	(670,700)	(156,564)	(3,560,704)	(102,063)	-	(5,131,977)
Reclassification from right-of-use assets	-	91,206	-	145,553	1,181,395	-	-	1,418,154
Reclassification	(352,540)	-	-	-	-	-	352,540	-
At 30 June 2022	26,066,466	743,404	4,590,549	656,515	23,541,977	521,562	6,701,886	62,822,359

Audited			
2022	Cost RM	Accumulated depreciation RM	Carrying amount RM
Buildings	28,386,927	(2,320,461)	26,066,466
Motor vehicles	7,026,218	(6,282,814)	743,404
Renovation, electrical and fittings	11,119,700	(6,529,151)	4,590,549
Computer and software	1,515,968	(859,453)	656,515
Plant and machinery	62,788,598	(39,246,621)	23,541,977
Equipment, furniture and fittings	1,332,523	(810,961)	521,562
Work-in-progress	6,708,886	-	6,701,886
	118,871,820	(56,049,461)	62,822,359



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited						Equipment, furniture and fittings	Work-in- progress	Total
2023	Buildings RM	Motor vehicles RM	Renovation, electrical and fittings RM	Computer and software RM	Plant and machinery RM	RM	RM	RM
Carrying amount								
At 1 July 2022	26,066,466	743,404	4,590,549	656,515	23,541,977	521,562	6,701,886	62,822,359
Additions	531,779	360,000	1,381,418	201,569	8,444,462	211,002	809,746	11,939,976
Disposal	-	(1)	-	-	(58,342)	(1)	-	(58,344)
Depreciation charge for the financial year	(570,941)	(260,308)	(816,476)	(303,072)	(5,036,616)	(104,311)	-	(7,091,724)
Reclassification from right-of-use assets	-	50,141	-	-	3	-	-	50,144
Reclassification	896,529	-	-	-	-	-	(896,529)	-
At 30 June 2023	26,923,833	893,236	5,155,491	555,012	26,891,484	628,252	6,615,103	67,662,411

Audited			
2023	Cost RM	Accumulated depreciation RM	Carrying amount RM
Buildings	29,815,235	(2,891,402)	26,923,833
Motor vehicles	8,467,987	(7,574,751)	893,236
Renovation, electrical and fittings	12,501,118	(7,345,627)	5,155,491
Computer and software	1,717,537	(1,162,525)	555,012
Plant and machinery	75,112,412	(48,220,928)	26,891,484
Equipment, furniture and fittings	1,540,525	(912,273)	628,252
Work-in-progress	6,615,103	-	6,615,103
	135,769,917	(68,107,506)	67,662,411



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of property, plant and equipment of the Group pledged as securities for banking facilities granted to the Group as disclosed in Note 13 respectively are as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Buildings	22,845,494	25,904,448	26,832,618
Plant and machinery	6,523,580	14,310,660	13,311,604
Work-in-progress	2,042,969	6,701,886	6,601,853
	<u>31,412,043</u>	<u>46,916,994</u>	<u>46,746,075</u>

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

Audited	Long leasehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Computer and software RM	Total RM
2021						
Carrying amount						
At 1 July 2020	13,024,512	250,548	1,921,802	10,154,167	342,701	25,693,730
Additions	-	-	844,190	-	-	844,190
Depreciation charge for the financial year	(114,442)	(91,149)	(784,915)	(2,546,313)	(98,574)	(3,635,393)
Reclassification from/(to) property, plant and equipment	-	-	286,128	(68,582)	-	217,546
Remeasurement	-	60,275	-	-	-	60,275
At 30 June 2021	<u>12,910,070</u>	<u>219,674</u>	<u>2,267,205</u>	<u>7,539,272</u>	<u>244,127</u>	<u>23,180,348</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Right-of-use assets (continued)

Audited	Long leasehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Computer and software RM	Total RM
2022						
Carrying amount						
At 1 July 2021	12,910,070	219,674	2,267,205	7,539,272	244,127	23,180,348
Additions	3,098,603	15,019	845,000	-	-	3,958,622
Depreciation charge for the financial year	(114,442)	(54,812)	(858,781)	(2,241,696)	(98,574)	(3,368,305)
Reclassification to property, plant and equipment	-	-	(91,206)	(1,181,395)	(145,553)	(1,418,154)
At 30 June 2022	15,894,231	179,881	2,162,218	4,116,181	-	22,352,511

Audited	Long leasehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
2023					
Carrying amount					
At 1 July 2022	15,894,231	179,881	2,162,218	4,116,181	22,352,511
Additions	8,733,190	13,802	1,160,528	-	9,907,520
Depreciation charge for the financial year	(120,018)	(53,460)	(877,946)	(1,493,441)	(2,544,865)
Reclassification to property, plant and equipment	-	-	(50,141)	(3)	(50,144)
Lease termination	-	(3,754)	-	-	(3,754)
At 30 June 2023	24,507,403	136,469	2,394,659	2,622,737	29,661,268



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities

Audited	Buildings RM	Motor vehicles RM	Plant and machinery RM	Computer and software RM	Total RM
2021					
Carrying amount					
At 1 July 2020	266,569	1,706,734	9,152,178	386,759	11,512,240
Additions	-	944,600	-	-	944,600
Remeasurement	57,520	-	-	-	57,520
Lease payments	(103,875)	(679,886)	(2,977,073)	(108,924)	(3,869,758)
Interest expense	10,003	93,688	439,314	21,223	564,228
At 30 June 2021	230,217	2,065,136	6,614,419	299,058	9,208,830

Audited	Buildings RM	Motor vehicles RM	Plant and machinery RM	Computer and software RM	Total RM
2022					
Carrying amount					
At 1 July 2021	230,217	2,065,136	6,614,419	299,058	9,208,830
Additions	15,019	668,200	-	-	683,219
Lease payments	(61,150)	(927,075)	(4,049,070)	(326,772)	(5,364,067)
Interest expense	6,960	123,699	352,019	27,714	510,392
At 30 June 2022	191,046	1,929,960	2,917,368	-	5,038,374

Audited	Buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
2023				
Carrying amount				
At 1 July 2022	191,046	1,929,960	2,917,368	5,038,374
Additions	13,802	952,905	-	966,707
Lease payments	(59,750)	(969,476)	(1,352,187)	(2,381,413)
Interest expense	5,272	122,928	143,751	271,951
Lease termination	(3,859)	-	-	(3,859)
At 30 June 2023	146,511	2,036,317	1,708,932	3,891,760

Stamped for
the purpose of
identification only

22 DEC 2023

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

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities (continued)

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Represented by:			
Current liabilities	3,574,728	2,031,739	1,769,755
Non-current liabilities	5,634,102	3,006,635	2,122,005
	<u>9,208,830</u>	<u>5,038,374</u>	<u>3,891,760</u>
	2021 Audited RM	2022 Audited RM	2023 Audited RM
Lease liabilities owing to financial institutions	8,816,358	4,702,089	3,617,811
Lease liabilities owing to non-financial institutions	392,472	336,285	273,949
	<u>9,208,830</u>	<u>5,038,374</u>	<u>3,891,760</u>

- (a) Lease liabilities are classified as financial liabilities measured at amortised cost.
- (b) The Group has made upfront payments to secure the right-of-use of long leasehold land at the location which it operates. The periodic rent of building leases is to be reset periodically to market rental rates. The periodic rent is fixed over the lease term. The Company also leases certain items of plant and machinery and vehicles. These leases comprise only fixed payments over the lease term.
- (c) The Group has certain leases of machineries with lease term of 12 months or less, and low value leases of office equipment. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.
- (d) During the financial years, the Group made the following cash payments to purchase right-of-use assets:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Purchase of right-of-use assets	844,190	3,958,622	9,907,520
Financed by lease liabilities	(708,600)	(683,219)	(966,707)
Financed by term loans	-	-	(7,087,000)
Cash payments on purchase of right-of-use assets	<u>135,590</u>	<u>3,275,403</u>	<u>1,853,813</u>

Stamped for
the purpose of
identification only

22 DEC 2023

BDO PLT

(201906000013 (LLP0038825-LCA) & AF 0206)
Chartered Accountants
Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(e) The following are the amounts recognised in profit or loss:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Depreciation charge of right-of-use assets (included in cost of sales)	3,334,051	3,112,379	1,661,388
Depreciation charge of right-of-use assets (included in selling and distribution expenses)	27,700	18,400	800,911
Depreciation charge of right-of-use assets (included in administrative expenses)	273,642	237,526	82,566
Interest expense on lease (included in finance costs)	564,228	510,392	271,951
Gain on lease modification (included in other income)	2,755	-	-
Gain on lease termination (included in other income)	-	-	105
Expense relating to short-term leases (included in administrative expenses)	4,200	21,180	7,500
Expense relating to leases of low-value assets (included in administrative expenses)	8,171	9,810	10,110
Expense relating to short-term leases (included in selling and distribution expenses)	-	-	48,600
Expense relating to short-term leases (included in cost of sales)	242	63,425	830
	<u>4,214,989</u>	<u>3,973,112</u>	<u>2,883,961</u>

(f) The following are total cash outflows for leases as a lessee:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Included in net cash from operating activities:			
Payment relating to short-term leases	4,442	84,605	56,930
Payment relating to low-value assets	8,171	9,810	10,110
Included in net cash from/(used in) financing activities:			
Repayments of lease liabilities	<u>3,087,268</u>	<u>4,867,619</u>	<u>2,120,933</u>
Total cash outflows for leases	<u>3,099,881</u>	<u>4,962,034</u>	<u>2,187,973</u>

(g) Lease liabilities are denominated in RM.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

- (h) As at the end of the reporting period, the long leasehold land was charged to financial institutions for banking facilities granted to the Group as disclosed in Note 13 to the combined financial statements.
- (i) Information of financial risks of the lease liabilities were disclosed in Note 29 to the combined financial statements.

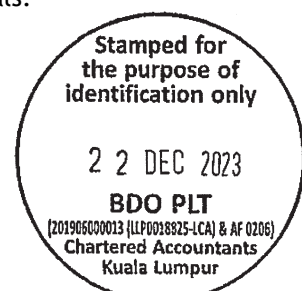
8. COMBINING ENTITIES

Details of the combining entities are as follows:

	Country of incorporation	Effective interest in equity based on voting interest			Principal activities
		2021 %	2022 %	2023 %	
Life Water Berhad ("LW")	Malaysia	^	^	100	Investment holding
Life Water Industries Sdn. Bhd. ("LWI")	Malaysia	100	100	100	Manufacture of drinking water, carbonated drinks and other drinks, plastic bottles, preforms, caps and related products.
Green Borneo Industries Sdn. Bhd. ("GBI")	Malaysia	100	100	100	Manufacture of drinking water.
Life Water Marketing Sdn. Bhd. ("LWM")	Malaysia	100	100	100	Sales and marketing of drinking water, carbonated drinks and other drinks, plastic bottles and related products.
Syarikat Maju Sasa Sdn. Bhd. ("SMS")	Malaysia	100	100	100	Sales of drinking water, carbonated drinks, juice drinks and PET containers.
Syarikat Rasa Kool Sdn. Bhd. ("SRK")	Malaysia	100	100	100	Sales of drinking water, carbonated drinks, juice drinks and PET containers.
K2 Water Sdn. Bhd. ("K2W")	Malaysia	100	100	100	Provision of transportation services
Cyplast Industries Sdn. Bhd. ("CISB")	Malaysia	*	100	100	Collection of recyclable materials.

^ The combining entity was incorporated on 20 January 2023.

* The combining entity was incorporated on 9 March 2022.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

9. INVENTORIES

	2021 Audited RM	2022 Audited RM	2023 Audited RM
At cost			
Raw materials	9,610,007	19,992,407	13,792,057
Finished goods	1,474,755	1,685,788	2,641,337
Consumable and parts	1,839,477	2,747,182	3,407,865
Stock-in-transit	-	-	12,847
Others	316,920	615,098	540,242
	<u>13,241,159</u>	<u>25,040,475</u>	<u>20,394,348</u>



- (a) During the financial year ended 30 June 2023, the Group recorded a charge to profit or loss pertaining to inventories written off of RM10,810 (2022: RM11,544; 2021: RM176,108).
- (b) Inventories of the Group recognised as cost of sales during the financial years are as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Inventories recognised as cost of sales	<u>55,732,056</u>	<u>69,656,155</u>	<u>85,815,709</u>

10. TRADE AND OTHER RECEIVABLES

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
Trade receivables				
Third parties	(b)	11,040,610	14,314,143	16,342,734
Less: Impairment losses	(e)	(620,294)	(350,717)	(407,094)
Total trade receivables		10,420,316	13,963,426	15,935,640
Other receivables				
Other receivables		461,066	542,112	806,680
Deposits		2,903,001	4,568,025	6,798,247
Deferred expenses		200	200	1,924
		<u>3,364,267</u>	<u>5,110,337</u>	<u>7,606,851</u>
Total receivables		13,784,583	19,073,763	23,542,491
Prepayments		<u>1,904,442</u>	<u>3,805,758</u>	<u>999,563</u>
Total trade and other receivables		<u>15,689,025</u>	<u>22,879,521</u>	<u>24,542,054</u>

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

10. TRADE AND OTHER RECEIVABLES (continued)

- (i) Total receivables are classified as financial assets measured at amortised cost.
- (ii) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 7 days to 90 days (2022: 7 days to 90 days; 2021: 7 days to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (iii) As at the end of each reporting period, no collateral has been obtained by the Group.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

- (iv) The reconciliation of movements in the impairment losses on trade receivables is as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Lifetime ECL allowance			
Balance as at 1 July	838,621	620,294	350,717
Charge for the financial year	-	51,293	90,899
Reversal of impairment losses	<u>(218,327)</u>	<u>(320,870)</u>	<u>(34,522)</u>
Balance as at 30 June	<u>620,294</u>	<u>350,717</u>	<u>407,094</u>

- (v) No expected credit loss is recognised arising from other receivables as the amount is negligible.
- (vi) The currency exposure profile of trade and other receivables is as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Ringgit Malaysia	12,468,103	17,812,213	22,227,186
United States Dollar	<u>1,316,480</u>	<u>1,261,550</u>	<u>1,315,305</u>
	<u>13,784,583</u>	<u>19,073,763</u>	<u>23,542,491</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

10. TRADE AND OTHER RECEIVABLES (continued)

(vii) The ageing analysis of trade receivables of the Group are as follows:

Audited	Gross carrying amount RM	Total allowance RM	Net carrying amount RM
2021			
Current	9,970,158	(11,949)	9,958,209
Past due			
1 to 30 days	281,801	(10,678)	271,123
31 to 60 days	60,733	(6,046)	54,687
61 to 90 days	18,479	(2,706)	15,773
More than 90 days	709,439	(588,915)	120,524
	1,070,452	(608,345)	462,107
	<u>11,040,610</u>	<u>(620,294)</u>	<u>10,420,316</u>
Audited			
2022			
Current	13,461,283	(11,850)	13,449,433
Past due			
1 to 30 days	254,535	(16,649)	237,886
31 to 60 days	46,742	(4,826)	41,916
61 to 90 days	22,791	(2,630)	20,161
More than 90 days	528,792	(314,762)	214,030
	852,860	(338,867)	513,993
	<u>14,314,143</u>	<u>(350,717)</u>	<u>13,963,426</u>
Audited			
2023			
Current	15,000,866	(5,319)	14,995,547
Past due			
1 to 30 days	519,502	(5,301)	514,201
31 to 60 days	337,794	(20,318)	317,476
61 to 90 days	70,186	(11,958)	58,228
More than 90 days	414,386	(364,198)	50,188
	1,341,868	(401,775)	940,093
	<u>16,342,734</u>	<u>(407,094)</u>	<u>15,935,640</u>



(viii) Information on financial risks of trade and other receivables is disclosed in Note 29 to the combined financial statements.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

11. SHORT TERM FUNDS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Fair value through profit or loss			
Short term funds	<u>17,407,960</u>	<u>13,477,906</u>	<u>18,100,059</u>

- (a) Short term funds are investments in income trust fund in Malaysia. The trust fund invests in highly liquid asset which is readily convertible to known amount of cash with insignificant changes in value.
- (b) Short term funds are classified as financial assets measured at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value of short term funds is measured based on the month end market prices in active market and was fair valued within Level 1 of the fair value hierarchy.
- (c) The short term funds of the Group are denominated in Ringgit Malaysia.
- (d) Information on financial risks of short term funds is disclosed in Note 29 to the combined financial statements.

12. CASH AND BANK BALANCES

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Cash on hand	266,769	207,342	130,583
Cash at banks	4,093,609	7,489,282	9,850,201
Fixed deposits with licensed banks	<u>2,124,335</u>	<u>2,162,677</u>	<u>1,634,679</u>
	<u>6,484,713</u>	<u>9,859,301</u>	<u>11,615,463</u>

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) The currency exposure profile of cash and bank balances is as follow:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Ringgit Malaysia	6,465,372	9,859,301	11,615,416
United States Dollar	<u>19,341</u>	<u>-</u>	<u>47</u>
	<u>6,484,713</u>	<u>9,859,301</u>	<u>11,615,463</u>



- (c) No expected credit losses were recognised arising from the cash and bank balances because the probability of default by these financial institutions were negligible.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

12. CASH AND BANK BALANCES (continued)

- (d) For the purpose of the combined statements of cash flows, cash and cash equivalents comprise the following as the end of the financial year:

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
Cash and bank balances		4,360,378	7,696,624	9,980,784
Fixed deposit with licensed banks		<u>2,124,335</u>	<u>2,162,677</u>	<u>1,634,679</u>
		6,484,713	9,859,301	11,615,463
Less:				
Bank overdraft included in borrowings	13	(206,792)	(133,446)	(247,691)
Fixed deposits pledged		<u>(2,124,335)</u>	<u>(2,162,677)</u>	<u>(1,634,679)</u>
Cash and cash equivalents included in the combined statements of cash flows		<u>4,153,586</u>	<u>7,563,178</u>	<u>9,733,093</u>

- (e) Information on financial risks of cash and bank balances is disclosed in Note 29 to the combined financial statements.

13. BORROWINGS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Non-current liabilities			
Term loans	30,925,515	43,539,542	48,664,650
Current liabilities			
Bank overdrafts	206,792	133,446	247,691
Banker's acceptances	3,913,775	16,228,582	9,210,801
Term loans	3,714,554	6,480,619	6,804,006
	<u>7,835,121</u>	<u>22,842,647</u>	<u>16,262,498</u>
Total borrowings	<u>38,760,636</u>	<u>66,382,189</u>	<u>64,927,148</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

13. BORROWINGS (continued)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Term loans of the Group are secured by:
- (i) legal charges over the long leasehold land, buildings, plant and machinery and work-in-progress of the Group as disclosed in Notes 6 and 7 to the combined financial statements respectively;
 - (ii) several and joint guarantee by Directors;
 - (iii) fixed deposits as disclosed in Note 12 to the combined financial statements;
 - (iv) corporate guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad; and
 - (v) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad.
- (c) Bank overdraft of the Group is secured by:
- (i) legal charges over the buildings of the Group as disclosed in Note 6 to the combined financial statements;
 - (ii) several and joint guarantee by Directors; and
 - (iii) fixed deposits as disclosed in Note 12 to the combined financial statements.
- (d) Bankers' acceptances of the Group are secured by:
- (i) legal charges over the long leasehold land, buildings and work-in-progress of the Group as disclosed in Notes 6 and 7 to the combined financial statements respectively;
 - (ii) several and joint guarantee by Directors; and
 - (iii) fixed deposits as disclosed in Note 12 to the combined financial statements.
- (e) Borrowings are denominated in Ringgit Malaysia.
- (f) Information of financial risks of borrowings is disclosed in Note 29 to the combined financial statements.

14. TRADE AND OTHER PAYABLES

	Note	2021 Audited RM	2022 Audited RM	2023 Audited RM
Trade payables				
Third parties	(b)	4,687,437	5,041,837	3,644,000
Other payables				
Third parties		3,006,817	3,176,475	1,556,124
Accruals		3,037,248	4,383,618	4,466,838
Amount owing to a Director	(c)	12,040	-	-
Government grants		204,000	168,000	418,772
		<u>6,260,105</u>	<u>7,728,093</u>	<u>6,441,734</u>
Total trade and other payables		<u>10,947,542</u>	<u>12,769,930</u>	<u>10,085,734</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

14. TRADE AND OTHER PAYABLES (continued)

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranging from 7 to 90 days (2022: 7 days to 90 days; 2021: 60 days to 90 days) from date of invoice.
- (c) As at the end of financial year ended 30 June 2021, amount owing to a Director represented advances which was unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) The currency exposure profile of trade and other payables is as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Ringgit Malaysia	10,521,264	12,443,451	9,580,541
United States Dollar	426,278	326,479	505,193
	<u>10,947,542</u>	<u>12,769,930</u>	<u>10,085,734</u>

- (e) Information on financial risks of trade and other payables is disclosed in Note 29 to the combined financial statements.

15. REFUND LIABILITIES AND RETURN ASSETS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Refund liabilities	<u>139,682</u>	<u>151,680</u>	<u>204,778</u>
Return assets	<u>98,317</u>	<u>113,876</u>	<u>155,946</u>

Refund liabilities represent the expected variable consideration for rebates and refunds whereas return assets represent the value of the corresponding goods expected to be returned.

The Group estimates variable considerations to be included in the transaction price for the sale of drinking water and aerated beverages with rebates.

The Group used the historical rebates and refunds entitlement of customers to determine the expected variable consideration. Any significant changes in experience as compared to historical patterns will impact the expected rebate and refunds estimated by the Group.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

16. DEFERRED TAXATION

- (a) The deferred tax assets and liabilities are made up of the following:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Balance as at 1 July	1,002,240	268,573	79,164
Recognised in profit or loss (Note 22)	(733,667)	(189,409)	405,858
Balance as at 30 June	<u>268,573</u>	<u>79,164</u>	<u>485,022</u>
Presented after appropriate offsetting:			
Deferred tax liabilities	427,317	159,278	573,812
Deferred tax assets	<u>(158,744)</u>	<u>(80,114)</u>	<u>(88,790)</u>
	<u>268,573</u>	<u>79,164</u>	<u>485,022</u>

- (b) The components and movements of deferred tax liabilities and assets during the financial years prior to offsetting are as follows:

Deferred tax liabilities

Audited	Property, plant and equipment RM	Others RM	Offsetting RM	Total RM
As at 1 July 2020	1,220,443	19,972	(34,645)	1,205,770
Recognised in profit or loss	182,025	221	(960,699)	(778,453)
As at 30 June/1 July 2021	1,402,468	20,193	(995,344)	427,317
Recognised in profit or loss	915,516	27,437	(1,210,992)	(268,039)
As at 30 June/1 July 2022	2,317,984	47,630	(2,206,336)	159,278
Recognised in profit or loss	1,564,631	44	(1,150,141)	414,534
As at 30 June 2023	<u>3,882,615</u>	<u>47,674</u>	<u>(3,356,477)</u>	<u>573,812</u>

Deferred tax assets

Audited	Unabsorbed reinvestment allowances RM	Others RM	Offsetting RM	Total RM
As at 1 July 2020	-	(238,175)	34,645	(203,530)
Recognised in profit or loss	(952,726)	36,813	960,699	44,786
As at 30 June/1 July 2021	(952,726)	(201,362)	995,344	(158,744)
Recognised in profit or loss	(1,183,883)	51,521	1,210,992	78,630
As at 30 June/1 July 2022	(2,136,609)	(149,841)	2,206,336	(80,114)
Recognised in profit or loss	(1,147,803)	(11,014)	1,150,141	(8,676)
As at 30 June 2023	<u>(3,284,412)</u>	<u>(160,855)</u>	<u>3,356,477</u>	<u>(88,790)</u>

Stamped for
the purpose of
identification only

22 DEC 2023

BDO PLT

(201905000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

17. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of Combining Entities constituting the Group.

For financial year ended 30 June 2021, the invested equity constitutes the share capital of LWI, GBI, LWM, SMS, SRK and K2W.

For financial year ended 30 June 2022, the invested equity constitutes the share capital of CISB, in addition to the invested equity as at 30 June 2021.

For financial year ended 30 June 2023, the invested equity constitutes the share capital of LW in addition to the invested equity as at 30 June 2022.

	2021 Audited	2022 Audited	2023 Audited
Number of ordinary shares			
Issued and fully paid with no par value:			
Balance as at 1 July	6,200,028	6,600,020	6,600,120
Issued during the financial year	399,992	100	100,480
Balance as at 30 June	<u>6,600,020</u>	<u>6,600,120</u>	<u>6,700,600</u>
Ordinary shares			
Issued and fully paid with no par value:			
Balance as at 1 July	6,200,028	6,600,020	6,600,120
Issued during the financial year	399,992	100	100,080
Balance as at 30 June	<u>6,600,020</u>	<u>6,600,120</u>	<u>6,700,200</u>

(a) During the financial year ended 30 June 2021:

- (i) SMS allotted 199,996 ordinary shares each at an issue price of RM1 per share to its existing shareholders for a total consideration of RM199,996; and
- (ii) SRK allotted 199,996 ordinary shares each at an issue price of RM1 per share to its existing shareholders for a total consideration of RM199,996.

(b) During the financial year ended 30 June 2022, CISB was incorporated with an issued share capital of RM100 comprising 100 ordinary shares of RM1 per share each as subscribers' shares.

(c) During the financial year ended 30 June 2023:

- (i) K2W allotted 99,980 ordinary shares each at an issue price of RM1 per share to its existing shareholders for a total consideration of RM99,980.
- (ii) LW was incorporated with an issued share capital of RM100 comprising 500 ordinary shares of RM0.20 per share each as subscribers' shares.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

17. INVESTED EQUITY (continued)

- (d) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group and are entitled to one (1) vote per ordinary share at general meeting of the Group. All ordinary shares rank pari passu with regard to the Group's residual assets.

18. REVENUE

Revenue of the Group consists of the following:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
<i>Revenue from contracts with customers</i>			
Sale of finished goods	<u>103,525,521</u>	<u>121,400,239</u>	<u>150,962,159</u>
	2021 Audited RM	2022 Audited RM	2023 Audited RM
Timing of revenue recognition			
Transferred at a point in time	<u>103,525,521</u>	<u>121,400,239</u>	<u>150,962,159</u>

There is no significant financing component in the revenue arising from sales of products as the products are made on the normal credit terms not exceeding twelve (12) months.

19. FINANCE COSTS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Interest expense on:			
- banker's acceptances	89,197	294,718	302,871
- term loans	918,697	1,473,945	2,135,646
- bank overdrafts	2,171	1,449	1,386
- lease liabilities	564,228	510,392	271,951
- revolving credit	-	5,285	-
	<u>1,574,293</u>	<u>2,285,789</u>	<u>2,711,854</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

20. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the combined financial statements, profit before tax is arrived at:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
After charging:			
Auditors' remuneration:			
- statutory audit			
- current year	80,200	93,000	105,000
- under provision in prior year	10,000	1,000	-
- non-statutory audit	-	120,000	-
Bad debts written off	78,329	97,695	98,263
Fair value loss on short term funds	-	60,517	-
Loss on disposal of property, plant and equipment	-	-	7,801
Loss on foreign exchange:			
- realised	79,263	20,561	-
- unrealised	9,073	-	-
And crediting:			
Amortisation on government grant	36,000	36,000	52,752
Bad debts recovered	8,670	424	-
Gain on foreign exchange			
- realised	8,716	23,449	1,602
- unrealised	-	-	31,337
Gain on disposal of property, plant and equipment	6,412	112,236	-
Interest income	300,759	300,214	401,367
Fair value gain on short term funds	298,617	-	46,260

21. EMPLOYEE BENEFITS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Salaries, wages, allowances, commission, overtime and bonus	17,167,658	19,822,805	24,069,507
Defined contribution plan	1,612,239	2,095,888	2,512,461
Social security contribution	169,297	199,187	257,024
Other employee benefits	87,721	79,496	209,417
	<u>19,036,915</u>	<u>22,197,376</u>	<u>27,048,409</u>

Included in the employee benefits of the Company are Directors' remuneration amounting to RM8,813,548 (2022: RM7,712,745; 2021: RM6,981,980).



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

22. TAX EXPENSE

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Tax expense based on profit for the financial years			
- current year	2,547,000	1,957,172	3,313,477
- (over)/under-provision in prior years	(442,726)	78,389	(107,506)
	<u>2,104,274</u>	<u>2,035,561</u>	<u>3,205,971</u>
Deferred tax (Note 16)			
- relating to origination and reversal of temporary differences	673,974	1,287,493	1,069,328
- over-provision of deferred tax in prior years	(1,407,641)	(1,476,902)	(663,470)
	<u>(733,667)</u>	<u>(189,409)</u>	<u>405,858</u>
Tax expense recognised in profit or loss	<u>1,370,607</u>	<u>1,846,152</u>	<u>3,611,829</u>

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Profit before tax	<u>19,031,983</u>	<u>17,583,546</u>	<u>24,233,247</u>
Tax at statutory tax rate of 24% (2022: 24%; 2021: 24%)	4,567,676	4,220,051	5,815,979
Tax effects in respect of:			
Effect of income subject to lower tax rates	(72,782)	(104,228)	(127,595)
Non-deductible expenses	769,390	1,132,654	618,476
Non-taxable income	(134,056)	(64,342)	(98,047)
Utilisation of tax incentives	<u>(1,909,254)</u>	<u>(1,939,470)</u>	<u>(1,826,008)</u>
	3,220,974	3,244,665	4,382,805
(Over)/Under-provision in prior years:			
- income tax	(442,726)	78,389	(107,506)
- deferred tax	<u>(1,407,641)</u>	<u>(1,476,902)</u>	<u>(663,470)</u>
Tax expense for the financial year	<u>1,370,607</u>	<u>1,846,152</u>	<u>3,611,829</u>

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%; 2021: 24%) of the estimated taxable profit for the fiscal year.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

23. EARNINGS PER SHARE

(a) Basic

	2021 Audited	2022 Audited	2023 Audited
Profit attributable to common controlling shareholders of the combining entities (RM)	<u>17,661,376</u>	<u>15,737,394</u>	<u>20,621,418</u>
Weighted average number of ordinary shares in issue	<u>6,483,858</u>	<u>6,600,051</u>	<u>6,600,616</u>
Basic earnings per share (RM)	<u>2.72</u>	<u>2.38</u>	<u>3.12</u>

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share as there were no dilutive potential ordinary shares.

24. DIVIDENDS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
In respect of the financial year ended 30 June 2021			
Final single tier dividend of 50 sen per ordinary share, paid on 4 January 2021	200,000	-	-
Final single tier dividend of 300 sen per ordinary share, paid on 7 January 2021	300,000	-	-
Final single tier dividend of 24 sen per ordinary share, paid on 23 April 2021	1,000,000	-	-
Final single tier dividend of 53 sen per ordinary share, paid on 23 June 2021	1,000,000	-	-

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

24. DIVIDENDS (continued)

	2021 Audited RM	2022 Audited RM	2023 Audited RM
In respect of the financial year ended 30 June 2022			
Interim single tier dividend of 200 sen per ordinary share, paid on 23 July 2021	-	200,000	-
Final single tier dividend of 600 sen per ordinary share, paid on 26 November 2021	-	600,000	-
Final single tier dividend of 100 sen per ordinary share, paid on 26 November 2021	-	200,000	-
Final single tier dividend of 100 sen per ordinary share, paid on 29 November 2021	-	200,000	-
In respect of the financial year ended 30 June 2023			
Interim single tier dividend of 50 sen per ordinary share, paid on 13 March 2023	-	-	100,000
Interim single tier dividend of 50 sen per ordinary share, paid on 15 March 2023	-	-	100,000
Interim single tier dividend of 800 sen per ordinary share, paid on 15 March 2023	-	-	800,000
	<u>2,500,000</u>	<u>1,200,000</u>	<u>1,000,000</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

25. RELATED PARTY DISCLOSURES**(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Companies in which the Directors have financial interests; and
- (ii) Key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

(b) During the financial years, the Group had no material transactions with related parties.

Information regarding outstanding balance with a related party at the end of the financial year 2023 is disclosed in Note 10 to the combined financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of the key management personnel are as follows:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Fees	480,000	900,000	480,000
Short-term employee benefits	6,604,519	6,801,197	8,141,216
Defined contribution plan	591,208	882,604	999,600
Social security contribution	13,851	13,389	19,290
	<u>7,689,578</u>	<u>8,597,190</u>	<u>9,640,106</u>

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM34,500 (2022: RM25,688; 2021: RM25,688).



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

26. CAPITAL COMMITMENTS

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Capital expenditure in respect of purchase of property, plant and equipment:			
- Contracted but not provided for	<u>10,436,792</u>	<u>20,235,100</u>	<u>22,965,987</u>
Analysed as follows:			
Buildings	2,817,148	17,544,500	17,193,159
Plant and machinery	7,619,644	2,690,600	1,532,214
Renovation, electrical and fittings	-	-	774,821
Motor vehicles	-	-	3,465,793
	<u>10,436,792</u>	<u>20,235,100</u>	<u>22,965,987</u>

27. OPERATING SEGMENTS**(a) Business segment**

The primary activities of the Group are in a single industry segment of processing, marketing and sales of drinking water, aerated beverages and PET containers. Other reporting segment include provision of logistic support services, manufacture and sales of PET bottles and recycling of plastic products, which are not of a sufficient size to be reported separately.

Management monitors the operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, the Group has only one (1) reportable segment.

(b) The Group evaluates performance on the basis of profit or loss for the financial year.**(c) Geographical information**

The business activities of the Group are solely located in Malaysia and as such segment reporting by geographical location is not presented.

(d) Major customer

There is no customer with revenue equal to or more than ten per centum (10%) of Group revenue.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

28. FINANCIAL INSTRUMENTS**(a) Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023.

The Group monitors capital using a gearing ratio, which is total external borrowings divided by net tangible worth. The Group's policy is to maintain the gearing ratio at manageable level. The Group includes within total external borrowings, total borrowings and lease liabilities owing to financial institutions. Net tangible worth represents the total equity of the Group.



	2021 Audited RM	2022 Audited RM	2023 Audited RM
Borrowings	38,760,636	66,382,189	64,927,148
Lease liabilities owing to financial institutions	8,816,358	4,702,089	3,617,811
Total external borrowings	47,576,994	71,084,278	68,544,959
Net tangible worth	59,635,054	74,172,548	93,894,046
Gearing ratio	<u>80%</u>	<u>96%</u>	<u>73%</u>

(b) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, cash and bank balances, trade and other payables and short term borrowings and short term lease liabilities are reasonable approximation of fair values due to their short-term nature or they are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair value of short term funds is measured based on the month end market price in active market.

The carrying amounts of the non-current borrowings and lease liabilities are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

28. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the financial instrument carried at fair value and carrying amount shown in the combined statements of financial position:

Audited	Fair value of financial instrument carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
2021					
Financial asset					
Fair value through profit or loss					
- Short term funds	17,407,960	-	-	17,407,960	17,407,960
2022					
Financial asset					
Fair value through profit or loss					
- Short term funds	13,477,906	-	-	13,477,906	13,477,906
2023					
Financial asset					
Fair value through profit or loss					
- Short term funds	18,100,059	-	-	18,100,059	18,100,059

Stamped for
the purpose of
identification only

22 DEC 2023

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for the shareholders whilst minimising the potential adverse impact arising on its financial performance and position.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk.

13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Information on the management of the related exposures is detailed below.

(i) Credit risk

Trade receivables and cash and bank balances may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable financial institutions and organisations. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of seven (7) days, extending up to ninety (90) days. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

Credit risk concentration profile

As at the end of each reporting period, the Group does not have any significant concentration of credit risk related to any individual customer or counterparty.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of bank balances deemed adequate to finance the Group's activities.

The Group is actively managing its operating cash flows to ensure all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

Audited	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 30 June 2021				
Trade and other payables	10,947,542	-	-	10,947,542
Borrowings	8,997,615	19,611,001	16,231,791	44,840,407
Lease liabilities	4,016,725	5,950,531	74,000	10,041,256
	<u>23,961,882</u>	<u>25,561,532</u>	<u>16,305,791</u>	<u>65,829,205</u>
As at 30 June 2022				
Trade and other payables	12,769,930	-	-	12,769,930
Borrowings	24,576,122	26,346,648	25,437,048	76,359,818
Lease liabilities	2,264,895	3,088,754	106,980	5,460,629
	<u>39,610,947</u>	<u>29,435,402</u>	<u>25,544,028</u>	<u>94,590,377</u>
As at 30 June 2023				
Trade and other payables	10,085,734	-	-	10,085,734
Borrowings	18,562,835	28,731,326	33,923,598	81,217,759
Lease liabilities	1,939,211	2,057,227	217,180	4,213,618
	<u>30,587,780</u>	<u>30,788,553</u>	<u>34,140,778</u>	<u>95,517,111</u>

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from its fixed deposits with licensed banks, short term funds, lease liabilities and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

Exposure to interest rate risk

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Audited	WAEIR %	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2021						
Financial assets						
Fixed rate instrument						
Fixed deposits with licensed banks	1.80	2,124,335	-	-	-	2,124,335
Floating rate instrument						
Short term funds	1.62	17,407,960	-	-	-	17,407,960
Financial liabilities						
Fixed rate instruments						
Lease liabilities	3.23	3,574,728	2,743,180	2,821,969	68,953	9,208,830
Borrowings	3.73	6,118,989	2,398,140	7,521,448	1,328,454	17,367,031
		9,693,717	5,141,320	10,343,417	1,397,407	26,575,861
Floating rate instruments						
Borrowings	3.32	1,716,132	1,687,103	4,950,428	13,039,942	21,393,605
At 30 June 2022						
Financial assets						
Fixed rate instrument						
Fixed deposits with licensed banks	1.84	2,162,677	-	-	-	2,162,677
Floating rate instrument						
Short term funds	2.02	13,477,906	-	-	-	13,477,906



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

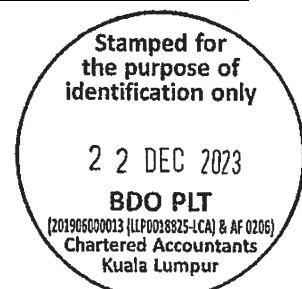
29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk: (continued)

Audited	WAEIR %	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2022						
Financial liabilities						
Fixed rate instruments						
Lease liabilities	3.24	2,031,739	1,614,583	1,289,753	102,299	5,038,374
Borrowings	3.64	19,539,652	3,591,906	9,379,257	2,790,797	35,301,612
		<u>21,571,391</u>	<u>5,206,489</u>	<u>10,669,010</u>	<u>2,893,096</u>	<u>40,339,986</u>
Floating rate instruments						
Borrowings	3.58	<u>3,302,995</u>	<u>2,379,325</u>	<u>6,282,261</u>	<u>19,115,996</u>	<u>31,080,577</u>
At 30 June 2023						
Financial assets						
Fixed rate instrument						
Fixed deposits with licensed banks	2.69	<u>1,634,679</u>	-	-	-	<u>1,634,679</u>
Floating rate instrument						
Short term funds	2.87	<u>18,100,059</u>	-	-	-	<u>18,100,059</u>
Financial liabilities						
Fixed rate instruments						
Lease liabilities	3.16	1,769,755	1,199,829	712,220	209,956	3,891,760
Borrowings	3.81	13,828,042	4,721,883	9,190,054	4,936,013	32,675,992
		<u>15,597,797</u>	<u>5,921,712</u>	<u>9,902,274</u>	<u>5,145,969</u>	<u>36,567,752</u>
Floating rate instruments						
Borrowings	4.46	<u>2,434,456</u>	<u>2,449,718</u>	<u>5,973,096</u>	<u>21,393,886</u>	<u>32,251,156</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in 100 basis points against interest rate of floating rate instrument, with all other variables held constant:

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Effects of 100 basis points changes to profit after tax			
- Increase by 1% (2022: 1%; 2021: 1%)	<u>(30,291)</u>	<u>(133,780)</u>	<u>(107,548)</u>

A 1% decrease in the Group's interest rate at the end of the reporting period would have had equal but opposite effect to the amount shown above, on the basis that all other variables remained constant.

No sensitivity analysis for fixed rate instruments was presented as the change in market interest rate at the end of the reporting period would not affect profit or loss.

(iv) Foreign currency risk

The Group is exposed to transactional currency risk. Such exposures arise from purchase of plant and machinery from Taiwan and China. These purchases are mainly invoiced in the United States Dollar ("USD").

The Group's exposures to foreign currency risk arising from foreign currency balances as at the end of the reporting period are represented by the following carrying amounts:

Audited	RM/USD RM	Total RM
2021		
Trade and other receivables	1,316,480	1,316,480
Cash and bank balances	19,341	19,341
Trade and other payables	(426,278)	(426,278)
	<u>909,543</u>	<u>909,543</u>
2022		
Trade and other receivables	1,261,550	1,261,550
Trade and other payables	(326,479)	(326,479)
	<u>935,071</u>	<u>935,071</u>



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk (continued)

Audited	RM/USD RM	Total RM
2023		
Trade and other receivables	1,315,305	1,315,305
Cash and bank balances	47	47
Trade and other payables	(505,193)	(505,193)
	<u>810,159</u>	<u>810,159</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax for a 5% (2022: 5%; 2021: 5%) strengthening of the following functional currency of the Group against the respective foreign currency, with all other variables held constant.

	2021 Audited RM	2022 Audited RM	2023 Audited RM
Profit after tax			
RM/USD	<u>(34,563)</u>	<u>(35,533)</u>	<u>(30,786)</u>

A 5% weakening of the functional currency of the Group against the above foreign currency at the end of the reporting period would have had equal but opposite effect to the amount shown above, on the basis that all other variables remained constant.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS

- (a) On 4 August 2022, LWI entered into a sale and purchase agreement ("SPA") with a third party for the purchase of one (1) parcel of land held under CL No. 075323894, District of Sandakan, Sabah for a total purchase consideration of RM4,000,000. The transaction was completed on 10 February 2023.
- (b) On 14 September 2022, LWI entered into an SPA with a third party for the purchase of one (1) parcel of land held under CL No. 075099464, District of Sandakan, Sabah, for a total purchase consideration of RM3,875,200. The transaction was completed on 19 January 2023.
- (c) On 30 June 2023, SMS has ceased operations due to changes in future business plan. The Company remained dormant as at the date of this combined financial statements.
- (d) On 30 June 2023, SRK has ceased operations due to changes in future business plan. The Company remained dormant as at the date of this combined financial statements.



13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

31. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company 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 LWI SSA for the LWI 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 LWI acquisition was arrived at after taking into consideration the audited net assets ("NA") of LWI as at 30 June 2023 of RM51.19 million;
- (b) on 26 November 2023, the Company entered into the GBI SSA for the GBI 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 GBI acquisition was arrived at after taking into consideration the audited NA of GBI as at 30 June 2023 of RM22.94 million;
- (c) on 26 November 2023, the Company entered into the LWM SSA for the LWM 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 LWM acquisition was arrived at after taking into consideration the audited NA of LWM as at 30 June 2023 of RM12.72 million;
- (d) on 26 November 2023, the Company entered into the SMS SSA for the SMS 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 SMS acquisition was arrived at after taking into consideration the audited NA of SMS as at 30 June 2023 of RM2.38 million;
- (e) on 26 November 2023, the Company entered into the SRK SSA for the SRK 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 SRK acquisition was arrived at after taking into consideration the audited NA of SRK as at 30 June 2023 of RM3.70 million;
- (f) on 26 November 2023, the Company entered into the K2W SSA for the K2W 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 K2W acquisition was arrived at after taking into consideration the audited NA of K2W as at 30 June 2023 of RM1.43 million; and
- (g) on 26 November 2023, the Company entered into the CISB SSA for the CISB 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 CISB acquisition was arrived at after taking into consideration the audited NA of CISB as at 30 June 2023 of RM0.03 million.

32. APPROVAL OF COMBINED FINANCIAL STATEMENTS

The combined financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 December 2023.



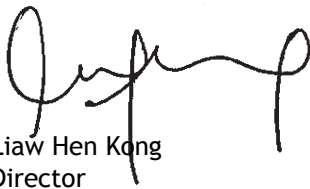
13. REPORTING ACCOUNTANTS' REPORT (CONT'D)

Life Water Berhad (202301002484(1496403-W))
Accountants' Report

STATEMENT BY DIRECTORS

We, Liaw Hen Kong and Chin Lee Ling, being the Directors of Life Water Berhad state that, in the opinion of the Directors, the combined financial statements set out on page 4 to 65 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of the financial performance and cash flows of the Group for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Signed on behalf of the Board of Directors in accordance with a resolution dated 22 December 2023.



Liaw Hen Kong
Director



Chin Lee Ling
Director

14. ADDITIONAL INFORMATION**14.1 EXTRACT OF OUR CONSTITUTION**

The following provisions are extracted from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires.

14.1.1 Transfer of securities**Clause 14 – Transfer of Securities**

- (1) The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.
- (2) The Depository may, in its absolute discretion, refuse to register any transfer of any Deposited Security or class of Deposited Security of the Company that does not comply with the Central Depositories Act and the Rules.

14.1.2 Remuneration of Directors**Clause 93 – Remuneration of Directors**

- (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (4) The following expenses shall be determined by the Directors:
 - (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
 - (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

14. ADDITIONAL INFORMATION (CONT'D)**14.1.3 Voting and borrowing powers of Directors****Clause 95 – Powers of Directors**

Without limiting the generality of Clause 94(1) and (2) above as well as the Directors' powers in managing, directing and supervising the management of the business or affairs of the Company, the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party, as they may think fit:

- (1) borrow money, raise funds and/or accept facilities;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4)
 - (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 105 – Directors' Interest in Contracts

- (a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted) nor shall his vote be counted for the purpose of any resolution regarding the same.
- (b) Every Director shall observe the provisions of Sections 219, 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

14.1.4 Changes in capital and rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights**Clause 8(1) – Variation of rights**

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
- (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

14. ADDITIONAL INFORMATION (CONT'D)**Clause 12(1) – Allotment of shares or grant of rights**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

- (a) issue and allot shares in the Company; and
- (b) grant rights to subscribe for shares or options over unissued shares in the Company

Clause 46 – Alteration of Capital

- (1) The Company may from time to time by an ordinary resolution and subject to other applicable laws or requirements:
 - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by a special resolution and subject to other applicable requirements:
 - (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

14.2 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have 1 class of shares namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

14. ADDITIONAL INFORMATION (CONT'D)

- (iv) As at the date of this Prospectus, there is no scheme involving our Directors and employees in the share capital of our Group, except for the Pink Form Allocation.
- (v) As at the date of this Prospectus, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and the Rules. We will not issue any share certificates to successful applicants.

Dealing in our Shares deposited with Bursa Depository may only be affected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to Section 14.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

14.5 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental law, decree, regulation and/or other requirement which may affect the repatriation of capital and remittance of profit by or to our Group.

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gain tax arising from the disposal of listed shares.

14.6 MATERIAL LITIGATION, CLAIM AND ARBITRATION

As at the LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

14. ADDITIONAL INFORMATION (CONT'D)**14.7 MATERIAL CONTRACTS**

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) during the Financial Years Under Review and up to the date of this Prospectus:

- (i) SPA dated 1 February 2021 between Sinaborneo Sdn Bhd (as vendor), Tiew Tiam Bok (as landowner) and Life Water Industries (as purchaser) for the purchase of 1 unit of double storey detached building located at Lot 4, Jalan Masak, Keningau held under CL No. 135406147, District of Keningau, Sabah for a total cash consideration of RM1,750,000. The sale and purchase transaction as contemplated under the agreement has been completed on 29 September 2021;
- (ii) SPA dated 1 March 2021 between Moslimin Bin Bijato (as vendor), Lubis Bin Selama and Alimudin Bin Ngire (as landowner) and Life Water Industries (as purchaser) for the purchase of 1 unit of semi-detached light industrial workshop located at Lot 23, MDLD 3381, Kimbell Light Industrial Estate, Lahad Datu held under CL No. 115385530, District of Lahad Datu, Sabah for a total cash consideration of RM830,000. The sale and purchase transaction as contemplated under the agreement has been completed on 21 July 2022;
- (iii) SPA dated 26 November 2021 between Sri Tegamat Sdn Bhd (as vendor) and Life Water Industries (as purchaser) for the purchase of 1 unit of warehouse located at along Jalan Lintas Sibuga, Off KM 1.4, Jalan Lintas Labuk held under CL No. 075323901, District of Sandakan, Sabah for a total cash consideration of RM5,500,000. The sale and purchase transaction as contemplated under the agreement has been completed on 9 April 2022;
- (iv) SPA dated 4 August 2022 between Aqthal Jasmeg Agronomics Sdn Bhd (as vendor) and Life Water Industries (as purchaser) for the purchase of 1 parcel of land held under CL No. 075323894, District of Sandakan, Sabah for a total cash consideration of RM4,000,000. The sale and purchase transaction as contemplated under the agreement has been completed on 10 February 2023;
- (v) SPA agreement dated 14 September 2022 between Bagus Sempurna Sdn Bhd (as vendor) and Life Water Industries (as purchaser) for the purchase of 1 parcel of land held under CL No. 075099464, District of Sandakan, Sabah, for a total cash consideration of RM3,875,200. The sale and purchase transaction as contemplated under the agreement has been completed on 19 January 2023;
- (vi) SPA dated 21 November 2023 between K.K.I.P. Sdn Bhd (as vendor) and Life Water Industries (as purchaser) for the purchase of 1 parcel of land held under part of master title CL No. 015582153, District of Kota Kinabalu, Sabah, for a total cash consideration of RM18,483,379.20. The sale and purchase transaction as contemplated under the agreement is expected to be completed by March 2024;
- (vii) SPA dated 8 February 2022 between Leasing Logistics & Distribution Sdn Bhd (as vendor) and Green Borneo Industries (as purchaser), and supplementary agreement dated 17 July 2023 between Leasing Logistics & Distribution Sdn Bhd, Leasing Logistics (E.M.) Sdn Bhd and Green Borneo Industries for the purchase of 1 parcel of land held under CL No. 015586562, District of Kota Kinabalu, Sabah for a total cash consideration of RM12,850,000. The sale and purchase transaction as contemplated under the agreement has been completed on 20 November 2023;

14. ADDITIONAL INFORMATION (CONT'D)

- (viii) SPA dated 8 February 2022 between Leasing Logistics (E.M.) Sdn Bhd (as vendor) and Green Borneo Industries (as purchaser), and supplementary agreement dated 17 July 2023 between Leasing Logistics & Distribution Sdn Bhd, Leasing Logistics (E.M.) Sdn Bhd and Green Borneo Industries for the purchase of 1 parcel of land held under CL No. 015586571, District of Kota Kinabalu, Sabah for a total cash consideration of RM8,150,000. The sale and purchase transaction as contemplated under the agreement has been completed on 4 December 2023;
- (ix) Tenancy agreement dated 17 July 2023 between Green Borneo Industries and Leasing Logistics (E.M.) Sdn Bhd in relation to the rental of properties located at Lot 49 and Lot 50, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah. The tenancy period for Lot 49 expires on 16 January 2025 with a monthly rental of RM64,250.00 and the tenancy period for Lot 50 expires on 16 July 2026 with a monthly rental of RM40,750.00;
- (x) Life Water Industries SSA for the Life Water Industries Acquisition, which was completed on [●];
- (xi) Green Borneo Industries SSA for the Green Borneo Industries Acquisition, which was completed on [●];
- (xii) Life Water Marketing SSA for the Life Water Marketing Acquisition, which was completed on [●];
- (xiii) Syarikat Maju Sasa SSA for the Syarikat Maju Sasa Acquisition, which was completed on [●];
- (xiv) Syarikat Rasa Kool SSA for the Syarikat Rasa Kool Acquisition, which was completed on [●];
- (xv) K2 Water SSA for the K2 Water Acquisition, which was completed on [●];
- (xvi) Cyplast Industries SSA for the Cyplast Industries Acquisition, which was completed on [●]; and
- (xvii) the Underwriting Agreement dated [●], details of which are set out in Section 4.9 of this Prospectus.

14.8 CONSENTS

- (i) The written consents of the Principal Adviser, Underwriter, Placement Agent, Company Secretaries, Solicitors, Share Registrar and Issuing House for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the Independent Business and Market Research Consultant for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

14. ADDITIONAL INFORMATION (CONT'D)**14.9 RESPONSIBILITY STATEMENTS**

- (i) This Prospectus has been seen and approved by our Directors, Promoters and Selling Shareholders and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other fact, the omission of which would make any statement in this Prospectus false or misleading.
- (ii) The Principal Adviser acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

14.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office, Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the Industry Overview referred to in Section 8 of this Prospectus;
- (iii) audited financial statements of each of our Subsidiaries for the Financial Years Under Review;
- (iv) Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position as included in Section 12.5 of this Prospectus;
- (v) Accountants' Report as included in Section 13 of this Prospectus;
- (vi) the material contracts referred to in Section 14.7 of this Prospectus; and
- (vii) the letters of consent referred to in Section 14.8 of this Prospectus.

(The rest of this page has been intentionally left blank)

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF THIS PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.

Unless the context otherwise requires, words used in the singular include the plural and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [●]

Applications for the Issue Shares will open and close at the dates and times stated above.

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

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS**15.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons of our Group**

Types of Application and Category of Investors	Application Method
Applications by the Eligible Persons of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15.2.2 Application by Selected Investors and identified Bumiputera investors approved by the MITI via Private Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by identified Bumiputera investors approved by the MITI	The MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Selected investors and identified Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts** will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit Applications by using only one of the following methods:
 - (a) White Application Form; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.3.3 Application by the Eligible Persons**

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, MIDF Investment, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

or

DELIVER BY HAND AND DEPOSIT in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Please refer to the detailed procedures and terms and conditions of the Application Forms as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

Please refer to the detailed procedure and terms and conditions of Electronic Share Application as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Internet Participating Financial Institution for further enquiries.

15.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House, at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within 1 market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 4.3.5 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.9.1 For Applications by Way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House, as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House, reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For Applications by Way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) our Issue Shares allotted to you will be credited into your CDS account.
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and
- (iv) in accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

(The rest of this page has been intentionally left blank)

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS

Details of major licences, certificates, permits and approvals applicable to our Group as at the LPD are as follows:

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
1.	Life Water Industries	Licence to take drinking water from its source at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah for the purpose of trade or business	MOH	Licence No.: KKM163(52/S/35)	Issuance date: 9 January 2013 ⁽¹⁾ Validity Period: Effective from 9 January 2013 with no expiry date	<ol style="list-style-type: none"> 1. Packaging shall be done at the source. 2. The licence holder shall submit a water analysis report from an approved laboratory to the State Deputy Director of Health, Food Safety and Quality Division of the MOH. 3. The licence holder is prohibited from taking water from other sources save for the source that has been approved. 4. The licence holder shall notify the Food Safety and Quality Division of the MOH of any variations / changes to the label and water treatment process of the approved product. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
2.	Life Water Industries	Licence to take drinking water from its source at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah for the purpose of trade or business	MOH	Licence No.: KKM163(52/S/55)	Issuance date: 21 September 2021 Validity Period: Effective from 21 September 2021 with no expiry date	<ol style="list-style-type: none"> 1. The licence holder is prohibited from taking water from other sources save for the source that has been approved. 2. The licence holder shall notify the Food Safety and Quality Division of the MOH of any variations/changes to the label and the packaged drinking water products which involve the following: <ol style="list-style-type: none"> a. adding of new equipment b. changes in the existing water treatment system c. changes in the processing system d. changes in the structure of the premises that affect the packaged drinking water processing plan 3. The licence holder shall self-monitor the final product of its packaged drinking water at least once a year. The parameters of analysis are based on the current requirements of the physical, bacteriological and chemical standards determined by MOH. The specific parameters that need to be analysed will be informed by the MOH. The analysed parameters must comply with the standards set out in the Twenty-Fifth Schedule concerning packaged drinking water and the sample must be sent to laboratory accredited by the Department of Standards Malaysia. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
3.	Life Water Industries	Manufacturing licence to act as a licensed manufacturer of drinking water and carbonated drink at the place of manufacturing at CL075356375 & CL075356366, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	MITI	Licence No.: A019135	Issuance date: 3 May 2013 Validity Period: Effective from 25 March 2013 with no expiry date	<ol style="list-style-type: none"> 1. Sale of any shares in the company requires notification to be made to the MITI and MIDA. 2. The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment. 	Complied
4.	Life Water Industries	Manufacturing licence to act as a licensed manufacturer of PET bottle and PET preform at the place of manufacturing at CL075356375 & CL075356366, KM8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	MITI	Licence No.: A019135	Issuance date: 20 October 2020 Validity Period: Effective from 12 May 2020 with no expiry date	<ol style="list-style-type: none"> 1. Sale of any shares in the company requires notification to be made to the MITI and MIDA. 2. The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment. 3. The total number of full-time employees of the company shall be made up of at least 80% of Malaysians. The employment of foreigners including workers recruited through outsourcing is subject to the current policy. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
5.	Life Water Industries	Manufacturing licence to act as a licensed manufacturer of drinking water at the place of manufacturing at Lot 805, Industrial Zone 8 (IZ8), Kota Kinabalu Industrial Park (KKIP), 88460 Kota Kinabalu, Sabah	MITI	Licence No.: A022922	Issuance date: 7 September 2021 Validity Period: Effective from 4 February 2021 with no expiry date	<ol style="list-style-type: none"> 1. Sale of any shares in the company requires notification to be made to the MITI and MIDA. 2. The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment. 3. The total number of full-time employees of the company shall be made up of at least 80% of Malaysians. The employment of foreigners including workers recruited through outsourcing is subject to the current policy. 	Complied
6.	Life Water Industries	Manufacturing licence to act as a licensed manufacturer of PET preform at the place of manufacturing at Lot 805, Industrial Zone 8 (IZ8), Kota Kinabalu Industrial Park (KKIP), 88460 Kota Kinabalu, Sabah	MITI	Licence No.: A022922	Issuance date: 6 May 2021 Validity Period: Effective from 30 September 2020 with no expiry date	<ol style="list-style-type: none"> 1. Sale of any shares in the company requires notification to be made to the MITI and MIDA. 2. The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment. 3. The total number of full-time employees of the company shall be made up of at least 80% of Malaysians. The employment of foreigners including workers recruited through outsourcing is subject to the current policy. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
7.	Life Water Industries	Licence for private installation to use, work and operate, in accordance with the Electricity Regulations 1994, an electrical installation at Lot 805, Industrial Zone 8 (IZ8), Kota Kinabalu Park, 88460 Kota Kinabalu, Sabah for the supply and use of electricity solely for and on the property and premises belonging to Life Water Industries	Energy Commission	Licence No.: 2023/03773	Issuance date: 4 December 2023 Validity Period: 18 December 2023 to 17 December 2024	<ol style="list-style-type: none"> The activities to generate and supply of electricity are for own use on the licensee' property or premises. The details of the property / premises of the installation are as follows: <ol style="list-style-type: none"> Name of the location / building: Life Water Industries (Solar PV) Address: Lot 805, Industrial Zone 8 (IZ8), Kota Kinabalu Park, 88460 Kota Kinabalu, Sabah The licence shall not be transferred unless the prior written approval of the Minister has been granted. 	Complied
8.	Life Water Industries	Licence to employ 6 non-resident employees (Indonesian employees) at the workplace located at CL075356375, Batu 8, Jalan Lintas Sibuga, Sandakan, Sabah	Department of Labour Sabah	Licence No.: JTK.H.SDK.60 0-4/1/1/11042/00 4475	Issuance date: 16 January 2024 Validity Period: 3 March 2024 to 2 March 2025	This licence is not transferable, and it is valid for the employment of the prescribed number of non-resident employees only.	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
9.	Life Water Industries	Carrier licence A pursuant to Commercial Vehicles Licensing Board Act 1987 for the vehicle bearing registration number SD5578J	Commercial Vehicles Licensing Board ("CVLB")	Licence No.: S80004612-9/10	Issuance date: 21 June 2022 Validity Period: 20 June 2022 to 13 November 2027	1. General and specific conditions: <ul style="list-style-type: none"> a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
10.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS6978X	CVLB	Licence No.: LPKP/SBH/2016/L/LA/00245	Issuance date: 11 August 2021 Validity Period: 9 August 2021 to 19 September 2026		Complied
11.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS2078M	CVLB	Licence No.: S80002791-2/07	Issuance date: 16 June 2022 Validity Period: 16 June 2022 to 15 July 2027		Complied
12.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number QM3378E	CVLB	Licence No.: S80003759-5/10	Issuance date: 7 August 2023 Validity Period: 3 August 2023 to 26 November 2028		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
13.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SAB3378E	CVLB	Licence No.: S80003696-X/10	Issuance date: 7 August 2023 Validity Period: 3 August 2023 to 22 December 2028	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
14.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS6178X	CVLB	Licence No.: LPKP/SBH/2016/L/LA/00246	Issuance date: 23 July 2021 Validity Period: 22 July 2021 to 19 September 2026		Complied
15.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS378L	CVLB	Licence No.: S80002154-8/07	Issuance date: 2 December 2022 Validity Period: 1 December 2022 to 18 February 2028		Complied
16.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS3078L	CVLB	Licence No.: S80002363-X/07	Issuance date: 12 July 2021 Validity Period: 8 July 2021 to 7 July 2026		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
17.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SAB7678B	CVLB	Licence No.: S80003223-4/09	Issuance date: 29 April 2022 Validity Period: 26 April 2022 to 9 July 2027	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
18.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SWA9778	CVLB	Licence No.: LPKP/SBH/2019/LA00564	Issuance date: 16 June 2022 Validity Period: 16 June 2022 to 3 July 2027		Complied
19.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYL8278	CVLB	Licence No.: LPKP/SBH/2021/LA/00455	Issuance date: 6 May 2021 Validity Period: 6 May 2021 to 5 May 2026		Complied
20.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SWC6678	CVLB	Licence No.: LPKP/SBH/2021/LA/00454	Issuance date: 6 May 2021 Validity Period: 6 May 2021 to 5 May 2026		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
21.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYE7978	CVLB	Licence No.: LPKP/SBH/20 20/L/LA/00048	Issuance date: 15 November 2022 Validity Period: 15 November 2022 to 15 January 2028	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
22.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYC3278	CVLB	Licence No.: LPKP/SBH/20 17/L/LA/00409	Issuance date: 5 May 2022 Validity Period: 27 April 2022 to 11 July 2027		Complied
23.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SWB6678	CVLB	Licence No.: LPKP/SBH/20 20/L/LA/00259	Issuance date: 16 January 2023 Validity Period: 9 January 2023 to 4 June 2028		Complied
24.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SK9978D	CVLB	Licence No.: LPKP/SBH/20 22/L/LA/01228	Issuance date: 2 December 2022 Validity Period: 2 December 2022 to 1 December 2027		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
25.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS9278Y	CVLB	Licence No.: LPKP/SBH/20 17/L/LA/00376	Issuance date: 23 March 2022 Validity Period: 22 March 2022 to 21 June 2027	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
26.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SS6019K	CVLB	Licence No.: S80003028-0/09	Issuance date: 19 May 2022 Validity Period: 26 April 2022 to 9 July 2027		Complied
27.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SAC8278E	CVLB	Licence No.: LPKP/SBH/20 17/L/LA/00408	Issuance date: 5 May 2022 Validity Period: 27 April 2022 to 11 July 2027		Complied
28.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYW9378	CVLB	Licence No.: LPKP/SBH/20 23/L/LA/00040	Issuance date: 9 January 2023 Validity Period: 6 January 2023 to 5 January 2028		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
29.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number JUS9978	CVLB	Licence No.: S80002625-8/07	Issuance date: 17 February 2022 Validity Period: 14 February 2022 to 17 February 2027	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
30.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SWB8678	CVLB	Licence No.: LPKP/SBH/20 20/L/LA/00254	Issuance date: 16 January 2023 Validity Period: 9 January 2023 to 2 June 2028		Complied
31.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SWG9378	CVLB	Licence No.: LPKP/SBH/20 23/L/LA/00552	Issuance date: 29 May 2023 Validity Period: 25 May 2023 to 24 May 2028		Complied
32.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYM8978	CVLB	Licence No.: LPKP/SBH/20 21/L/LA/00714	Issuance date: 23 August 2021 Validity Period: 19 August 2021 to 18 August 2026		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
33.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SD8978R	CVLB	Licence No.: LPKP/SBH/20 20/L/LA/00643	Issuance date: 19 June 2023 Validity Period: 19 June 2023 to 30 November 2028	1. General and specific conditions: a. The licensed vehicle shall be operated within Kota Kinabalu / the state of Sabah / the Federal Territory of Labuan. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time.	Complied
34.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number JUU3778	CVLB	Licence No.: LPKP/SBH/20 22/L/LA/00268	Issuance date: 18 March 2022 Validity Period: 17 March 2022 to 16 March 2027		Complied
35.	Life Water Industries	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SU1878G	CVLB	Licence No.: LPKP/SBH/20 21/L/LA/00036	Issuance date: 15 December 2023 Validity Period: 14 December 2023 to 4 January 2029	2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
36.	Life Water Industries	Carrier licence C pursuant to CVLB Act 1987 for the vehicle bearing registration number SS1285L	CVLB	Licence No.: S80002071-4/06	Issuance date: 5 October 2022 Validity Period: 5 October 2022 to 5 December 2027	1. General and specific conditions: a. The licensed vehicle shall be operated within Sandakan / the state of Sabah. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence C may only carry items belonging to the licensee within the approved operating area. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.	Complied
37.	Life Water Industries	Carrier licence C pursuant to CVLB Act 1987 for the vehicle bearing registration number SA5078H	CVLB	Licence No.: S80000195-4/03	Issuance date: 12 July 2021 Validity Period: 8 July 2021 to 8 July 2026		Complied
38.	Life Water Industries	Carrier licence C pursuant to CVLB Act 1987 for the vehicle bearing registration number SS4648M	CVLB	Licence No.: S80001206-6/05	Issuance date: 12 July 2021 Validity Period: 8 July 2021 to 7 July 2026		Complied
39.	Life Water Industries	Carrier licence C pursuant to CVLB Act 1987 for the vehicle bearing registration number SS6678T	CVLB	Licence No.: S80004751-8/13	Issuance date: 15 November 2022 Validity Period: 15 November 2022 to 20 February 2028		Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
40.	Life Water Industries	Carrier licence C pursuant to CVLB Act 1987 for the vehicle bearing registration number SAB5778V	CVLB	Licence No.: S80005496-1/13	Issuance date: 5 October 2022 Validity Period: 5 October 2022 to 16 October 2027	1. General and specific conditions: <ul style="list-style-type: none"> a. The licensed vehicle shall be operated within Sandakan / the state of Sabah. b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. c. A vehicle licensed as a carrier licence C may only carry items belonging to the licensee within the approved operating area. 2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors	Complied
41.	Life Water Industries	Certificate of registration for food premises at CL075356375 & CL075356366, KM8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	MOH	Registration No.: FSSM0512000 26-01	Issuance date: 16 April 2021 Validity Period: 1 May 2021 to 1 May 2024	This certificate is non- transferable.	Noted

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
42.	Life Water Industries	Certificate of registration for food premises at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	MOH	Registration No.: FSSM1120012 01-01	Issuance date: 22 August 2023 Validity Period: 17 November 2023 to 17 November 2026	This certificate is non-transferable.	Noted
43.	Life Water Industries	Certificate of fitness in accordance with Factories and Machinery Act 1967 (" FAMA ") and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations 1970 (" FAMA Regulations ") in respect of an unfired pressure vessel (air vacuum N2 tank) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Department of Occupational Safety and Health, Sabah (" DOSH ")	Certificate No.: PMT-SB/23 67131 Registration No.: SB PMT 80318	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-
44.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air vacuum N2 tank) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMT-SB/23 67132 Registration No.: SB PMT 80317	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
45.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver / vacuum tank) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMT-SB/23 67133 Registration No.: SB PMT 10953	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-
46.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMT-SB/23 67137 Registration No.: SB PMT 10950	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-
47.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver / vacuum tank) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMT-SB/23 67136 Registration No.: SB PMT 10951	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
48.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air receiver / vacuum tank) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMT-SB/23 67134 Registration No.: SB PMT 10952	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-
49.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of a steam boiler (autoclave) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMD-SB/23 67138 Registration No.: SB PMD 2636	Issuance date: 18 September 2023 Validity Period: 18 September 2023 to 24 November 2024	Nil	-
50.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of a steam boiler (Allen Ygnis 2A 350/150) located at CL075356375, Mile 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	DOSH	Certificate No.: PMD-SB/23 66766 Registration No.: PMD 4176	Issuance date: 1 September 2023 Validity Period: 1 September 2023 to 24 November 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
51.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of a vertical air receiver tank located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/23 69583 Registration No.: SB PMT 81261	Issuance date: 27 November 2023 Validity Period: 27 November 2023 to 21 February 2025	Nil	-
52.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an overhead travelling crane located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMA-SB/23 69584 Registration No.: SB PMA 81304	Issuance date: 27 November 2023 Validity Period: 27 November 2023 to 21 February 2025	Nil	-
53.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of a hoisting machine (mobile elevating work platform) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMA-SL/23 363076 Registration No.: SL PMA 105052	Issuance date: 8 August 2023 Validity Period: 8 August 2023 to 7 November 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
54.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver vacuum tank N2) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/22 58986 Registration No.: SB PMT 81694	Issuance date: 27 December 2022 Validity Period: 27 December 2022 to 26 March 2024	Nil	-
55.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air / vacuum / N2 tank 1000 litres x-1/10.34 bar) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/22 58953 Registration No.: SB PMT 81693	Issuance date: 23 December 2022 Validity Period: 23 December 2022 to 21 March 2024	Nil	-
56.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air / vacuum / N2 tank 2000 litres x-1/10.34 bar) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/23 60387 Registration No.: SB PMT 81737	Issuance date: 22 February 2023 Validity Period: 22 February 2023 to 19 May 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
57.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver / vacuum tank) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/22 58987 Registration No.: SB PMT 81695	Issuance date: 27 December 2022 Validity Period: 27 December 2022 to 26 March 2024	Nil	-
58.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air / vacuum / N2 tank 1000 litres x-1/40 bar OD750 x 2135SL) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/22 58988 Registration No.: SB PMT 81696	Issuance date: 27 December 2022 Validity Period: 27 December 2022 to 26 March 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
59.	Life Water Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of an unfired pressure vessel (air / vacuum / N2 tank 1000 litres x-1/40 bar OD750 x 2135SL) located at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88450, Kota Kinabalu, Sabah	DOSH	Certificate No.: PMT-SB/22 58989 Registration No.: SB PMT 81697	Issuance date: 27 December 2022 Validity Period: 27 December 2022 to 26 March 2024	Nil	-
60.	Life Water Industries	Fire certificate in relation to our premises at CL075356375 & CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Fire and Rescue Department of Malaysia	Certificate No.: JBPM: SB/7/218/2023	Issuance date: 24 November 2023 Validity Period: 24 November 2023 to 23 November 2024	Nil	-
61.	Life Water Industries	Fire certificate in relation to our premises at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, KKIP, 88460 Kota Kinabalu, Sabah	Fire and Rescue Department of Malaysia	Certificate No.: JBPM: SB/7/157/2023	Issuance date: 29 September 2023 Validity Period: 29 September 2023 to 28 September 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
62.	Life Water Industries	Scheduled controlled articles permit granted to Life Water Industries to purchase and store 250MT of sugar (Industrial) at CL075356375 & CL075356366, KM8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	MDTCA	Series No.: S005328	Issuance date: Nil Validity Period: 16 October 2021 to 15 October 2024	The permit holder must comply with the following conditions: 1. to comply with the description of the scheduled controlled articles as specified in this permit. 2. purchase the stated scheduled controlled articles for own use and not for resale purposes. 3. this permit is non-transferable.	Complied
63.	Life Water Industries	Scheduled controlled articles permit granted to Life Water Industries to purchase from Lin Feng Petroleum Sdn Bhd and store 100 litres of RON 95 and diesel per day respectively at CL075356375, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	MDTCA	Series No.: PK/2023/P/S-000051	Issuance date: Nil Validity Period: 12 April 2023 to 11 April 2024	The permit holder must comply with the following conditions: 1. the permit holder is allowed to purchase and store the scheduled controlled articles as specified in this permit. 2. purchase the stated scheduled controlled articles for own use and not for resale purposes. 3. this permit is non-transferable.	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
64.	Life Water Industries	<p>Halal certificate of authentication ("Halal Certificate") granted to Life Water Industries certified that the following products manufactured / distributed / managed by Life Water Industries, CL075356375, KM8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah have complied with Islamic Law and Malaysian halal standard and approved by Halal Certification Panel of Majlis Ugama Islam Sabah:</p> <p>(a) packaged drinking water</p> <p>(b) carbonated drinking water 1250 ml - ice cream soda</p> <p>(c) carbonated drinking water 1250 ml – cola</p> <p>(d) carbonated drinking water 1250 ml – apple</p> <p>(e) carbonated drinking water 1250 ml – mango</p> <p>(f) carbonated drinking water 1250 ml – orange</p> <p>(g) carbonated drinking water 1250 ml – strawberry</p>	JAKIM	Reference No.: JAKIM.700-2/3/1 003-08/2012	<p>Issuance date: 1 July 2021</p> <p>Validity Period: 1 January 2024 to 31 December 2025</p>	<p>1. Any subsequent changes to the particulars of the name or address of the company factory or premise, brands, ingredients, suppliers or anything related shall be informed in writing to JAKIM and/or the State Islamic Religious Affairs Council (MAIN)/ State Department of Islamic Religious Affairs (JAIN) for further action.</p> <p>2. The Halal Certificate holder shall exhibit the logo on the product/ premise/ services as stated in the Halal Certificate.</p>	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
	Life Water Industries (Cont'd)	(h) carbonated drinking water 1250 ml – tutti frutti (i) carbonated drinking water 330 ml - ice cream soda (j) carbonated drinking water 330 ml – cola (k) carbonated drinking water 330 ml – apple (l) carbonated drinking water 330 ml – lychee (m) carbonated drinking water 330 ml – mango (n) carbonated drinking water 330 ml – orange (o) carbonated drinking water 330 ml – strawberry (p) carbonated drinking water 330 ml – tutti frutti (q) calamansi lime juice 330 ml (r) isotonic drinks 1250 ml (s) isotonic drinks 330 ml					

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
65.	Life Water Industries	Halal Certificate granted to Life Water Industries certified that the packaged drinking water manufactured by Life Water Industries, Lot 805, Jalan 7, KKIP Timur Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah have complied with Islamic Law and Malaysian halal standard and approved by Halal Certification Panel of Majlis Ugama Islam Sabah	JAKIM	JAKIM.700-2/3/1 003-08/2012	Issuance date: 1 April 2022 Validity Period: 1 April 2024 to 31 March 2026	<ol style="list-style-type: none"> Any subsequent changes to the particulars of the name or address of the company factory or premise, brands, ingredients, suppliers or anything related shall be informed in writing to JAKIM and/or the State Islamic Religious Affairs Council (MAIN)/ State Department of Islamic Religious Affairs (JAIN) for further action. The Halal Certificate holder shall exhibit the logo on the product/ premise/ services as stated in the Halal Certificate. 	Complied
66.	Life Water Industries	MeSTI certificate certifying that Life Water Industries at CL075356375 & CL075356966, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah, Malaysia fulfills the terms and conditions for certification of MeSTI	MOH	Certification No.: ME0920035-2/1	Issuance date: 27 September 2023 Validity Period: 27 September 2023 to 26 September 2026	<ol style="list-style-type: none"> Any changes to the name or address of the factory or premises, certificate scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action. Certification will be automatically void should the factory or premises ceased operation. The use of the logo is only allowed for food product that is being produced in the premises as stated in the certificate. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
67.	Life Water Industries	MeSTI certificate certifying that Life Water Industries at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah, Malaysia fulfills the terms and conditions for certification of MeSTI	MOH	Certification No.: ME0122033-0/1	Issuance date: 31 March 2022 Validity Period: 31 March 2022 to 30 March 2025	<ol style="list-style-type: none"> Any changes to the name or address of the factory or premises, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action. Certification will be automatically void should the factory or premises ceased operation. The use of the logo is only allowed for food product that is being produced in the premises as stated in the certificate. 	Complied
68.	Life Water Industries	HACCP certificate certifying that Life Water Industries at CL075356375, Mile 8, Lintas Sibuga Road, 90000 Sandakan, Sabah has voluntarily implemented the requirements of HACCP for manufacturing and marketing of purified drinking waters and aerated water	VE International Certification Group of Companies	Reference No.: H122851	Issuance date: 21 July 2021 Validity Period: 21 July 2021 to 28 July 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
69.	Life Water Industries	Food Safety Management System (ISO 22000:2018) certificate certifying that Life Water Industries at CL075356375, Mile 8, Lintas Sibuga Road, 90000 Sandakan, Sabah has voluntarily implemented the requirements of Food Safety Management System (ISO 22000:2018) for manufacturing and marketing of purified drinking waters and aerated water	VE International Certification Group of Companies	Reference No.: F122851	Issuance date: 21 July 2021 Validity Period: 21 July 2021 to 28 July 2024	Nil	-
70.	Life Water Industries	Good Manufacturing Practices ("GMP") certificate certifying that Life Water Industries at CL075356375, Mile 8, Lintas Sibuga Road, 90000 Sandakan, Sabah has voluntarily implemented the requirements of GMP for manufacturing and marketing of purified drinking waters and aerated water	VE International Certification Group of Companies	Reference No.: G122851	Issuance date: 21 July 2021 Validity Period: 21 July 2021 to 28 July 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
71.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that K2 drinking water manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000057	Issuance date: 28 June 2022 Validity Period: 28 June 2022 to 28 June 2024	Nil	-
72.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that Sabah Water drinking water manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000059	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
73.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more apple flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000061	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-
74.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more ice cream soda flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000062	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
75.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more strawberry flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000063	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-
76.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more cola flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000068	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
77.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more Tutti Fruitti flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000069	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-
78.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more orange flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000070	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
79.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that 2more mango flavour carbonated drink manufactured / distributed / managed by Life Water Industries at CL075356375, KM 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000071	Issuance date: 17 August 2022 Validity Period: 17 August 2022 to 17 August 2024	Nil	-
80.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that K2 drinking water manufactured / distributed / managed by Life Water Industries at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F001025	Issuance date: 31 October 2023 Validity Period: 31 October 2023 to 31 October 2025	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
81.	Life Water Industries	Certificate of authentication healthier choice logo granted to Life Water Industries certifying that SASA drinking water manufactured / distributed / managed by Life Water Industries at Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F001026	Issuance date: 31 October 2023 Validity Period: 31 October 2023 to 31 October 2025	Nil	-
82.	Green Borneo Industries	Licence to take drinking water from its source at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460, Kota Kinabalu, Sabah for the purpose of trade or business	MOH	Licence No.: KKM163(52/S/30)	Issuance date: 25 March 2011 Validity Period: Effective from 25 March 2011 with no expiry date	<ol style="list-style-type: none"> 1. Packaging shall be done at the source. 2. The licence holder shall submit a water analysis report from an approved laboratory to the State Deputy Director of Health, Food Safety and Quality Division of the MOH. 3. The licence holder is prohibited from taking water from other sources save for the source that has been approved. 4. The licence holder shall notify the Food Safety and Quality Division of the MOH of any variations / changes to the label and water treatment process of the approved product. 	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
83.	Green Borneo Industries	Manufacturing licence to act as a licensed manufacturer of drinking water at the place of manufacturing at No. 9, Jalan 1F, KKIP Selatan Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah	MITI	Licence No.: A017939	Issuance date: 21 December 2010 Validity Period: Effective from 29 October 2010 with no expiry date	1. Sale of any shares in the company requires notification to be made to the MITI. 2. The company shall train Malaysian citizens to ensure that the transfer of technology and expertise are transmitted to all levels of employment.	Complied
84.	Green Borneo Industries	Licence to employ 8 Indonesian employees and 3 Filipino employees at the workplace located at No.9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ 4), KKIP, 88460, Kota Kinabalu	Department of Labour Sabah	Licence No.: JTK.H.KK.600-4/1/36999/010 504	Issuance date: 30 March 2023 Validity Period: 24 April 2023 to 23 April 2024	This licence is not transferable, and it is valid for the employment of the prescribed number of non-resident employees only.	Complied
85.	Green Borneo Industries	Certificate of registration for food premises at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah	MOH	Registration No.: FSSM1210000 87-01	Issuance date: 6 December 2022 Validity Period: 6 December 2022 to 6 December 2025	This certificate is non-transferable.	Noted

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
86.	Green Borneo Industries	Certificate of fitness in accordance with FAMA and Regulation 10(2) of FAMA Regulations in respect of a steam boiler (autoclave) located at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460 Kota Kinabalu, Sabah	DOSH	Certificate No.: PMD-SB/22 58019 Registration No.: SB PMD 2456	Issuance date: 9 November 2022 Validity Period: 9 November 2022 to 6 February 2024 ⁽²⁾	Nil	-
87.	Green Borneo Industries	Fire certificate in relation to our premises at No.9, Jalan 1F, Industrial Zone 4 (IZ4), KKIP Selatan, 88460 Kota Kinabalu, Sabah	Fire and Rescue Department of Malaysia	Certificate No.: JBPM: SB/7/56/2023	Issuance date: 18 April 2023 Validity Period: 18 April 2023 to 17 April 2024	Nil	-
88.	Green Borneo Industries	Halal Certificate granted to Green Borneo Industries certified that the RO water manufactured / distributed / managed by Green Borneo Industries, No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460 Kota Kinabalu, Sabah has complied with Islamic Law and Malaysian halal standard and approved by Halal Certification Panel of Jabatan Hal Ehwal Agama Islam Negeri Sabah	JAKIM	JAKIM.700-2/3/1 053-03/2010	Issuance date: 1 May 2020 Validity Period: 1 November 2022 to 31 October 2024	1. Any changes to the name or address of the company, factory or premises, name of the product, ingredients, suppliers or anything related thereto shall be informed in writing to the Director General of JAKIM for further action. 2. The Halal Certificate holder shall exhibit the logo on the product or the approved premises as stated in the Halal Certificate.	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
89.	Green Borneo Industries	HACCP certificate certifying that Green Borneo Industries at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460 Kota Kinabalu, Sabah has voluntarily implemented the requirements of HACCP for the production of purified drinking water	VE International Certification Group of Companies	Reference No.: H153050	Issuance date: 6 September 2021 Validity Period: 6 September 2021 to 6 September 2024	Nil	-
90.	Green Borneo Industries	Food Safety Management System (ISO 22000:2018) certificate certifying that Green Borneo Industries at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460 Kota Kinabalu, Sabah has voluntarily implemented the requirements of Food Safety Management System (ISO 22000:2018) for the production of purified drinking water	VE International Certification Group of Companies	Reference No.: F153050	Issuance date: 6 September 2021 Validity Period: 6 September 2021 to 6 September 2024	Nil	-
91.	Green Borneo Industries	GMP certificate certifying that Green Borneo Industries at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, 88460 Kota Kinabalu, Sabah has voluntarily implemented the requirements of GMP for the production of purified drinking water	VE International Certification Group of Companies	Reference No.: G153050	Issuance date: 6 September 2021 Validity Period: 6 September 2021 to 6 September 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
92.	Green Borneo Industries	Certificate of authentication healthier choice logo granted to Green Borneo Industries certifying that K2 beverage manufactured / distributed / managed by Green Borneo Industries at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, Kota Kinabalu, 88460, Sabah, has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000055	Issuance date: 28 June 2022 Validity Period: 28 June 2022 to 28 June 2024	Nil	-
93.	Green Borneo Industries	Certificate of authentication healthier choice logo granted to Green Borneo Industries certifying that Sasa beverage manufactured / distributed / managed by Green Borneo Industries at No. 9, Jalan 1F, KKIP Selatan, Industrial Zone 4 (IZ4) KKIP, Kota Kinabalu, 88460, Sabah, has complied with the nutrient criteria for certification of healthier choice logo	MOH	Reference No.: F000056	Issuance date: 28 June 2022 Validity Period: 28 June 2022 to 28 June 2024	Nil	-

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
94.	K2 Water	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYS2778	CVLB	Licence No.: LPKP/SBH/2022/L/LA/00778	Issuance date: 11 August 2022 Validity Period: 11 August 2022 to 10 August 2027	<p>1. General and specific conditions:</p> <p>a. The licensed vehicle shall be operated within Kota Kinabalu / the state of Sabah / the Federal Territory of Labuan.</p> <p>b. The licensee may not terminate its service during the licensed period without prior written approval from CVLB.</p> <p>c. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time.</p> <p>2. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors.</p>	Complied

ANNEXURE A - OUR MAJOR LICENCES, CERTIFICATES, PERMITS AND APPROVALS (CONT'D)

No.	Company	Description of licence / permit / certificate / approval	Authority	Licence / Permit / Certificate / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
95.	K2 Water	Carrier licence A pursuant to CVLB Act 1987 for the vehicle bearing registration number SYY1178	CVLB	Licence No.: LPKP/SBH/2023/L/LA/00453	Issuance date: 26 April 2023 Validity Period: 26 April 2023 to 25 April 2028	<ol style="list-style-type: none"> General and specific conditions: <ol style="list-style-type: none"> The licensed vehicle shall be operated within Kota Kinabalu / the state of Sabah / the Federal Territory of Labuan. The licensee may not terminate its service during the licensed period without prior written approval from CVLB. A vehicle licensed as a carrier licence A must carry out the services for hire or reward within the operating area authorised by CVLB and must not refuse to do so without reasonable cause. The rate of hire or reward shall be as determined by CVLB from time to time. Section 20A(1) of CVLB Act 1987 provides that a holder of the carrier licence shall obtain the approval of CVLB before participating in the business or agreement that would cause a change in the equity structure or change in the board of directors. 	Complied

Aside from the licences and certificates listed above, our Group also maintains trading and/or signboard licences issued by the respective municipal councils for our premises in various locations where we conduct our business activities. As at the LPD, all the trading and signboard licences are valid and subsisting.

Notes:

- Prior to the issuance of this licence to Life Water Industries for its Sandakan Sibuga Plant 1, Life Water Industries commenced its operation in 2002 at Sandakan Megah Plant, a rented premises that our Group had ceased to occupy.
- The renewal of the certificate of fitness has been approved by DOSH and Green Borneo Industries expects to receive the renewed certificate by first quarter of 2024.

ANNEXURE B – OUR MATERIAL PROPERTIES**A. Material properties owned by our Group**

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
1.	KK IZ4 Plant <u>Title details</u> CL No. 015693731, District of Kota Kinabalu, Sabah ⁽¹⁾ <u>Property address</u> Lot 9, Jalan 1F, KKIP Selatan, Industrial Zone 4, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	<u>Registered owner</u> K.K.I.P Sdn Bhd <u>Beneficial owner</u> Green Borneo Industries	<u>Category of land use</u> Industrial ⁽¹⁾ <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of industrial ⁽¹⁾	<u>Description</u> One single storey detached factory building (with 2-storey office) plus one single storey detached warehouse building (with 2-storey office) <u>Existing use</u> Sales office, warehouse and manufacturing of drinking water	<u>Restrictions in interest</u> 1. Transfer, sublease or charge of this title is prohibited without the written permission from director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission from the director of lands and surveys department. ⁽¹⁾ <u>Material encumbrances</u> Assigned to HSBC Bank Malaysia Berhad	<u>Tenure</u> Leasehold for 99 years. 87 years remaining ⁽¹⁾ <u>Date of expiry of lease</u> 31 December 2110 ⁽¹⁾	<u>Land area</u> 6,080,533 ⁽¹⁾ <u>Built-up area</u> 59,917	1. OC dated 9 July 2009 for 2-storey office with open shed building 2. OC dated 26 October 2023 for extension to the existing building ⁽²⁾	8,893 (as at 30 June 2023)

Notes:

- (1) As at the LPD, the individual title of KK IZ4 Plant has yet to be issued. The land details (i.e., land area, tenure and special terms) are based on the master title on which the property is held under.
- (2) Green Borneo Industries had constructed an extension to the then existing building in 2018. Subsequently, Green Borneo Industries submitted the applications for the building plan approval and OC for the extension in 2018 and had obtained (i) building plan approval on 24 February 2023 and (ii) OC on 26 October 2023.

The penalty for occupying buildings without OC is provided for under By-Laws 4 and 38C(2) of the KK Building By-Laws. The potential maximum penalty which may be imposed on Green Borneo Industries for the period of past non-compliance i.e. from 2018 up to 24 February 2023 is approximately RM193,000. As at the LPD, our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above incident. Our Board is of the view that the non-compliance for occupying the extension without an OC has been addressed as our Group has obtained the OC for the said extension. In any case, the potential maximum penalty of approximately RM193,000 is less than 1.5% of our Group's PAT for the Financial Years Under Review, which would not have material adverse impact to our Group's business operations or financial performance.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
2.	Sandakan Sibuga Plant 1 <u>Title details</u> CL No. 075356375, District of Sandakan, Sabah <u>Property address</u> CL075356375, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Life Water Industries	<u>Category of land use</u> Industrial <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial buildings <u>Other endorsement</u> An area of approximately 0.421 acres of this land as indicated in the land title has been / will be acquired for the roadworks at Sibuga, Sandakan.	<u>Description</u> One single storey detached factory building (with 2-storey office) <u>Existing use</u> Head office, warehouse and manufacturing of drinking water and carbonated drinks	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title or without the written permission from the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission of the director of lands and surveys department. <u>Material encumbrances</u> Charged to Maybank Islamic Berhad	<u>Tenure</u> Leasehold for 999 years. 864 years remaining <u>Date of expiry of lease</u> Expiring 9 July 2887	<u>Land area</u> 84,027 <u>Built-up area</u> 48,825	3 November 2023 ⁽¹⁾	5,316 (as at 30 June 2023)

Note:

- (1) Life Water Industries has occupied the Sandakan Sibuga Plant 1 without OC from 2010 to 2 November 2023. Based on the findings of the architect appointed by our Group, there was a road reserve on the Sandakan local plan, which runs across the land where the Sandakan Sibuga Plant 1 is located. Hence, the building plan of the Sandakan Sibuga Plant 1 will not be approved by Sandakan Municipal Council until the road reserve is removed from the Sandakan local plan or a no objection letter is received from Jabatan Perancang Bandar Dan Wilayah. Upon receiving confirmation that the road reserve has been removed from the Sandakan local plan, Life Water Industries had applied for the building plan approval and obtained the approval on 10 August 2023. Life Water Industries had on 23 October 2023 applied to the Sandakan Municipal Council and obtained the OC on 3 November 2023.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

The penalty for occupying buildings without OC is provided for under By-Laws 4 and 38C(2) of the Sandakan Building By-Laws. The potential maximum penalty which may be imposed on Life Water Industries for the period of past non-compliance i.e. from 2010 up to November 2023 is approximately RM51,040. In this respect, Life Water Industries had on 10 August 2023 received a compound of RM3,000 from the Sandakan Municipal Council for building the structure without approval and had paid off the compound. Save for the compound above, our Group has not received any other notices, penalties, or compounds from Sandakan Municipal Council in relation to the above incident.

Our Board is of the view that the non-compliance for occupying building without an OC has been addressed as our Group has obtained the OC for the Sandakan Sibuga Plant 1. In any case, the potential maximum penalty of approximately RM51,040 is less than 0.5% of our Group's PAT for the Financial Years Under Review, which would not have material adverse impact to our Group's business operations or financial performance. Further, Sandakan Municipal Council had imposed compound on Life Water Industries, which had been settled.

(The rest of this page has been intentionally left blank)

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
3.	Sandakan Sibuga Plant 1 <u>Title details</u> CL No. 075356366, District of Sandakan, Sabah <u>Property address</u> CL075356366, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Life Water Industries	<u>Category of land use</u> Industrial <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial buildings	<u>Description</u> One single storey detached warehouse building <u>Existing use</u> Head office, warehouse and manufacturing of drinking water and carbonated drinks	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title or without the written permission from the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission of the director of lands and surveys department. <u>Material encumbrances</u> Charged to Maybank Islamic Berhad	<u>Tenure</u> Leasehold for 999 years. 864 years remaining <u>Date of expiry of lease</u> Expiring 9 July 2887	<u>Land area</u> 101,930 <u>Built-up area</u> 28,460	3 November 2023 ⁽¹⁾	3,202 (as at 30 June 2023)

Note:

(1) This note is similar to the above as it is adjacent land to CL No. 075356375, District of Sandakan, Sabah.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
4.	Sandakan Sibuga DC 1 <u>Title details</u> CL No. 075323901, District of Sandakan, Sabah <u>Property address</u> CL075323901, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Life Water Industries	<u>Category of land use</u> Industrial <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial <u>Other endorsement</u> An area of approximately 0.282 acres of this land as indicated in the land title has been / will be acquired for the construction of road at Sibuga, Sandakan	<u>Description</u> One open sided single storey detached warehouse building ⁽¹⁾ <u>Existing use</u> Warehouse	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title or without the written permission from the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission of the director of lands and surveys department. <u>Material encumbrances</u> Charged to Public Bank Berhad	<u>Tenure</u> Leasehold for 999 years. 864 years remaining <u>Date of expiry of lease</u> Expiring 09 July 2887	<u>Land area</u> 76,143 <u>Built-up area</u> 46,962	22 September 2023 ⁽²⁾	6,003 (as at 30 June 2023)

Notes:

- (1) This was an agricultural land, with an existing open sided single storey detached warehouse building erected on the land, acquired on an as-is-where-is basis by Life Water Industries from Sri Tegamat Sdn Bhd pursuant to a SPA dated 26 November 2021. Upon completion of the said SPA on 9 April 2022, Life Water Industries had on 27 June 2022 through its solicitors submitted an application to Sabah Lands and Surveys Department to convert the land use from agricultural to industrial, which was duly endorsed in the land title on 3 July 2023.
- (2) The original OC for the buildings built on this land was dated 11 November 2003. Upon completion of the conversion of land use, Life Water Industries carried out renovation and/or expansion on the buildings according to the approved building plan. Upon completion of the renovation, Life Water Industries had through its appointed architect submitted an application to the Sandakan Municipal Council to obtain an OC for the buildings, and the OC was granted on 22 September 2023.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
5.	Sandakan Sibuga DC 2 <u>Title details</u> CL No. 075323894, District of Sandakan, Sabah <u>Property address</u> CL075323894, Batu 8, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Life Water Industries	<u>Category of land use</u> Agricultural ⁽¹⁾ <u>Express conditions of land use</u> Nil <u>Other endorsement</u> An area of approximately 0.24 acres of this land as indicated in the land title has been / will be acquired for Project Jalan Lintas Sibuga, Sandakan	<u>Description</u> One single-storey detached laboratory <u>Existing use</u> Currently not in use but proposed to be used as an office ⁽¹⁾	<u>Restrictions in interest</u> Nil <u>Material encumbrances</u> Charged to Maybank Islamic Berhad	<u>Tenure</u> Leasehold for 999 years. 864 years remaining <u>Date of expiry of lease</u> Expiring 9 July 2887	<u>Land area</u> 155,509 <u>Built-up area</u> 4,311	20 November 1986 for a laboratory	4,204 (as at 30 June 2023)

Note:

- (1) This is an agricultural land, with an existing single-storey laboratory with store cum workshop erected on the land, acquired on an as-is-where-is basis by Life Water Industries from Aqthal Jasmeg Agronomics Sdn Bhd pursuant to a SPA dated 4 August 2022. Upon completion of the said SPA on 10 February 2023, Life Water Industries had on 18 May 2023 through its solicitors submitted an application to Sabah Lands and Surveys Department to convert the land use from agricultural to industrial. Life Water Industries expects to complete the process of conversion of land use by second half of 2024. Life Water Industries had demolished the store cum workshop that was erected on the land to align with the description of the OC dated 20 November 1986 which provides for a laboratory. As at the LPD, we are not occupying or using the building for our business operations and will not be occupying or using the building until the completion of the conversion of land use. Upon completion of the conversion of land use, our Group intends to use the existing single-storey laboratory as an office while planning for the construction of a warehouse on the land to be used as a distribution centre.

In the event the approval for the conversion of land use is not forthcoming, we will manage our warehousing needs by storing 1-2 days of PET preform stock level at Sandakan Sibuga Plant 1, allocation of delivery frequency for PET preforms up to 3 times a week from KK IZ8 Plant 1 to Sandakan Sibuga Plant 1 and installation of racking system in Sandakan Sibuga DC 1. The cost of installation of racking system in Sandakan Sibuga DC 1 is estimated to be less than RM0.20 million, which is approximately 0.97% of our Group's PAT for FYE 2023. As such, there will be no material impact or interruptions to our Group's business operations.

The maximum penalty which may be imposed for non-compliance: Pursuant to Sections 34(1) and 171A of the Sabah Land Ordinance (Sabah Cap. 68) ("SLO"), (a) in the absence of any express condition to the contrary in the document of title, there shall by virtue of Section 34 of the SLO be implied in every document of title the condition that in case of a breach or default in the observance of any of the conditions of the said title, whether expressed or implied by the SLO, or any previous land ordinance, the government may re-enter upon the land and resume the whole or any portion of the land; and (b) Life Water Industries shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years or to both.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
6.	Sandakan Sibuga Plant 2 <u>Title details</u> CL No. 075099464, District of Sandakan, Sabah <u>Property address</u> CL075099464, Batu 4, Jalan Lintas Sibuga, 90000 Sandakan, Sabah	Life Water Industries	<u>Category of land use</u> Agricultural ⁽¹⁾ <u>Express conditions of land use</u> Nil <u>Other endorsement</u> An area of approximately 0.145 acres of this land has been / will be acquired for Jalan Lintas Sibuga Sandakan.	<u>Description</u> Vacant land <u>Existing use</u> Vacant land but proposed to be used for the manufacturing of drinking water	<u>Restrictions in interest</u> Nil <u>Material encumbrances</u> Charged to MIDF Berhad	<u>Tenure</u> Leasehold for 999 years. 905 years remaining <u>Date of expiry of lease</u> Expiring 31 December 2927	<u>Land area</u> 253,389 <u>Built-up area</u> N/A	N/A ⁽²⁾	4,081 (as at 30 June 2023)

Notes:

- (1) This is an agricultural land acquired on an as-is-where-is basis by Life Water Industries from Bagus Sempurna Sdn Bhd pursuant to a SPA dated 14 September 2022. Life Water Industries intends to construct a manufacturing plant of drinking water on the vacant land. Upon completion of the said SPA on 19 January 2023, Life Water Industries had on 18 May 2023 through its solicitors submitted an application to Sabah Lands and Surveys Department to convert the land use from agricultural to industrial. Life Water Industries expects to complete the process of conversion of land use by second half of 2024.

In the event the approval for the conversion of land use is not forthcoming, we are able to produce drinking water at our other manufacturing plants in Sandakan and Kota Kinabalu. As such, there will be no material impact or interruptions to our Group's business operations.

- (2) No OC is required as no building has been erected on this land as at the LPD.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
7.	KK IZ8 Plant 1 <u>Title details</u> CL No. 015582153, District of Kota Kinabalu, Sabah ⁽¹⁾ <u>Property address</u> Lot 805, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	<u>Registered owner</u> K.K.I.P Sdn Bhd <u>Beneficial owner</u> Life Water Industries	<u>Category of land use</u> Industrial and commercial ⁽¹⁾ <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial and commercial ⁽¹⁾ <u>Other endorsement</u> An area of approximately 0.679 acres of this land as indicated in the land title has been / will be acquired for the construction of the pipe line and road reserve, Kota Kinabalu. ⁽¹⁾	<u>Description</u> One single storey detached factory building (with 3 storey office), one single storey factory building and one single storey cladding warehouse <u>Existing use</u> Office, warehouse, manufacturing of drinking water, PET preforms and bottle caps	<u>Restrictions in interest</u> 1. Transfer, charge or sublease of this title is prohibited before fulfilment of the covenant in the title or without the written permission of the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission from the director of lands and surveys. ⁽¹⁾ <u>Material encumbrances</u> Assigned to Maybank Islamic Berhad	<u>Tenure</u> Leasehold for 99 years. 73 years remaining ⁽¹⁾ <u>Date of expiry of lease</u> Expiring 31 December 2096 ⁽¹⁾	<u>Land area</u> 14,824,618 ⁽¹⁾ <u>Built-up area</u> 123,640	1. OC dated 14 March 2019 for 1 unit of factory and OC dated 23 November 2023 for office 2. OC dated 16 March 2021 for additional new factory building to the adjacent existing factory 3. OC dated 23 November 2023 for new roof and wall cladding warehouse building	19,839 (as at 30 June 2023)

Note:

- (1) As at the LPD, the individual title of KK IZ8 Plant has yet to be issued. The land details (i.e., land areas, tenure and special terms) are based on the master title on which the property is held under.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
8.	Keningau Plant <u>Title details</u> CL No. 135406147, District of Keningau, Sabah <u>Property address</u> Lot 4, Borneo Commercial Centre, Jalan Masak, 89000 Keningau, Sabah	Life Water Industries	<u>Category of land use</u> Commercial ⁽¹⁾ <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such one 2-storey showroom / office ⁽¹⁾	<u>Description</u> One single storey detached factory with mezzanine floor and office (plus warehouse) <u>Existing use</u> Currently not in use but proposed to be used as sales office and manufacturing of drinking water ⁽¹⁾	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title and without the written permission from the director of lands and surveys department. 2. Subdivision of this title is prohibited without the written permission of the director of lands and surveys department. <u>Material encumbrances</u> Charged to Hong Leong Bank Berhad	<u>Tenure</u> Leasehold for 99 years. 88 years remaining <u>Date of expiry of lease</u> Expiring 31 December 2111	<u>Land area</u> 20,026 <u>Built-up area</u> 10,591	1. OC dated 16 December 2015 for showroom / office 2. CCC dated 15 March 2024 for extension to the existing building	2,590 (as at 30 June 2023)

Note:

- (1) This is a commercial land located in a light industrial zone, with an existing one detached single storey factory building with 2-storey office erected on the land, acquired by Life Water Industries from Sinaborneo Sdn Bhd (as vendor) and Tiew Tiam Bok (as landowner) pursuant to a SPA dated 1 February 2021. One of the special terms of the land title provides that the land is to be used for showroom or office. Life Water Industries intends to use the buildings as sales office and manufacturing of drinking water. Upon completion of the said SPA on 29 September 2021, Life Water Industries had on 3 May 2023 through its solicitors submitted an application to the Sabah Lands and Surveys Department to convert the land use from commercial to industrial. Life Water Industries expects to complete the process of conversion of land use by second half of 2024.

As at the LPD, we are not occupying or using the building for our manufacturing operations and will not be occupying or using the building until the completion of the conversion of land use and upon obtaining the CCC for the building.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
9.	Keningau Plant <u>Title details</u> CL No. 135406156, District of Keningau, Sabah <u>Property address</u> Lot 5, Borneo Commercial Centre, Jalan Masak, 89000 Keningau, Sabah	Life Water Industries	<u>Category of land use</u> Commercial ⁽¹⁾ <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such one 2-storey showroom / office ⁽¹⁾	<u>Description</u> One single storey detached warehouse with 2-storey office <u>Existing use</u> Currently not in use but proposed to be used as sales office and warehouse ⁽¹⁾	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title and without the written permission from the director of lands and surveys department. 2. Subdivision of this title is prohibited without the written permission of the director of lands and surveys department. <u>Material encumbrances</u> Charged to Hong Leong Bank Berhad	<u>Tenure</u> Leasehold for 99 years. 88 years remaining <u>Date of expiry of lease</u> Expiring 31 December 2111	<u>Land area</u> 16,425 <u>Built-up area</u> 9,763	1. OC dated 16 December 2015 for showroom / office 2. CCC dated 15 March 2024 for extension to the existing building	2,300 (as at 30 June 2023)

Note:

- (1) This is a commercial land located in a light industrial zone, with an existing one detached single storey warehouse with 2-storey office building erected on the land, acquired by Life Water Industries from Paulus @ Paul Alex @ Mansiw pursuant to a SPA dated 30 December 2019. One of the special terms of the land title provides that the land is to be used for showroom or office. Life Water Industries intends to use the buildings as sales office and warehouse. Upon completion of the said SPA on 27 October 2020, Life Water Industries had on 3 May 2023 through its solicitors submitted an application to the Sabah Lands and Surveys Department to convert the land use from commercial to industrial. Life Water Industries expects to complete the process of conversion of land use by second half of 2024.

As at the LPD, we are not occupying or using the one detached single storey warehouse for our business operations and will not be occupying or using the warehouse until we obtain CCC for the building.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
10.	Lahad Datu DC 1 <u>Title details</u> CL No. 115385718, District of Lahad Datu, Sabah <u>Property address</u> MDLD 3399, Lot 41, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah	Life Water Industries	<u>Category of land use</u> Industrial <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such one industrial building	<u>Description</u> One single-storey semi-detached warehouse building with mezzanine floor <u>Existing use</u> Sales office and warehouse	<u>Restrictions in interest</u> Subdivision of this title is prohibited without the written permission of the director. <u>Material encumbrances</u> Charged to OCBC Bank (Malaysia) Berhad	<u>Tenure</u> Leasehold for 999 years. 910 years remaining <u>Date of expiry of lease</u> Expiring 17 December 2933	<u>Land area</u> 6,226 <u>Built-up area</u> 4,842	31 July 2023 ⁽¹⁾	572 (as at 30 June 2023)

Note:

- (1) The original OC for the buildings built on this land was dated 19 February 1993. Subsequently, Life Water Industries carried out renovation and/or expansion on the buildings, for which the Lahad Datu District Council approved the amended building plan on 3 January 2023. Upon completion of the renovation, Life Water Industries had through its appointed civil & structural consulting engineers submitted an application to the Lahad Datu District Office to obtain an OC for the buildings, and the OC was granted on 31 July 2023.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
11.	Lahad Datu DC 2 <u>Title details</u> CL No. 115385530, District of Lahad Datu, Sabah <u>Property address</u> MDLD 3381, Lot 23, Kimbell Light Industrial Estate, Batu 2.5, Jalan Dam, Lahad Datu, Sabah	Life Water Industries	<u>Category of land use</u> Industrial <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such one industrial building	<u>Description</u> One single storey semi- detached light industrial building with mezzanine floor <u>Existing use</u> As at the LPD, we are using the one single storey semi-detached light industrial building as warehouse. We are not occupying or using the mezzanine floor of the building for our business operations and will not be occupying such space until we have obtained the OC.	<u>Restrictions in interest</u> Subdivision of this title is prohibited without the written permission of the director <u>Material encumbrances</u> Charged to Hong Leong Bank Berhad	<u>Tenure</u> Leasehold for 999 years. 910 years remaining <u>Date of expiry of lease</u> Expiring 17 December 2933	<u>Land area</u> 6,237 <u>Built-up area</u> 5,137	19 February 1993 for a single storey semi-detached light industrial building ⁽¹⁾	961 (as at 30 June 2023)

Note:

- (1) Erected on the land are one single storey semi-detached light industrial building with mezzanine floor, acquired by Life Water Industries from Moslimin Bin Bijato, Lubis Bin Selama, Alimudin Bin Ngire pursuant to a SPA dated 1 March 2021. As at the LPD, save for the OC dated 19 February 1993 for a single storey semi-detached light industrial building, there is no OC for the mezzanine floor of the building. Upon completion of the said SPA on 21 July 2022, Life Water Industries had on 30 October 2023 through its appointed civil & structural consulting engineers submitted a building plan for the whole building structure (i.e., one single storey semi-detached light industrial building with mezzanine floor) to the Lahad Datu District Office for approval and expects to obtain the building plan approval by second half of 2024. Upon obtaining the approved building plan, Life Water Industries will then submit an application to the Lahad Datu District Office to obtain an OC for the building and expects to obtain the same by second half of 2024. As at the LPD, we are not occupying or using the mezzanine floor of the building for our business operations and will not be occupying such space until we have obtained the OC. In the event the building plan approval is not forthcoming, we will dismantle the mezzanine floor to align with the description of the OC dated 19 February 1993 which provides for a single storey semi-detached light industrial building. The cost of dismantling the mezzanine floor is estimated to be approximately RM10,000, which is approximately 0.05% of our Group's PAT for FYE 2023. As such, there will be no material impact or interruptions to our Group's business operations.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
12.	KK IZ2 DC <u>Title details</u> CL No. 015586562, District of Kota Kinabalu, Sabah <u>Property address</u> Lot 49, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	<u>Registered owner</u> Green Borneo Industries	<u>Category of land use</u> Industrial and commercial <u>Express conditions of land use</u> The said land is demised expressly and only for the purpose of erecting thereon for use as such industrial and commercial	<u>Description</u> One single storey detached warehouse building <u>Existing use</u> Rented out to Leasing Logistics (E.M.) Sdn Bhd to be used as warehouse pursuant to a tenancy agreement dated 17 July 2023 between Green Borneo Industries and Leasing Logistics (E.M.) Sdn Bhd. We retained approximately 8,000 sq.ft. of the premises for our warehouse storage and pay monthly fees of RM9,600 to Leasing Logistics (E.M.) Sdn Bhd.	<u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title and without the written permission of the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission from the director of lands and surveys. <u>Material encumbrances</u> Charged to Public Bank Berhad	<u>Tenure</u> Leasehold for 99 years. 73 years remaining <u>Date of expiry of lease</u> Expiring 31 December 2096	<u>Land area</u> 95,153 <u>Built-up area</u> 52,829	18 October 2023	RM12.85 million (as at the LPD) ⁽¹⁾

Note:

- (1) Our Group acquired this property subsequent to FYE 2023. The SPA for the acquisition of this property was entered into on 8 February 2022, but the transaction was only completed on 20 November 2023. The delay in the completion of the acquisition was due to procurement of the OC for this property (which is one of the conditions precedent in the SPA) which was obtained on 18 October 2023.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)

No.	Title details/ Property address	Registered/ Beneficial owner	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Date of issuance of CCC / OC	NBV (RM'000)
13.	<p><u>Title details</u> CL No. 015586571, District of Kota Kinabalu, Sabah</p> <p><u>Property address</u> Lot 50, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah</p>	<p><u>Registered owner</u> Green Borneo Industries</p>	<p><u>Category of land use</u> Industrial and commercial</p> <p><u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial and commercial</p>	<p><u>Description</u> One single storey detached warehouse building with 2 storey office building</p> <p><u>Existing use</u> Rented out to Leasing Logistics (E.M.) Sdn Bhd to be used as warehouse and office pursuant to a tenancy agreement dated 17 July 2023 between Green Borneo Industries and Leasing Logistics (E.M.) Sdn Bhd.</p>	<p><u>Restrictions in interest</u> 1. Transfer or sublease of this title is prohibited before fulfilment of the covenant in the title and without the written permission of the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission from the director of lands and surveys.</p> <p><u>Material encumbrances</u> Charged to Public Bank Berhad</p>	<p><u>Tenure</u> Leasehold for 99 years. 73 years remaining</p> <p><u>Date of expiry of lease</u> Expiring 31 December 2096</p>	<p><u>Land area</u> 96,983</p> <p><u>Built-up area</u> 32,823</p>	30 November 2023	RM8.15 million (as at 4 December 2023) ⁽¹⁾

Note:

- (1) Our Group acquired this property subsequent to FYE 2023. The SPA for the acquisition of this property was entered into on 8 February 2022, but the transaction was only completed on 4 December 2023. The delay in the completion of the acquisition was due to procurement of the OC for this property (which is one of the conditions precedent in the SPA) which was obtained on 30 November 2023.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)**B. Material properties to be acquired by our Group**

No.	Title details/ Property address	Vendor/ Purchaser	Category of land use/ Express conditions of land use	Description/ Existing use/ Approximate age of building(s)	Restrictions in interest/ Material encumbrances	Tenure/ Date of expiry of lease	Land/ Built-up area (sq.ft.)	Purchase Price (RM)	Date of SPA/ Targeted completion date
1.	KK IZ8 Plant 2 <u>Title details</u> CL No. 015582153, District of Kota Kinabalu, Sabah ⁽¹⁾ <u>Property address</u> Lot 815, Jalan 7, KKIP Timur, Industrial Zone 8, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	<u>Vendor</u> K.K.I.P Sdn Bhd <u>Purchaser</u> Life Water Industries	<u>Category of land use</u> Industrial and commercial ⁽¹⁾ <u>Express conditions of land use</u> This land is demised expressly and only for the purpose of erecting thereon for use as such industrial and commercial ⁽¹⁾ <u>Other endorsement</u> An area of approximately 0.679 acres of this land as indicated in the land title has been / will be acquired for the construction of the pipe line and road reserve, Kota Kinabalu ⁽¹⁾	<u>Description</u> Vacant land <u>Existing use</u> N/A in view that the SPA in respect of this property has yet to be completed	<u>Restrictions in interest</u> 1. Transfer, charge or sublease of this title is prohibited before fulfilment of the covenant in the title or without the written permission of the director of lands and surveys. 2. Subdivision of this title is prohibited without the written permission from the director of lands and surveys. ⁽¹⁾ <u>Material encumbrances</u> Nil	<u>Tenure</u> Leasehold for 99 years. 73 years remaining ⁽¹⁾ <u>Date of expiry of lease</u> Expiring 31 December 2096 ⁽¹⁾	<u>Land area</u> 14,824,618 ⁽¹⁾ <u>Built-up area</u> N/A	18,483,379.20	<u>Date of SPA</u> 21 November 2023 <u>Targeted completion of SPA</u> March 2024

Note:

- (1) As at the LPD, the individual title of this land has yet to be issued. The land details (i.e., land areas, tenure and special terms) are based on the master title on which the property is held under.

ANNEXURE B – OUR MATERIAL PROPERTIES (CONT'D)**C. Material properties rented out by our Group**




No.	Property address	Landlord	Tenant	Description and existing use	Tenure	Land/Built-up area (sq.ft.)	Rental per month (RM)
1.	KK IZ2 DC Lot 49, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	Green Borneo Industries	Leasing Logistics (E.M.) Sdn Bhd	<u>Description</u> One single storey detached warehouse building <u>Existing use</u> Warehouse	20 November 2023 to 16 January 2025	<u>Land area</u> 95,153 <u>Built-up area</u> 52,829	64,250.00
2.	Lot 50, Jalan 1H, KKIP Selatan, Industrial Zone 2, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah	Green Borneo Industries	Leasing Logistics (E.M.) Sdn Bhd	<u>Description</u> One single storey detached warehouse building with 2 storey office building <u>Existing use</u> Office and warehouse	4 December 2023 to 16 July 2026	<u>Land area</u> 96,983 <u>Built-up area</u> 32,823	40,750.00

(The rest of this page has been intentionally left blank)






ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS

As at the LPD, save for the following trademarks and copyrights, our Group has not registered or applied for any other trademarks, patents, copyrights or other intellectual property rights.





A. Trademarks

No.	Trademark	Issuing authority	Registered owner / Name of applicant	Trademark number / Application number	Validity period / Application date	Description	Status
1.		MyIPO	Life Water Industries	TM2021011306	19 April 2021 to 19 April 2031	Class 32 ⁽¹⁾	Registered
2.		MyIPO	Life Water Industries	TM2021007449	16 March 2021 to 16 March 2031	Class 32 ⁽²⁾	Registered
3.		MyIPO	Life Water Industries	TM2021007451	16 March 2021 to 16 March 2031	Class 32 ⁽³⁾	Registered
4.	Green Borneo	MyIPO	Life Water Industries	2018050257	5 January 2018 to 5 January 2028	Class 32 ⁽⁴⁾	Registered
5.	Kitzai	MyIPO	Life Water Industries	2017001930	24 February 2017 to 24 February 2027	Class 32 ⁽⁵⁾	Registered



ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Trademark	Issuing authority	Registered owner / Name of applicant	Trademark number / Application number	Validity period / Application date	Description	Status
6.		MyIPO	Life Water Industries	2016000562	20 January 2016 to 20 January 2026	Class 32 ⁽⁵⁾	Registered
7.		MyIPO	Life Water Industries	2015056850	5 May 2015 to 5 May 2025	Class 32 ⁽⁶⁾	Registered
8.		MyIPO	Life Water Industries	2014013516	4 December 2014 to 4 December 2024	Class 32 ⁽⁷⁾	Registered
9.		MyIPO	Life Water Industries	2013013894	7 October 2023 to 7 October 2033	Class 32 ⁽⁸⁾	Registered
10.		MyIPO	Life Water Industries	2012017713	18 October 2022 to 18 October 2032	Class 32 ⁽⁹⁾	Registered

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Trademark	Issuing authority	Registered owner / Name of applicant	Trademark number / Application number	Validity period / Application date	Description	Status
11.		MyIPO	Life Water Industries	2012008732	25 May 2022 to 25 May 2032	Class 40 ⁽¹⁰⁾	Registered
12.		MyIPO	Life Water Industries	2012007189	2 May 2022 to 2 May 2032	Class 32 ⁽¹¹⁾	Registered
13.		MyIPO	Life Water Industries	07023470	29 November 2017 to 29 November 2027	Class 30 ⁽¹²⁾	Registered
14.		MyIPO	Life Water Industries	TM2022021673	24 August 2022 to 24 August 2032	Class 32 ⁽¹³⁾	Registered

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Trademark	Issuing authority	Registered owner / Name of applicant	Trademark number / Application number	Validity period / Application date	Description	Status
15.		MyIPO	Life Water Industries	TM2022021675	24 August 2022 to 24 August 2032	Class 32 ⁽¹³⁾	Registered
16.		MyIPO	Life Water Industries	TM2022021674	24 August 2022 to 24 August 2032	Class 32 ⁽¹⁴⁾	Registered
17.	TRITONIC	Trademark Office of the State Administration for Industry and Trademark, People's Republic of China ("China Trademark Office") ⁽¹⁵⁾	Life Water Industries	17410876	14 September 2016 to 13 September 2026	Class 32 ⁽¹⁶⁾	Registered
18.	KITZAI	China Trademark Office ⁽¹⁵⁾	Life Water Industries	27744914	28 October 2018 to 27 October 2028	Class 32 ⁽¹⁶⁾	Registered

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Trademark	Issuing authority	Registered owner / Name of applicant	Trademark number / Application number	Validity period / Application date	Description	Status
19.	2MORE	Intellectual Property Office Brunei Darussalam ⁽¹⁵⁾	Life Water Industries	49375	27 November 2017 to 27 November 2027	Class 32 ⁽¹⁷⁾	Registered
20.	POWERCAZ	MyIPO	Life Water Industries	TM2023034475	13 November 2023	Class 32 ⁽¹⁸⁾	Under substantive examination (as at 19 December 2023) ⁽¹⁹⁾
21.	MANDAK	MyIPO	Life Water Industries	TM2023034974	17 November 2023	Class 32 ⁽²⁰⁾	Under formality validation ⁽²¹⁾
22.		MyIPO	Green Borneo Industries	TM2021007452	16 March 2021	Class 30 ⁽²²⁾	Appeal ongoing ⁽²³⁾

B. Copyrights

Notification No.	Date of Notification	Description of Creative Work	Type of Creative Work	Registered Owner	Country of Registration
CRMC00000081	5 May 2015	2MORE FUN THEME 2015 ⁽²⁴⁾	Music	Life Water Industries	Malaysia
CRSR00000121	5 May 2015	2MORE FUN THEME 2015 ⁽²⁴⁾	Sound Recording	Life Water Industries	Malaysia

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)**Notes:**

- (1) Aerated mineral waters, aerated spring waters, aerated water, bottled water (not for medical purposes), carbonated water, drinking water, mineral water (beverages), natural mineral water (not for medical purposes), natural spring waters (not for medical purposes), natural water (not for medical purposes), non-medicated mineral spring waters, spring water (beverages), other than for medical purposes, still water (not for medical purposes), water (beverage) other than for medical use, water for drinking (other than for medical purposes), waters (beverages).
- (2) Non-alcoholic beverages, cordials, essences for making beverages, flavoured beverages, flavoured carbonated beverages, spring water drinks, carbonated spring water drinks.
- (3) Mineral and aerated waters and other non-alcoholic drinks; isotonic drinks; fruit juices and fruit drinks; fruit concentrates for use in preparation of carbonated and non-carbonated soft drinks; syrups and other preparations for making beverages.
- (4) Beer, ale and porter, mineral and aerated waters and other non-alcoholic drinks; syrups and other preparations for making beverages; soya bean-based carbonated and non-carbonated drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; non-soya bean-based carbonated and non-carbonated non-alcoholic drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; soya bean-based and non-soya bean based black bean drinks, oat drinks, sesame drinks, and other cereal and grain-based drinks; syrups, powders, pure soya bean extracts, soya bean extracts, soya bean-based extracts and concentrates for making carbonated and non-carbonated drinks and beverages; non-soya bean-based extracts and concentrates for making carbonated and non-carbonated non-alcoholic beverages, fruit and vegetable drinks and juices of all kinds, soft drinks; all included in class 32.
- (5) Beer, ale and porter, mineral and aerated waters and other non-alcoholic drinks; syrups and other preparations for making beverages; soya bean-based carbonated and non-carbonated drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; non-soya bean-based carbonated and non-carbonated non-alcoholic drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; soya bean-based and non-soya bean based black bean drinks, oat drinks, sesame drinks, and other cereal and grain-based drinks; syrups, powders, pure soya bean extracts, soya bean extracts, soya bean-based extracts and concentrates for making carbonated and non-carbonated drinks and beverages; non-soya bean-based extracts and concentrates for making carbonated and non-carbonated non-alcoholic beverages, fruit and vegetable drinks and juices of all kinds, soft drinks; all included in class 32.
- (6) Non-alcoholic beverages, cordials, essences for making beverages, flavoured beverages, flavoured carbonated beverages, spring water drinks, carbonated spring water drinks; all included in class 32.
- (7) Non-alcoholic beverages, cordials, essences or making beverages, flavoured beverages, flavoured carbonated beverages, spring water drinks, carbonated spring water drinks; all included in class 32.
- (8) Mineral and aerated waters and other non-alcoholic drinks; isotonic drinks; fruit juices and fruit drinks; fruit concentrates for use in preparation of carbonated and non-carbonated soft drinks; syrups and other preparations for making beverages; all included in class 32.
- (9) Carbonated soft drinks included in class 32.
- (10) Water treatment services included in class 40.
- (11) Reverse osmosis drinking water included in class 32.

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

- (12) Flavoured ices included in class 30.
- (13) Aerated mineral waters, aerated spring waters, aerated water, bottled water (not for medical purposes), carbonated water, drinking water, mineral water (beverages), natural mineral water (not for medical purposes), natural spring waters (not for medical purposes), natural water (not for medical purposes), non-medicated mineral spring waters, spring water (beverages), other than for medical purposes, carbonated spring water drinks, still water (not for medical purposes), water (beverage) other than for medical use, water for drinking (other than for medical purposes), waters (beverages); non-alcoholic beverages, cordials, essences for making beverages, flavoured beverages, flavoured carbonated beverages.
- (14) Carbonated water, carbonated spring water drinks, non-alcoholic beverages, cordials, essences for making beverages, flavoured beverages, flavoured carbonated beverages; all containing or flavouring with lime.
- (15) We registered the TRITONIC and KITZAI trademarks in China and 2MORE trademark in Brunei with the intention to expand our market presence in China and Brunei. However, we put the plans on hold as we directed our focus and resources to our expansion in Sabah to meet the market demand in Sabah.
- (16) Aerated water; non-alcoholic fruit juices; fruit juices; isotonic drinks; mineral water (drinks); non-alcoholic beverages.
- (17) Beer, ale and porter, mineral and aerated waters and other non-alcoholic drinks; syrups and other preparations for making beverages; soya bean-based carbonated and non-carbonated drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; non-soya bean-based carbonated and non-carbonated non-alcoholic drinks and beverages, including rice and fruit drinks, distilled water and mineralized water; soya bean-based and non-soya bean based black bean drinks, oat drinks, sesame drinks, and other cereal and grain-based drinks; syrups, powders, pure soya bean extracts, soya bean extracts, soya bean-based extracts and concentrates for making carbonated and non-carbonated drinks and beverages; non-soya bean-based extracts and concentrates for making carbonated and non-carbonated non-alcoholic beverages, fruit and vegetable drinks and juices of all kinds, soft drinks.
- (18) Mineral and aerated waters and other non-alcoholic drinks; isotonic drinks; fruit juices and fruit drinks; fruit concentrates for use in preparation of carbonated and non-carbonated soft drinks; syrups and other preparations for making beverages.
- (19) The initial application for this trademark was made on 13 November 2023. MyIPO is in the process of verifying the documents and information submitted during the trademark application process before a decision is made on the said application. We do not expect any material adverse impact to our Group's business and financial conditions if the applied trademark is not registered as our business or profitability is not materially dependent on such trademark.
- (20) Aerated mineral waters, aerated spring waters, aerated water, bottled water (not for medical purposes), carbonated water, drinking water, mineral water (beverages), natural mineral water (not for medical purposes), natural spring waters (not for medical purposes), natural water (not for medical purposes), non-medicated mineral spring waters, spring water (beverages), other than for medical purposes, still water (not for medical purposes), water (beverage) other than for medical use, water for drinking (other than for medical purposes), waters (beverages).
- (21) The initial application for this trademark was made on 17 November 2023. MyIPO is in the process of verifying the documents and information submitted during the trademark application process before a decision is made on the said application. We do not expect any material adverse impact to our Group's business and financial conditions if the applied trademark is not registered as our business or profitability is not materially dependent on such trademark.

ANNEXURE C – OUR INTELLECTUAL PROPERTY RIGHTS (CONT'D)

- (22) Baked goods in this class; biscuits; bread; cakes; chocolate; cookies; coffee; tea; confectionery; crackers; pretzels; flour and preparations made from cereals; honey; pastry; pies; puddings; snack foods in this class, including snack foods made from rice or corn; sauces in this class; sugar; spices; muesli bars and slices, fruit bars, yoghurt based snacks, ice-cream and snackfoods including ice cream.
- (23) The initial application for this trademark was made on 16 March 2021. The initial application was however objected by MyIPO on 22 December 2021. Our trademark agent had informed that our “Toro” trademark is similar to trademarks registered by others and as such was objected by MyIPO. We had on 30 December 2021, through our trademark agent, submitted an appeal against MyIPO’s decision for non-registration of the trademark. As at the LPD, the appeal is still ongoing, and we are awaiting MyIPO to revert with the results of the appeal. We do not expect any material adverse impact to our Group’s business and financial conditions if the applied trademark is not registered as our business or profitability is not materially dependent on such trademark.
- (24) The 2MORE FUN THEME 2015 is our Group’s theme song and we play this theme song whenever we have corporate events, advertising campaigns, and other business activities.

(The rest of this page has been intentionally left blank)