

## 4. DETAILS OF OUR IPO

### 4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on [•] and will remain open until 5.00 p.m. on [•]. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

### 4.2 INDICATIVE TIMETABLE

Events	Indicative date
Issuance of this Prospectus/Opening of Application	[•]
Closing of Application	[•]
Balloting of Application	[•]
Allotment/Transfer of IPO Shares to successful applicants	[•]
Date of Listing	[•]

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

### 4.3 DETAILS OF OUR IPO

#### 4.3.1 Listing scheme

##### (a) Distribution

Upon completion of the Pre-IPO Reorganisation, MKH together with Metro Kajang (Oversea) and MKH Plantation collectively hold 758,804,663 MKHOP Shares, representing 94.4% equity interest. Please refer to Section 6.2 for further details on our Pre-IPO Reorganisation.

Subsequently, MKH has distributed 82,487,981 MKHOP Shares representing approximately 10.3% equity interest in our Company to the Entitled Shareholders on the Entitlement Date. The Distribution was not subject to approval from the shareholders of MKH.

Upon completion of the Distribution, the total shareholdings of MKH together with Metro Kajang (Oversea) and MKH Plantation in our Company has reduced to approximately 84.2%. The Distribution did not have an effect on our issued share capital as there was no issuance of new Shares.

##### (b) Public Issue

A total of 220,000,000 Issue Shares, representing approximately 21.5% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

##### (i) Malaysian Public

51,209,800 Issue Shares, representing approximately 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 25,604,900 Issue Shares, representing approximately 2.5% of our enlarged share capital, made available to public investors; and

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**4. DETAILS OF OUR IPO (Cont'd)**

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(bb) 25,604,900 Issue Shares, representing approximately 2.5% of our enlarged share capital, made available to Bumiputera public investors.

**(ii) Private placement to selected investors**

168,790,200 Issue Shares, representing approximately 16.5% of our enlarged share capital, are reserved for private placement to selected investors.

The basis of allocation of the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

Upon completion of our Public Issue, our share capital will increase from RM[●] million comprising 803,590,845 Shares to RM[●] million comprising 1,023,590,845 Shares. There is no over-allotment or 'greenshoe' option that will increase the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

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#### 4. DETAILS OF OUR IPO (Cont'd)

##### (c) Offer for Sale

A total of 30,707,700 Offer Shares, representing 3.0% of our enlarged share capital, are offered by our Selling Shareholder to selected investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus. Details of our Selling Shareholder are as follows:

Name/Address	Relationship with our Group	<sup>(1)</sup> Before IPO		Offer Shares offered			After IPO	
		No. of Shares	<sup>(2)</sup> %	No. of Shares	<sup>(2)</sup> %	<sup>(3)</sup> %	No. of Shares	<sup>(3)</sup> %
Metro Kajang (Oversea)/ Suite 1, 5 <sup>th</sup> Floor Wisma MKH Jalan Semenyih 43000 Kajang Selangor	Substantial shareholder	344,462,001	42.9	30,707,700	3.8	3.0	313,754,301	30.7

##### Notes:

- (1) After completion of our Pre-IPO Reorganisation and the Distribution but before our IPO.
- (2) Based on our share capital of 803,590,845 Shares before our IPO.
- (3) Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

Further details of our Selling Shareholder, who is also our substantial shareholder can be found in Section 5.1.2(c).

##### (d) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM[●] million comprising 1,023,590,845 Shares shall be listed on the Main Market.

#### 4. DETAILS OF OUR IPO (Cont'd)

In summary, our IPO Shares will be allocated subject to the clawback and reallocation provisions as set out in Section 4.3.2 in the following manner:

Categories	Public Issue		Offer for Sale		Total	
	No. of Shares	( <sup>1</sup> )%	No. of Shares	( <sup>1</sup> )%	No. of Shares	( <sup>1</sup> )%
(i) Malaysian Public via balloting						
- Bumiputera	25,604,900	2.5	-	-	25,604,900	2.5
- Non-Bumiputera	25,604,900	2.5	-	-	25,604,900	2.5
(ii) Selected investors via private placement	168,790,200	16.5	30,707,700	3.0	199,497,900	19.5
<b>Total</b>	<b>220,000,000</b>	<b>21.5</b>	<b>30,707,700</b>	<b>3.0</b>	<b>250,707,700</b>	<b>24.5</b>

**Note:**

(1) Based on our enlarged share capital of 1,023,590,845 Shares after our IPO.

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#### 4. DETAILS OF OUR IPO (*Cont'd*)

##### 4.3.2 Placement and underwriting arrangements

Our Underwriter will underwrite 51,209,800 Issue Shares made available for application by the Malaysian Public. The balance 168,790,200 Issue Shares and 30,707,700 Offer Shares available for application by selected investors will not be underwritten and will be placed out by our Placement Agent.

Our IPO Shares shall be subject to the clawback and reallocation provisions where any IPO Shares which are not subscribed by the Malaysian Public will be made available to selected investors via private placement.

Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner.

##### 4.3.3 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in 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 fair and equitable manner approved by our Directors.

Under the Listing Requirements, a minimum of 25.0% of our enlarged share capital 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. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the Main Market.

In such an event, we will return in full, without interest, all monies paid in respect of all applications. 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. Please refer to Section 9.3.2 for further details in the event there is a delay in or cancellation of our Listing.

As at LPD, to the best of our knowledge and belief:

- (a) there are no substantial shareholder(s), Directors or key senior management of our Company who have indicated to our Company that they intend to subscribe for our IPO Shares; and
- (b) there are no person(s) who have indicated to our Company that they intend to subscribe for more than 5.0% of our IPO Shares.

#### 4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

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

Details	No. of Shares	RM
<b>Share capital</b>		
As at the date of this Prospectus	803,590,845	[•]
To be issued under our Public Issue	220,000,000	[•]
<b>Enlarged share capital upon our Listing</b>	<b>1,023,590,845</b>	<b>[•]</b>

Our Offer for Sale will not have any effect on our share capital.

#### **4. DETAILS OF OUR IPO (Cont'd)**

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

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing ordinary 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.

Our Offer Shares rank equally in all respects with our existing ordinary 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 transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meetings in person or by proxy or by other duly authorised representative. On a poll, every shareholder present in person or by proxy or other duly authorised representative shall have one vote for each ordinary share held.

#### **4.5 PURPOSES OF OUR IPO**

The purposes of our IPO are as follows:

- (a) To enable our Group to raise funds for the purposes specified in Section 4.9 herein;
- (b) To gain recognition through our listing status to enhance our reputation and to attract new and skilled employees particularly in the oil palm plantation industry;
- (c) To provide an opportunity for the Malaysian Public to participate in our equity; and
- (d) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise.

#### **4.6 BASIS OF ARRIVING AT OUR IPO PRICE**

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:

- (a) Our pro forma NA per Share of RM[●], calculated based on our pro forma NA after our IPO and utilisation of proceeds as at 30 September 2022 of approximately RM[●] million and enlarged share capital of 1,023,590,845 Shares upon Listing;
- (b) The PE Multiple of our IPO Price of approximately [●] times based on our EPS of approximately 5.88 sen for FYE 2022, calculated based on our PAT of RM60.1 million for FYE 2022 and our enlarged share capital of 1,023,590,845 Shares upon Listing;
- (c) Our historical financial track record as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	282,324	306,611	315,817
GP	99,533	140,374	129,869
PAT	18,690	77,452	60,138

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**4. DETAILS OF OUR IPO (Cont'd)**

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- (d) Our competitive strengths as set out in Section 7.14; and
- (e) Our business strategies and future plans as set out in Section 7.15.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 before deciding to invest in our Shares.

**4.7 TOTAL MARKET CAPITALISATION UPON LISTING**

Based on our IPO Price and enlarged share capital of 1,023,590,845 Shares upon Listing, our total market capitalisation will be RM[•] million.

**4.8 DILUTION**

Dilution is the amount by which our IPO Price exceeds our pro forma NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	<b>RM</b>
IPO Price	[•]
Pro forma NA per Share as at 30 September 2022 after our Pre-IPO Reorganisation but before our IPO	[•]
Pro forma NA per Share as at 30 September 2022 after our Pre-IPO Reorganisation, IPO and utilisation of proceeds	[•]
Increase in pro forma NA per Share attributable to existing shareholders	[•]
Dilution in pro forma NA per Share to our new public investors	[•]
Dilution in pro forma NA per Share as a percentage of our IPO Price	[•]%

Further details of our pro forma NA per Share as at 30 September 2022 is set out in Section 14.

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#### 4. DETAILS OF OUR IPO (Cont'd)

Save as disclosed below, there is no substantial disparity between our IPO Price and the effective cash cost of our Shares acquired by our Promoters, substantial shareholders, Directors, key senior management or persons connected with them in any transaction from the date of our incorporation up to the date of this Prospectus:

Promoters and/or substantial shareholders	<sup>(1)</sup> No. of Shares received	<sup>(2)</sup> Total consideration		Average effective cost per Share
			RM	RM
MKH	293,520,019	62,668,000		0.21
CCSR	8,122,850	[•]		[•]
Tan Sri Alex Chen	39,582	[•]		[•]
Tan Sri Eddy Chen	1,514,691	[•]		[•]
Datuk Chen Fook Wah	287,621	[•]		[•]
Metro Kajang (Oversea)	344,462,001	[•]		[•]
MKH Plantation	38,334,662	[•]		[•]
Ivakijaya	4,605,607	5,572,784		1.21
PT Hikmat	40,180,575	48,618,495		1.21
<b>Total</b>	<b>731,067,608</b>	<b>[•]</b>		

#### Notes:

<sup>(1)</sup> The number of Shares issued to them pursuant to the Pre-IPO Reorganisation and Distribution which were undertaken prior to our IPO are as follows:

	Before Pre-IPO Reorganisation	Pre-IPO Reorganisation				Distribution	Total
		Share Split	Acquisition of	Acquisition of	Capitalisation		
			PT MKH	PT SPS			
No. of Shares							
MKH	62,668,000	313,340,000	-	-	-	(82,487,981)	293,520,019
CCSR	-	-	-	-	-	8,122,850	8,122,850
Tan Sri Alex Chen	-	-	-	-	-	39,582	39,582
Tan Sri Eddy Chen	-	-	-	-	-	1,514,691	1,514,691
Datuk Chen Fook Wah	-	-	-	-	-	287,621	287,621



**4. DETAILS OF OUR IPO (Cont'd)**

	Before Pre-IPO Reorganisation	Pre-IPO Reorganisation				Distribution	Total
		Share Split	Acquisition of	Acquisition of	Capitalisation		
			PT MKH	PT SPS			
		No. of Shares					
Metro Kajang (Oversea)	47,800,000	239,000,000	5,198,686	-	52,463,315	-	344,462,001
MKH Plantation	-	-	-	17,271,026	21,063,636	-	38,334,662
Ivakijaya	-	-	-	4,605,607	-	-	4,605,607
PT Hikmat	-	-	39,029,173	1,151,402	-	-	40,180,575

(2) The considerations for Shares issued to them pursuant to the Pre-IPO Reorganisation and the Distribution which were undertaken prior to our IPO are as follows:

	Before Pre-IPO Reorganisation	Pre-IPO Reorganisation				Distribution	Total
		Share Split	Acquisition of	Acquisition of	Capitalisation		
			PT MKH	PT SPS			
		RM					
MKH	62,668,000	-	-	-	-	-	62,668,000
CCSR	-	-	-	-	-	[•]	[•]
Tan Sri Alex Chen	-	-	-	-	-	[•]	[•]
Tan Sri Eddy Chen	-	-	-	-	-	[•]	[•]
Datuk Chen Fook Wah	-	-	-	-	-	[•]	[•]
Metro Kajang (Oversea)	47,800,000	-	6,290,410	-	[•]	-	[•]
MKH Plantation	-	-	-	20,897,942	[•]	-	[•]
Ivakijaya	-	-	-	5,572,784	-	-	5,572,784
PT Hikmat	-	-	47,225,299	1,393,196	-	-	48,618,495

#### 4. DETAILS OF OUR IPO (Cont'd)

#### 4.9 UTILISATION OF PROCEEDS

##### 4.9.1 Public Issue

The estimated gross proceeds from our Public Issue of RM[•] million will accrue entirely to us and are planned to be utilised in the following manner:

<b>Utilisation of proceeds</b>	<b>Notes</b>	<b>RM'000</b>	<b>%</b>	<b><sup>(1)</sup>Estimated timeframe for utilisation</b>
Expansion of land banks for oil palm plantation	(a)	[•]	[•]	Within 24 months
Capital expenditures for existing plantation lands	(b)	[•]	[•]	Within 18 months
Setup of PK crushing facility	(c)	[•]	[•]	Within 12 months
Refurbishment and/or upkeep of existing palm oil mill	(d)	[•]	[•]	Within 24 months
Capital expenditures for refurbishment and construction of workers/staff housing quarters	(e)	[•]	[•]	Within 24 months
Capital expenditures to expand coverage of electricity supply	(f)	[•]	[•]	Within 24 months
Repayment of loan due to a related party	(g)	[•]	[•]	Within 6 months
Estimated listing expenses	(h)	[•]	[•]	Immediate
<b>Total</b>		<b>[•]</b>	<b>100.0</b>	

**Note:**

<sup>(1)</sup> From the date of our Listing.

Any variations from the amounts budgeted above shall be adjusted towards the proceeds allocated for items (a) and (c) in the following manner:

- (i) Any excess amount from our Public Issue unutilised for any planned utilisation above shall firstly be reallocated to the planned utilisation under item (a), if required; and
- (ii) After (i) above, any remaining unutilised proceeds will then be reallocated to planned utilisation under item (c), if required.

Where there are any remaining surplus to the earmarked amount for the planned utilisation above, such surplus will be used as our general working capital. For avoidance of doubt, any shortfall of the planned utilisation above will be funded via bank borrowings and/or internally generated funds. Upon completion of our Listing, where applicable and required under the Listing Requirements, we will seek our shareholders' approval for any material variation to the intended utilisation of proceeds.

Pending the deployment of the proceeds to be raised from our Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

**4. DETAILS OF OUR IPO (Cont'd)****(a) Expansion of land banks for oil palm plantation**

As at LPD, we own 2 oil palm plantation estates, 1 palm oil mill and 1 jetty in East Kalimantan, Indonesia. We intend to grow our oil palm plantation business by expanding our oil palm plantation estates. As such, we plan to acquire additional land located in close proximity to our current oil palm plantation estates in Kutai Kartanegara, East Kalimantan for better coordination of operational and logistics management.

We have allocated RM[•] million of the proceeds to fully fund the following expansion of our oil palm plantation estates as well as for oil palm planting activities on the new land banks:

<b>Description</b>	<b>RM'000</b>
Acquisition of plantation land banks	[•]
Planting activities on the new land banks <sup>(1)</sup>	[•]
<b>Total estimated cost of expansion of land banks</b>	<b>[•]</b>

**Note:**

- (1) Details of the estimated cost for planting activities on the new land banks are as follows:

<b>Description</b>	<b>Estimated cost RM'000</b>
Land clearing and tillage	[•]
Cultivation and field planting of oil palm seedlings	[•]
	<b>[•]</b>

As at LPD, our Group's 2 oil palm plantation estates have a total land area of 18,205.3 Ha, comprising planted area of 17,008.8 Ha, of which 100.0% is mature as detailed in Section 7.2.1, and unplanted area of 1,196.5 Ha. The unplanted area mainly consists of palm oil mill, management office, housing, nursery, roads, drains and canals. Further, all of our Group's planted oil palm are in young mature phase (age profile of 4 to 9 years) that will soon be entering peak production and prime mature phase (age profile of 10 to 16 years) that are in their peak production years. As such, replanting activities are not expected to be undertaken on the said land in near term as most of our existing oil palms will remain in peak production in near term.

As at LPD, we have identified company(ies) with potential land banks for oil palm plantation in the sub-district of Muara Kaman, Kutai Kartanegara, East Kalimantan. The estimated land area is approximately 5,000.0 Ha with an estimated area for planting of approximately 4,000.0 to 4,500.0 Ha. Subject to the successful negotiation and feasibility study to the satisfaction of our Group, the expected timeline for such acquisition is 2<sup>nd</sup> quarter of 2024. As at LPD, we are currently in the preliminary stage of negotiation to appoint an independent expert to conduct the said feasibility study such as climate, humidity and soil condition on the potential land banks for oil palm plantation. For clarity, the potential land banks comprise mainly unplanted lands where approximately 3.0% of the land area are planted with oil palms (average age of 2 years) by the local farmers, of which we will take over in the event that the above proposed acquisition materialises. Upon completion of the acquisition, we will commence planting of oil palms on the entire area for planting immediately, and we expect to harvest FFB after 2.5 years from the date of field planting. We also plan to set up a new palm oil mill within the new plantation estates to process the FFB harvested from the new plantation estates. As at LPD, the details on the setup of the new palm oil mill are not available as it is subject to the location and the actual planted area of the plantation land to be acquired.

**4. DETAILS OF OUR IPO (Cont'd)**

Based on the estimated area for planting of 4,500.0 Ha, we expect to harvest additional FFB in the plantation land after 2.5 years from the date of field planting, details of which are as follows:

	<u>Immature</u> <u>Year 2.5 to 3</u>	<u>Young mature</u> <u>Year 4 to 9</u>	<u>Prime mature</u> <u>Year 10 to 20</u>
Average FFB to be harvested per year (MT)	27,000	100,500	120,273

In the event that the above proposed acquisition materialises, we may recruit approximately 400 additional general workers with an estimated monthly salary totalling approximately RM0.4 million (to be funded internally) to carry out the planting activities at the plantation land. For avoidance of doubt, the plantation land to be acquired will be either part of the Plasma Programme where at least 20.0% of the total area will be developed for the local cooperative under the Plasma Programme for our Group to manage or in any other form or arrangement (such as a profit sharing scheme) as stipulated under the regulatory framework for plantation business licensing governed by the President of Indonesia Decree. The profit sharing scheme is based on an agreed sharing ratio of income or profit between our Group and the local farmers after taking into account the product selling price, production cost and the needs of the farm household. Under the profit sharing scheme and subject to further discussion with the local farmers, a cooperative will be formed by the local farmers as a forum to enter into a cooperation agreement with our Group where the local farmers will hand over their plantation land to our Group for development and management and our Group's obligations include, amongst others, maintenance of oil palm plantation, harvesting and marketing of FFB, provision of administrative, management and technical training for employees and the community in surrounding villages. As at LPD, our Group has not participated in the Plasma Programme or established any profit sharing scheme arrangement with the local farmers relating to the aforementioned plantation land.

In the event the above proposed acquisition does not materialise, we will continue to source for other plantation land which may be an empty land with no oil palms planted, or a plantation land which has been partially or fully planted with oil palms. The exact location and size of the plantation land are subject to changes depending on the price and availability. Once the details of acquisition are decided, we will acquire the company that owns the land to establish our third oil palm plantation estate on the land. If it is an empty land with no oil palms planted, we will begin the land preparation and planting of oil palms immediately after the acquisition and procurement of all the relevant business licences and permits; if it is a land which has been partially planted with oil palms, we will continue with the land preparation and planting of oil palms on the remaining parts of the land immediately after the acquisition and procurement of all the relevant business licences and permits; and if it is a land which has been fully planted with oil palms, we will continue to upkeep the oil palms.

We anticipate to complete the land acquisition within 24 months from the date of our Listing, and followed by land preparation and planting of oil palms immediately after the acquisition.

We intend to utilise a total of RM[●] million from the proceeds to be raised from our Public Issue to fully fund the acquisition of the plantation land or the company that owns the plantation land, as well as planting and upkeep of oil palms. If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

Please refer to Section 7.15.1 for details of our Group's expansion of land banks for oil palm plantation.

**4. DETAILS OF OUR IPO (Cont'd)**

**(b) Capital expenditures for existing plantation lands**

We have allocated RM[●] million to purchase additional machinery and equipment for our FFB harvesting as well as spare parts for our machinery and equipment, as follows:

<u>Description</u>	<u>Function</u>	<u>No. of unit</u>	<u>Total estimated cost RM'000</u>
Spare parts	Replacement parts for our harvesting machinery and equipment		
- Undercarriage	Replacement parts for excavators <sup>(1)</sup>	8	[●]
- Main pump		8	[●]
- Engine		8	[●]
Crawler dumpers	For heavy duty FFB transportation from field to collection points	50	[●]
Farm ATVs	To collect FFB from fields to collection points	65	[●]
Trailers (attached to trucks)	To collect FFB from collection points to palm oil mill	30	[●]
			<u>[●]</u>

**Note:**

<sup>(1)</sup> As at LPD, our harvesting machinery and equipment that require replacement are 8 units of excavators.

The machinery and equipment that we intend to purchase for FFB harvesting will be used to enhance the efficiency and mechanisation of our FFB harvesting activities, as we will be able to reduce manual transportation of FFB from the field to collection points, and increase the frequency of FFB transportation from collection points to our existing palm oil mill, while using less human resources.



Crawler dumper



Farm ATV

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**4. DETAILS OF OUR IPO (Cont'd)**

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Trailer (attached to trucks)

As part of our practice, we have implemented continuous monitoring of our harvesting machinery and equipment and performed maintenance and replacement of spare parts for our harvesting machinery and equipment based on consideration factors including, amongst others, the wear and tear conditions of our harvesting machinery and equipment.

The total estimated cost of purchasing these new machinery and equipment and spare parts is estimated to be RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue.

The estimated cost for the purchase of additional machinery and equipment was derived based on suppliers' quotations. These machinery and equipment and spare parts will mostly be sourced via local suppliers in Indonesia. Please refer to Section 7.15.2 for the details of the key machinery and equipment as well as spare parts for our FFB harvesting that we intended to purchase.

**(c) Setup of PK crushing facility**

We have allocated RM[●] million to set up a PK crushing facility adjacent to our existing palm oil mill, with a processing capacity of 90MT PK per day, to crush and press PK for extraction and processing into CPKO and PKE, a by-product of CPKO from the crushing of PK. The setup of PK crushing facility includes construction of PK crushing facility within our existing palm oil mill, purchase and installation of machinery and equipment as well as 2 CPKO storage tanks with a total capacity of 2,500MT. The expected output of CPKO and PKE from the PK crushing facility are approximately 40MT CPKO per day and 45MT PKE per day, respectively.

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**4. DETAILS OF OUR IPO (Cont'd)**

The total estimated setup cost of the PK crushing facility is approximately RM[●] million, of which RM[●] million will be funded from the proceeds to be raised from our Public Issue, with RM[●] million allocated for the construction of PK crushing facility and RM[●] million allocated for the purchase and installation of machinery and equipment and CPKO storage tanks. The remaining RM[●] million will be funded through bank borrowings and/or internally generated funds. The total estimated cost for setup of PK crushing facility are as follows:

**(i) Construction of PK crushing facility**

<u>Description</u>	<u>Total estimated cost</u> <u>RM'000</u>	<u>Estimated timing for commencement</u>	<u>Estimated timing for completion</u>
Construction works			
- Building and internal infrastructure works	[●]	<sup>(1)</sup> 2 <sup>nd</sup> quarter of 2023	1 <sup>st</sup> quarter of 2024
- Mechanical and electrical works	[●]	4 <sup>th</sup> quarter of 2023	1 <sup>st</sup> quarter of 2024
	<u>[●]</u>		

**Note:**

- <sup>(1)</sup> The construction works will commence before the completion of our Listing. Before receipt of proceeds to be raised from our Public Issue, we will utilise internally generated funds to finance the construction works for the time being.

**(ii) Purchase and installation of machinery and equipment**

<u>Description</u>	<u>No. of unit</u>	<u>Total estimated cost</u> <u>RM'000</u>	<u>Function</u>
Purchase and installation of machinery and equipment			
- PK crushing machine	1	[●]	To crack the shell of PK
- Kernel bunker	2	[●]	To be used as temporary storage for PK
- CPKO pipeline	1	[●]	To deliver CPKO from oil buffer tank to storage tank
- Electrical works	1	[●]	To integrate the electrical power supply for machinery and equipment to be installed
Purchase and installation of CPKO storage tanks	2	[●]	To store CPKO
		<u>[●]</u>	

#### 4. DETAILS OF OUR IPO (*Cont'd*)

The setup of PK crushing facility forms part of our Group's business strategy to increase our revenue streams by expanding our processing capabilities and product offerings to produce CPKO and PKE (a by-product of CPKO from the crushing of PK) for sale to external customers, using PK extracted from our Group's FFB which is currently being sold to our external customers and/or PK purchased from third parties.

The PK crushing facility will be operated and managed by our existing palm oil mill team, which is led by a project manager that is familiar with both process of crushing PK and palm oil milling process. If the need arises, we will recruit additional skilled and competent personnel with relevant knowledge and expertise to enhance our PK crushing facility operations. We expect to commence operations of the PK crushing facility by 2<sup>nd</sup> quarter of 2024.



PK crushing machine



Kernel bunker



CPKO storage tanks

The setup of the PK crushing facility requires the Building Approval (*Persetujuan Bangunan Gedung*), a permit granted by the local authority or central government to building owners to build, change, expand, reduce, and/or maintain buildings in accordance with applicable building technical standards. The application for Building Approval, which was submitted via Building Management Information System on 26 May 2023, has been verified by the said system on 29 May 2023. Our Group has subsequently in early June 2023 had a consultation with the officer of Ministry of Public Works and Housing (*Kementerian Pekerjaan Umum dan Perumahan Rakyat*) and we expect to obtain the Building Approval from the local authority by 2<sup>nd</sup> quarter of 2023. In addition, upon completion of the setup of the PK crushing facility in 1<sup>st</sup> quarter of 2024, we are required to obtain the Feasibility Certificate (*Sertifikat Laik Fungsi*), a certificate for buildings that have been completed and have met the technical feasibility requirements according to the building function. We expect to obtain the Feasibility Certificate by 1<sup>st</sup> quarter of 2024, and commence the operations of the PK crushing facility by 2<sup>nd</sup> quarter of 2024. Please refer to Section 7.15.3 for the further details on the setup of PK crushing facility.



**4. DETAILS OF OUR IPO (Cont'd)****(d) Refurbishment and/or upkeep of existing palm oil mill**

We have allocated RM[•] million to purchase new machinery and equipment to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill. This is expected to enhance the efficiency of our palm oil milling activities and further improve our Group's OER.

The key machinery and equipment for our palm oil milling activities as well as spare parts for our machinery and equipment that we intend to purchase are as follows:

<b>Description</b>	<b>Function</b>	<b>No. of unit</b>	<b>Total estimated cost RM'000</b>
FFB cages	To carry FFB for sterilisation process	20	[•]
Fuel storage and conveyor system	To store and transport fuel (i.e. mesocarp fibre and PK shells) for burning in boilers	1	[•]
Kernel silo	To store polished palm nuts for drying to remove moisture content	2	[•]
EFB shredders	To shred EFB	4	[•]
Others <sup>(1)</sup>	Spare parts for the machinery and equipment for palm oil milling activities	-	[•]
			<b>[•]</b>

**Note:**

- (1) Comprises 10 units of machinery and equipment such as EFB pressing machines and hydrocyclone, all of which are below RM[•] million per unit, as well as 50 units of various spare parts such as vacuum dryer pump, oil transfer pump, purifier, nut polishing drum, column system and decanter.

The machinery and equipment that we intend to purchase for palm oil milling activities will be used to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill, and the spare parts that we intend to purchase will be used in the maintenance of our existing machinery and equipment for palm oil milling activities to upkeep the efficiency of our palm oil milling activities and further improve our OER from 18.5% (FYE 2022) to approximately 20.5%, which is expected to improve the financial performance of our Group. The expected improvement in OER is also due to the intended purchase of additional EFB shredders and EFB pressing machines which will increase the oil recovered from EFB during the oil recovery process, for mixing with our CPO. Please refer to Section 7.4.2 for details of the EFB pressing and oil recovery process. For avoidance of doubt, the purchase of these machinery and equipment would not affect the efficiency of PK extraction, and the KER would not be affected.

We continuously conduct inspection and maintenance of our machinery and equipment in each processing station for our palm oil milling activities and undertake certain repair works and replacement of parts and components to extend their lifespans. The said machinery and equipment as well as spare parts that are intended to be purchased are part of our replacement and upgrading plan at our existing palm oil mill based on consideration factors including, amongst others, the actual usage and conditions of our machinery and equipment, to ensure safety and smooth operating condition for our palm oil milling activities. Any faulty machinery and equipment in our palm oil mill will be replaced after the said inspection.

**4. DETAILS OF OUR IPO (Cont'd)**

The total estimated cost of purchasing these new machinery and equipment is estimated to be RM[●] million, which will be fully funded from the proceeds to be raised from our Public Issue. These machinery and equipment and spare parts will mostly be sourced via local suppliers in Indonesia. If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

The estimated cost for the purchase of new machinery and equipment was derived based on suppliers' quotations. Please refer to Section 7.15.2 for the details on the refurbishment and/or upkeep of our existing palm oil mill.

**(e) Capital expenditures for refurbishment and construction of workers/staff housing quarters**

We have allocated RM[●] million for the construction of new staff quarters and refurbishment of existing staff quarters.

We have existing staff quarters constructed in our plantation estates to house our workers (including harvesters, plantation workers and support personnel) and their family members. The existing staff quarters are houses constructed fully by wood. Thus, we intend to refurbish our existing staff quarters to enhance the living conditions of our workers and their family members as part of our continuous accommodation upgrading initiative.

As at LPD, our existing staff quarters comprise 399 blocks (2,727 units) of wooden houses and are fully occupied. We plan to progressively construct 59 blocks (289 units) of new houses using a combination of bricks, concrete and wood which are safer and less exposed to hazards.

The total estimated cost for the refurbishment and construction of our existing staff quarters and construction new staff quarters are as follows:

<b>Description</b>	<b>No. of unit</b>	<b>Total estimated cost</b>	<b>Estimated timing for commencement</b>	<b>Estimated timing for completion</b>
		<b>RM'000</b>		
Refurbishment of existing staff quarters	2,727	[●]	4 <sup>th</sup> quarter of 2023	4 <sup>th</sup> quarter of 2024
Construction of new staff quarters	289	[●]	4 <sup>th</sup> quarter of 2023	3 <sup>rd</sup> quarter of 2024
		<u>[●]</u>		

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

**(f) Capital expenditures to expand coverage of electricity supply**

As at LPD, we use some of our by-products from palm oil milling, namely PK shells and mesocarp fibre, as fuel for the boilers at our palm oil mill to produce steam for electricity generation by turbines. The electricity generated is used to power our palm oil mill, as well as for some domestic consumption in the central region of our plantation estates namely for staff quarters, offices, school, clinic and street lightings.

Although the turbines located in central region of our plantation estates have the capacity to generate electricity to power our Group's facilities in other regions of our plantation estates, there is no infrastructure to transmit the electricity generated by the turbines to these regions as at LPD. As such, our Group's facilities in other regions of our plantation estates are currently powered by electricity generated through diesel generators, which incur diesel fuel cost.

**4. DETAILS OF OUR IPO (Cont'd)**

As such, we have allocated RM[•] million to build the required infrastructure for transmission of electricity from our turbines to other regions of our plantation estates. This will involve the construction of 8 mini electrical substations and the purchase and installation of electrical components such as power cables, step-up and step-down transformers, and other electrical accessories. We intend to engage a third party solution provider to carry out these works. With our expanded electricity supply system in place, we expect to reduce the diesel fuel cost used by the generators in other regions of our plantation estates of approximately RM3.8 million, RM4.6 million and RM8.6 million in FYE 2020 to 2022, which represented 2.1%, 2.8% and 4.6% of our total cost of sales, respectively. This will promote self-sustainability and enhance our reputation as we place emphasis on environmental governance and responsibility.

The total estimated cost to build the required infrastructure for transmission of electricity are as follows:

**(i) Construction of mini electrical substations**

<b>Description</b>	<b>Total estimated cost RM'000</b>	<b>Estimated timing for commencement</b>	<b>Estimated timing for completion</b>
Installation, testing and commissioning works	[•]	2 <sup>nd</sup> quarter of 2024	3 <sup>rd</sup> quarter of 2025
Construction works and fencing works for transformer shed	[•]	2 <sup>nd</sup> quarter of 2024	3 <sup>rd</sup> quarter of 2025
Electrical works (i.e. mobilisation, laying and jointing works) for power supply from the turbines at our palm oil mill	[•]	2 <sup>nd</sup> quarter of 2024	4 <sup>th</sup> quarter of 2024
	<b>[•]</b>		

**(ii) Purchase and installation of electrical components**

<b>Description</b>	<b>No. of unit</b>	<b>Total estimated cost RM'000</b>	<b>Function</b>
Power cables	20,000 meters	[•]	For overhead distribution network
Step-up and step-down transformers	7	[•]	To convert high voltage alternating current into low voltage alternating current for power transmission
Cables for step-up transformers	600 meters	[•]	To connect power source to input terminals of step-up transformers
Other electrical accessories	1,208	[•]	To support the power distribution
		<b>[•]</b>	

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded through bank borrowings and/or internally generated funds.

#### 4. DETAILS OF OUR IPO (Cont'd)

##### (g) Repayment of loan due to a related party

As at LPD, the outstanding loan owing by us to the related parties namely, Metro Kajang (Oversea) and MKH Plantation amounted to RM119.0 million. The loan was extended to our Group mainly to finance the development of PT MKH's oil palm plantation together with the palm oil mill as well as PT SPS' oil palm plantation. RM[•] million of the outstanding loan has been capitalised by our Company into new Shares under the Capitalisation as set out in Section 6.2.4, and we have allocated RM[•] million from the proceeds from the Public Issue to repay the balance outstanding loan to MKH Plantation, of which the loan is interest free and repayable on demand.

Upon such repayment, there will be no outstanding loan owing by us to any related party. Such repayment of outstanding loan to MKH Plantation coupled with the Capitalisation will improve our Group's current ratio and net current position (net current liabilities position as at FYE 2022) as well as gearing level (pro forma effects as set out in Section 12.19). Further, our Group's operations will be carried out independently and able to sustain without any financial assistance from MKH Group after our Listing.

##### (h) Estimated listing expenses

An amount of RM[•] million is allocated to meet the estimated expenses of our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

<b>Estimated listing expenses</b>	<b>RM'000</b>
Professional fees <sup>(1)</sup>	[•]
Underwriting, placement and brokerage fees	[•]
Fees payable to authorities	[•]
Printing and contingencies <sup>(2)</sup>	[•]
	<u>[•]</u>

##### Notes:

(1) Includes advisory/professional fees for, amongst others, our Adviser, solicitors, reporting accountants, IMR, Independent Valuer and Issuing House.

(2) Other incidental or related expenses in connection with our IPO.

#### 4.9.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM[•] million which will accrue entirely to our Selling Shareholder and is proposed to be utilised for repayment of loans and borrowings of MKH Group and to defray expenses relating to the Offer for Sale. We will not receive any of the proceeds relating to the Offer for Sale.

The Selling Shareholder shall bear all of the expenses including placement fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM[•] million.

#### 4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION

##### 4.10.1 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or Issuing House.

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#### **4. DETAILS OF OUR IPO (Cont'd)**

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##### **4.10.2 Placement fees**

Our Placement Agent has placed out a total of 168,790,200 Issue Shares and 30,707,700 Offer Shares to selected investors.

We will pay our Placement Agent a placement fee of [•]% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of [•]% of the value of those Offer Shares placed out by our Placement Agent will be paid by our Selling Shareholder.

##### **4.10.3 Underwriting commission**

Our Underwriter has agreed to underwrite 51,209,800 Issue Shares made available for application by the Malaysian Public. We will pay our Underwriter an underwriting commission of [•]% of our IPO Price multiplied by the number of Issue Shares underwritten in accordance with the terms of the Underwriting Agreement.

#### **4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 51,209,800 Issue Shares ("**Underwritten Shares**") as set out in Section 4.3.2.

The salient terms in the Underwriting Agreement are as follows:

[•]

#### **4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET**

Our Shares will be admitted to the Official List of the Main Market and an official quotation will commence after, among others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

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 Depository Rules. We will not issue any share certificates to successful applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.