

## 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

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

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

### 4.3 LISTING SCHEME

#### 4.3.1 Public Issue

A total of 256,303,000 Issue Shares representing 25.0% of our enlarged share capital are offered at the IPO Price and shall be allocated in the following manner:

#### (a) Malaysian Public

51,260,800 Issue Shares, representing 5.0% of our enlarged share capital are made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- (i) 25,630,400 Issue Shares made available to public investors; and
- (ii) 25,630,400 Issue Shares made available to Bumiputera public investors.

#### (b) Pink Form Allocations

61,512,800 Issue Shares, representing 6.0% of our enlarged share capital are reserved for our Eligible Persons under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.3 of this Prospectus.

#### (c) Private placement to Bumiputera investors approved by MITI

128,151,700 Issue Shares, representing 12.5% of our enlarged share capital are reserved for private placement to Bumiputera investors approved by MITI.

#### (d) Private placement to selected investors

15,377,700 Issue Shares, representing 1.5% of our enlarged share capital are reserved for private placement to selected investors.

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

Our Public Issue is expected to raise gross proceeds of RM[●] million and will accrue entirely to our Company.

The basis of allocation of our Issue Shares shall take into account the distribution of 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 market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors. There is no over-allotment or 'greenshoe' option that will increase the number of our Issue Shares. Our Public Issue is subject to the terms and conditions of this Prospectus.

#### 4.3.2 Offer for Sale

Our Selling Shareholder will undertake an offer for sale of 100,000,000 Offer Shares, representing 9.8% of our enlarged share capital at the IPO Price, by way of private placement to selected investors. The details of our Selling Shareholder is as follows:

Name/ Address	Relationship with our Group	Before IPO		Offer Shares offered		After IPO	
		No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
KBH / 17 Lagenda @ Southbay Jalan Lagenda 2 11960 Bayan Lepas Pulau Pinang	Promoter, Specified Shareholder, substantial shareholder and Managing Director	768,910,000	100.0	100,000,000	9.8	668,910,000	65.2

#### Notes:

- (1) Based on the share capital of 768,910,000 Shares after completion of the Acquisitions and transfer of 1 subscriber Share to KBH but before our IPO.
- (2) Based on the enlarged share capital of 1,025,213,000 Shares after our IPO.

The Offer for Sale is subject to the terms and conditions of this Prospectus.

Further details of our Selling Shareholder, who is also our Promoter, Specified Shareholder, substantial shareholder and Managing Director are set out in Sections 5.1.2 of this Prospectus.

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

##### 4.3.3 Pink Form Allocations

We have allocated 61,512,800 Issue Shares to Eligible Persons under the Pink Form Allocations as follows:

Categories	No. of eligible persons	Aggregate no. of Issue Shares
Eligible Directors	5	2,200,000
Eligible key senior management	3	6,000,000
Other eligible employees	467	33,312,800
Persons who have contributed to our success	20	20,000,000
<b>Total</b>	<b>495</b>	<b>61,512,800</b>

##### (a) Allocation to our eligible Directors

The criteria for allocation to our eligible Directors are based on amongst others their anticipated contribution to our Group. Our Managing Director has opted not to participate in the Pink Form Allocations as he is already our shareholder. Details of the proposed allocation to our other Directors are as follows:

Name	Designation	No. of Issue Shares
Dato' Saidi bin Ismail	Independent Non-Executive Chairman	300,000
See Swee Sie	Independent Non-Executive Director	300,000
Teresa Tan Siew Kuan	Independent Non-Executive Director	300,000
Lim Chee Hoong	Independent Non-Executive Director	300,000
Kang Yi Ki	Executive Director	1,000,000
	<b>Total</b>	<b>2,200,000</b>

##### (b) Allocation to eligible employees

The criteria of allocation to our eligible employees, including key senior management, (as approved by our Board) are based on, inter-alia, the following factors:

- (i) our employees must be an eligible and confirmed employee and on the payroll of our Group;
- (ii) full time employee of at least 18 years of age; and
- (iii) the number of Shares allocated to our eligible employees is based on their seniority, position, length of service and/or respective contribution to our Group as well as other factors deemed relevant by our Board.

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

Details of the proposed allocation to our key senior management are as follows:

<u>Names</u>	<u>Designation</u>	<u>No. of Issue Shares</u>
<b><u>Key senior management</u></b>		
Lau Ken Wah	Chief Operating Officer	2,000,000
Sim Kay Wah	Chief Financial Officer	2,000,000
Larry Lim Eng Sooi	Head of Corporate Governance, Affairs and Compliance	2,000,000
<b>Total</b>		<b><u>6,000,000</u></b>

**(c) Allocation to persons who have contributed to our success**

Persons who have contributed to our success include business associates, customers and suppliers.

The number of Issue Shares to be allotted to those persons who have contributed to our success are based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group.

Any of our Issue Shares not subscribed for under Sections 4.3.1(a) and 4.3.1(b) above shall be subject to the following clawback and reallocation provisions:

- (i) If any Issue Shares allocated to the Malaysian Public are undersubscribed, the balance portion will be allocated to our Eligible Persons. Likewise, any Issue Shares which are not taken up by our Eligible Persons will be allocated to the Malaysian Public.
- (ii) Subject to (i) above and Section 4.3.3 of this Prospectus, in the event there are Issue Shares not subscribed by the Malaysian Public as well as our Eligible Persons, the remaining portion will be made available for application by way of private placement to selected investors to be identified under Section 4.3.1(d) of this Prospectus. Thereafter, any remaining Issue Shares that are still not subscribed for will be underwritten based on the terms and conditions of the Underwriting Agreement.
- (iii) The allocation of Issue Shares to identified Bumiputera investors shall be subject to the allocation as approved by MITI. Any unsubscribed Issue Shares under this allocation shall firstly be reallocated to institutional investors. If after the above reallocation, there are still Issue Shares not taken up, the said unsubscribed Issue Shares shall then be offered to Bumiputera public investors via public balloting, and thereafter to the other public investors via public balloting.
- (iv) In the event of an oversubscription by the Malaysian Public and a corresponding under-subscription under Sections 4.3.1(b), 4.3.1(d) and/or 4.3.2 of this Prospectus, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors.
- (v) Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

The clawback and reallocation shall not apply in the event of over-application under Sections 4.3.1(a), 4.3.1(b), 4.3.1(c), 4.3.1(d) and 4.3.2 of this Prospectus. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner.

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

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As at the LPD, to the extent known to our Company:

- (a) Save for the Pink Form Allocations, there are no substantial shareholder, Directors, or key senior management of our Company who have indicated to our Company that they intend to subscribe for the 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 the IPO Shares.

##### **4.3.4 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 manner approved by our Directors.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE 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 on the ACE 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.

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

##### 4.4 BASIS OF ARRIVING AT OUR IPO PRICE

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

- (a) PE Multiple of approximately [•] times based on our audited pro forma EPS of 2.3 sen for FYE 2022, calculated based on our audited combined PAT of our Group of RM23.5 million and enlarged share capital of 1,025,213,000 Shares upon Listing;
- (b) our pro forma combined NA per Share of [•] sen as at 31 December 2022 after the adjustments for other material transaction, Capitalisations, Acquisitions, and IPO, calculated based on our pro forma combined NA as at 31 December 2022 of RM[•] million and enlarged share capital of 1,025,213,000 Shares upon Listing;
- (c) our historical financial track record as summarised below:

	<b>Audited</b>		
	<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	130,864	222,435	236,231
GP	25,257	52,168	56,450
PAT	3,311	24,839	23,511
Basic and diluted EPS (sen) <sup>(1)</sup>	0.3	2.4	2.3

**Note:**

- (1) Calculated based on PAT for the Period Under Review over the enlarged share capital of 1,025,213,000 Shares upon Listing. There are no potential dilutive securities in issue during the respective Period Under Review.
- (d) our competitive strengths as set out in Section 6.5.6 of this Prospectus;
- (e) our Group's business strategies as set out in Section 6.6 of this Prospectus; and
- (f) an overview and outlook of the industry in which our Group operates as set out in Section 7 of this Prospectus.

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 Issue Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 8 of this Prospectus before deciding to invest in our Shares.

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

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

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

Details	No. of Shares	RM
<b>Share capital</b>		
As at the date of this Prospectus	768,910,000	146,092,901
To be issued under Public Issue	256,303,000	[•]
<b>Enlarged share capital upon Listing</b>	<b>1,025,213,000</b>	<b>[•]</b>

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 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, subject to any applicable Depository Rules.

Our Offer Shares will 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 transfer of the Offer Shares, subject to any applicable Depository Rules.

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 number of Shares held by them, be entitled to share in the whole of the profits paid out by us as 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.

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

##### 4.6 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 of this Prospectus;
- (b) to gain recognition through our listing status which will enhance our Group's reputation in the marketing of our services, retention of our employees, expansion of our client base and to attract new talents;
- (c) to increase the visibility of our Group in the sheet metal products industry in Malaysia;
- (d) to provide an opportunity for the Malaysian Public, including our eligible Directors, employees and persons who have contributed to our success to participate in our equity growth; and
- (e) to enable us to access 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. DETAILS OF OUR IPO (cont'd)

##### 4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 1,025,213,000 Shares, our total market capitalisation is estimated to be RM[•] upon Listing.

##### 4.8 DILUTION

###### 4.8.1 NA per Share

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

	<u>RM</u>
IPO Price	[•]
Pro forma combined NA per Share as at 31 December 2022 after adjustment for other material transactions <sup>(1)</sup> , Capitalisations and Acquisitions before IPO	0.18
Pro forma combined NA per Share as at 31 December 2022 after adjustment for other material transactions <sup>(1)</sup> , Capitalisations, Acquisitions and IPO	[•]
Increase in pro forma combined NA per Share attributable to existing shareholders	[•]
Dilution in pro forma combined NA per Share to new public investors	[•]
Dilution in pro forma combined NA per Share as a percentage of IPO Price	[•]%

**Note:**

(1) Please refer to Section 13 of this Prospectus for further details of the other material transactions which occurred after 31 December 2022.

Further details of our pro forma combined NA per Share as at 31 December 2022 is set out in Section 13 of this Prospectus.

###### 4.8.2 Effective cost per Share

Save as disclosed below, there is no substantial disparity between our IPO Price and effective cash cost of our Shares acquired by our Promoter, Directors, substantial shareholder or key senior management, or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares during the past 3 years to the date of this Prospectus:

<u>Name</u>	<u>No. of Shares held before our IPO</u>	<u>Total consideration RM</u>	<u>Average effective cost per Share RM</u>
KBH	768,910,000	146,092,901	0.19



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

#### 4.9 UTILISATION OF PROCEEDS

##### 4.9.1 Public Issue

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

Utilisation of IPO proceeds	Notes	RM'000	%	Estimated timeframe for utilisation from Listing
Capital Expenditure:				
- Construction of New Penang Factory	1(a)	[•]	[•]	Within 36 months
- Purchase of new machinery and equipment	1(b)	[•]	[•]	Within 36 months
- Implementation of new ERP system, production and inventory management systems	1(c)	[•]	[•]	Within 36 months
Repayment of bank borrowings	2	[•]	[•]	Within 12 months
Working Capital	3	[•]	[•]	Within 12 months
Estimated listing expenses	4	[•]	[•]	Within 3 months
<b>Total</b>		<b>[•]</b>	<b>100.0</b>	

#### Notes:

##### (1) Capital Expenditure

##### (a) Construction of New Penang Factory

Our Group plans to allocate RM[•] million or [•]% from our IPO proceeds to partially finance the construction of the New Penang Factory.

In 2021, we acquired Lot 1215 Land with a total land area of approximately 12 acres comprising 1 factory building on a 4-acre land, namely Penang 1572 Factory, and the remaining 8-acre vacant land. The New Penang Factory will be constructed on 4.5-acre of the remaining vacant land, which will be adjacent to our existing Penang 1572 Factory, while the remaining 3.5-acre land will comprise the car park area, access road, guard house and electric supply substation. The New Penang Factory will have a total built-up area of approximately 197,153 sq ft, which consist of 1 block single storey factory with double storey office ("**Block 1**"), as well as 1 block single storey factory and office.

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

An illustration of New Penang Factory is as follows:



Our main rationale for the setting up the New Penang Factory is to address the building layout limitations of Penang 1572 Factory particularly with regard to the building length of 111 metres which is not able to accommodate a new continuous production line. In this respect, the New Penang Factory is designed with the building length of 180 metres to house our new continuous PU foam sandwich panel production line in Block 1.

In addition to house the new continuous PU foam sandwich panel production line in Block 1, we also plan to house the following machinery and equipment for our manufacturing operations:

- a new automated powder coating line for our industrial racking systems.
- the existing machinery and equipment for our industrial racking systems manufacturing operations will be relocated from the Penang 1572 Factory to Block 1. Subsequently, we intend to rent out the vacant Penang 1572 Factory after the relocation.
- the existing machinery and equipment for our roofing sheets and trusses manufacturing operations from Penang 1571 Factory which will be relocated to Block 1. Subsequently, this will free up the space in Penang 1571 Factory which will be used as storage facilities for our raw materials as well as finished goods for our sheet metal product manufacturing mainly welded pipes.

We expect to relocate our existing machinery and equipment as mentioned above to Block 1 within 12 months after the completion of the construction of our New Penang Factory. In addition, we expect to incur a relocation cost of RM1.00 million which will be funded through internally generated funds.

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

The following table shows the usage and size of our head office, warehouse and manufacturing facilities located in Penang before and after the construction of the New Penang Factory:

Buildings	Usage	Before	After
		Size (sq ft)	
Penang 1571 Factory	• Office	39,000	39,000
	• Manufacturing floor space	218,820	166,520
	• Warehouse	4,740	57,040
Penang 1572 Factory	• Office	555	(1)-
	• Manufacturing floor space	26,602	(1)-
	• Warehouse	8,443	(1)-
New Penang Factory	• Office	-	11,961
	• Manufacturing floor space	-	92,001
	• Warehouse	-	93,191
	Total production capacity (MT)	98,969	106,320
	Total warehouse capacity (sq ft)	13,183	150,231

**Note:**

- (1) We intend to rent out Penang 1572 Factory which will be vacant after the completion of the New Penang Factory and relocation of our existing machinery and equipment for our industrial racking systems manufacturing operations to the New Penang Factory.

In November 2022, we have obtained the approval of the building plan for the construction of our planned New Penang Factory. The key milestones for the construction of our planned New Penang Factory are as follows:

- First quarter of 2024 : Commence construction of factory
- First quarter of 2026 : Complete physical building construction and submission for CCC  
: Commence installation and commissioning of machinery and equipment  
: Submission of manufacturing and other relevant licences
- First quarter of 2027 : Commence commercial production

The total cost for the above setting up of New Penang Factory including construction and renovation is estimated at RM[•] million (based on quotations obtained from respective contractors and suppliers for the construction and renovation work) which will be partially funded via RM[•] million from our IPO proceeds while the remaining via bank borrowings.

Our Group plans to commence the construction of the New Penang Factory in first quarter of 2024 by utilising our internally generated funds. Therefore, when the proceeds from our Public Issue are received, we will use the proceeds allocated to replenish our internally generated funds.

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

Details are set out below:

	<b>Funding</b>		
	<b>Estimated cost</b>	<b>IPO Proceeds</b>	<b><sup>(i)</sup>Bank borrowings</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>New factory</b>			
Preliminary works	[•]	[•]	[•]
Piling works	[•]	[•]	[•]
Construction of factory building	[•]	[•]	[•]
Road and drainage works	[•]	[•]	[•]
Electrical works	[•]	[•]	[•]
Others <sup>(ii)</sup>	[•]	[•]	[•]
<b>Total</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

**Notes:**

- (i) We have not identified any banking facilities to be obtained or received letter of offers from any financial institutions to finance the remaining construction costs of the New Penang Factory at this juncture.
- (ii) This consists of firefighting system installation, external works, water supply and plumbing installation as well as sanitary installation works.

**(b) Purchase of new machinery and equipment**

Our Group plans to allocate RM[•] million or [•]% from our IPO proceeds for the purchase of new machinery and equipment. The total cost for the purchase of new machinery and equipment (based on respective vendor's quotations) are as follows:

	<b>Note</b>	<b>Quantity Unit/line</b>	<b>Estimated cost RM'000</b>
New powder coating line	(i)	1	[•]
New roll forming machines and related equipment	(ii)	9	[•]
			<b>[•]</b>

**Notes:**

- (i) New powder coating line

As at the LPD, we have one automated powder coating line which is installed at our Penang 1571 Factory used for our industrial racking systems. Our powder coating system provides decorative finishes as well as resistance to corrosion and abrasion.

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

We have earmarked RM[•] million from our IPO proceeds to purchase and install a new automated powder coating line at our New Penang Factory to cater for expected business expansion for our industrial racking systems.

The new automated powder coating line will use a conveyor system to transport the metal parts from one station to the next station as follows:

- preparation station including loading area for the metal parts to be coated;
- pre-treatment station using vertical spray shower type;
- drying oven before coating using hot air circulation method to eliminate residual moisture and prepare the parts for powder coating;
- powder spray booth using compressed air powder guns;
- curing oven; and
- unloading area of coated metal parts.

**(ii) New roll forming machines and related equipment**

We intend to purchase new machines mainly roll forming machines to replace our existing machines for the manufacture of roof trusses in the Banting Factory and retire some of our existing machines in the Penang 1571 Factory, as well as new related equipment for the manufacture of roof trusses and industrial racking systems.

The annual capacity for the manufacture of roof trusses is expected to increase from 19,718 tonnes to 21,828 tonnes, while the annual capacity for the manufacture of industrial racking systems is expected to increase from 7,363 tonnes to 9,204 tonnes.

The total cost for the purchase of new roll forming machines and related equipment is estimated at RM[•] million which will be fully funded from our IPO proceeds. The details are set out below:

	<b>Quantity</b>	<b>Estimated cost</b>
	<b>Unit</b>	<b>RM'000</b>
<b>Roof trusses</b>		
Roll forming machine <sup>(1)</sup>	2	[•]
Packing machine	4	[•]
<b>Industrial racking systems</b>		
Roll forming machine <sup>(2)</sup>	2	[•]
Container loading system	1	[•]
<b>Total</b>	<b>9</b>	<b>[•]</b>

**Notes:**

- (1) These 2 new units of roll forming machine will be used to replace 2 existing roll forming machines for the manufacture of roof trusses in the Banting Factory. The new roll forming machines can operate at a higher speed at 70 metres/minute as compared to the existing roll forming machines at 15 metres/minute.
- (2) These 2 new units of roll forming machine will be used to retire 2 existing roll forming machines with an average age of 9 years and are no longer cost efficient for the manufacture of industrial racking systems in the Penang 1571 Factory.

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

##### (c) Implementation of new ERP system, production and inventory management systems

Our Group plans to allocate RM[•] million or [•]% from our IPO proceeds for the implementation of new ERP system, production and inventory management systems. This is to integrate our business processes as well as to digitalise our production and inventory management where the existing administrative processes are primarily manual.

With the implementation of the new systems, we will be able to monitor every stage of the manufacturing process, beginning from the incoming raw materials till the delivery of the finished goods to our customers. The implementation of the systems will create a network to link our manufacturing facility including the manufacturing execution system and inventory management system, which will enable us to monitor and trace the entire manufacturing process in real-time as well as movement of our inventories.

The total cost for the implementation of new ERP system, production and inventory management systems is estimated at RM[•] million (based on vendor's quotation). The details are set out below:

	<b>Note</b>	<b>Estimated cost RM'000</b>
ERP system	(i)	[•]
Production and inventory management systems	(ii)	[•]
Collaboration software	(iii)	[•]
ICT hardware	(iv)	[•]
<b>Total</b>		<b>[•]</b>

##### Notes:

##### (i) ERP system

We intend to replace our existing accounting system to provide additional functions and features as well as to integrate our business processes across key departments including accounting, order entry and processing, purchasing and inventory and warehouse management. The new ERP system is to enhance our basic data collection and analysis, transaction processing, and management reporting functions for our business operations.

We intend to install a new ERP system comprising the following key modules:

- manufacturing module to plan for production including generate the bill of materials and order document picking list for materials;
- purchasing module to manage the purchase process including registration of suppliers and issuing purchase orders to our suppliers;
- sales module to manage all functionality relating to sales and customer information including registration of customers, quotations sent, register customers and issuing invoices;
- stock module to monitor inventory level;
- time recording module for human resources purposes; and
- accounting module for accounting and finance functions.

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

(ii) Production and inventory management systems

(aa) RFID system

We intend to implement RFID technology for the following systems:

- raw materials, work in progress and finished goods inventory management systems for 2 main operational facilities, namely at the Penang 1571 Factory and Banting Factory;
- raw materials and finished goods inventory management systems for the other 5 operational facilities including the Kota Bharu Factory, warehouse and office located at Johor, Kuching, Bintulu and Kota Kinabalu; and
- rental asset management systems for the 7 operational facilities (excluding Penang 1572 Factory).

It will include relevant hardware, software and communications devices, including the following:

- RFID reader which will be installed in our manufacturing facility to provide real time location tracking of our inventories including raw materials, work-in-progress and finished goods;
- RFID tags with running serial numbers and barcodes for identification, which will be tagged on our inventories for us to trace movements of the items; and
- RFID handheld reader to scan and register the RFID tags for all incoming raw materials as well as outgoing products.

**RFID related hardware**



(bb) Manufacturing execution system (MES)

We also plan to implement a new manufacturing execution system (MES) to manage and monitor the production progress. The management execution system will integrate various software modules and hardware to provide real time production data, monitor production output, equipment monitoring to provide data on overall equipment effectiveness, tracking of production process, production planning and scheduling, as well as report generation and analysis.

**4. DETAILS OF OUR IPO (cont'd)**(iii) Collaboration software

We also intend to subscribe to a collaboration software which is a cloud-based collaboration tool to enhance communications between department and project management. The software includes customisable workflow template which will allow us to manage our projects, delegate tasks, project scheduling, as well as facilitate communications among participants.

(iv) ICT Hardware

As part of our upgrade and implementation plan of the above ERP and other IT systems, we also intend to upgrade and replace some of our existing ICT hardware and we plan to purchase new ICT hardware including server, firewall and switches.

**(2) Repayment of bank borrowings**

We plan to allocate RM[•] million or [•]% of our IPO proceeds to pare down and reduce our bank borrowings as follows:

<u>Type of banking facilities</u>	<u>Purpose</u>	<u>Interest rate per annum</u>	<u>Maturity date</u>	<u>Balance as at the LPD RM'000</u>	<u>Amount to be repaid from IPO proceeds RM'000</u>
Term loan – Malayan Banking Berhad <sup>(i)</sup>	Working capital	3.5%	2026	1,207	[•]
Term loan – Malayan Banking Berhad <sup>(ii)</sup>	Working capital	BLR+2.0%	2027	662	[•]
Term loan – Ambank Berhad <sup>(i)</sup>	Working capital	3.5%	2026	548	[•]
Term loan – Ambank Berhad <sup>(ii)</sup>	Working capital	BLR+0%	2026	3,345	[•]
				<b>5,762</b>	<b>[•]</b>

**Notes:**

- (i) Based on fixed interest rate.
- (ii) Based on floating interest rate. The Base Lending Rate (“BLR”) for Malayan Banking Berhad and Ambank Berhad is 6.65% per annum and 6.70% per annum respectively with effect from May 2023 as published on their websites.

We have identified the abovementioned bank borrowings for repayment as these bank borrowings consists of Credit Corporate Guarantee (CGC) loans as well as loans obtained under the Special Relief Facility Scheme (SRF) by Syarikat Jaminan Pembiayaan Perniagaan (SJPP). In light that we will no longer be eligible under CGC and SRF schemes upon Listing, we plan to utilise part of our IPO proceeds to repay these borrowings. We will use our internally generated funds to repay any shortfall from our IPO proceeds to fully settle the bank borrowings above.



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

The repayment of bank borrowings will also result in an expected total interest savings of RM[•] million per annum, based on the average interest rate of 4.3% per annum multiplied by the amount to be utilised from our IPO proceeds. However, the actual interest savings may vary depending on the then applicable interest rate.

##### (3) Working capital

We plan to allocate RM[•] million or [•]% of our IPO proceeds to fund our working capital requirements for the purchase of raw materials such as steel materials and steel related products.

For the Period Under Review, raw materials are the main component of our cost of sales, representing approximately 77.4% to 84.2% of the total cost of sales and they are expected to increase in tandem with the expected growth in scale of our operations.

##### (4) Estimated listing expenses

We plan to allocate RM[•] million or [•]% of our IPO proceeds to meet the estimated expenses of our Listing. The following summarise the estimated listing expenses incidental to our Listing to be borne by us:

Utilisation	RM'000
Professional fees <sup>(1)</sup>	[•]
Underwriting, placement and brokerage fees	[•]
Fees to authorities	[•]
Printing, advertising fees and contingencies <sup>(2)</sup>	[•]
<b>Total</b>	<b>[•]</b>

##### Notes:

- (1) Includes advisory/professional fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.
- (2) Other incidental or related expenses in connection with our IPO.

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

Any variations from the amounts budgeted for (1) and (2) above, shall be adjusted towards or against, as the case may be, the proceeds allocated for working capital requirements as stated in (3) above. Pending the receipt of proceeds from our Public Issue, we may proceed with our plans as set out in (1), (2) and (3) above by utilising our internally generated funds. Therefore, when the proceeds from our Public Issue are received, we will use the proceeds allocated to replenish our internally generated funds.

Where applicable and required under Rule 8.24 of the Listing Requirements, our Group will seek the shareholders' approval for any material variation to the utilisation of proceeds raised from our Listing.

The financial impact of the utilisation of proceeds from the Public Issue on our pro forma combined financial information is set out in Section 13 of this Prospectus.

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

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##### **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 we will not receive any of the proceeds. Our Selling Shareholder shall bear all of the expenses such as stamp duty, placement fees and miscellaneous fees relating to the Offer Shares, the aggregate of which are estimated to be approximately RM[•] million.

#### **4.10 UNDERWRITING, PLACEMENT AND BROKERAGE**

##### **4.10.1 Underwriting arrangement and commission**

###### **(a) Underwriting arrangement**

Our Underwriter will underwrite 112,773,600 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 143,529,400 Issue Shares and 100,000,000 Offer Shares reserved for private placement to selected investors and Bumiputera investors approved by MITI will be fully placed out by our Placement Agent and will not be underwritten.

###### **(b) Underwriting commission**

Our Underwriter will underwrite 112,773,600 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We will pay our Underwriter an underwriting commission of 2.5% of the total value of the underwritten Issue Shares at our IPO Price.

##### **4.10.2 Placement arrangement and fee**

Our Placement Agent will place out a total of 143,529,400 Issue Shares and 100,000,000 Offer Shares to selected investors and Bumiputera investors approved by MITI, respectively.

We will pay our Placement Agent a placement fee of 2.5% of our IPO price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of 2.5% of the value of those Offer Shares placed out to selected investors by our Placement Agent, will be borne entirely by our Selling Shareholder.

##### **4.10.3 Brokerage fee**

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 Malaysia Investment Banking Association in Malaysia or Issuing House.

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

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

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 112,773,600 Issue Shares ("**Underwritten Shares**") as set out in Section 4.10.1.

The salient terms of the Underwriting Agreement are as follows:

##### **Conditions precedent**

The obligations of the Underwriter under this Agreement are conditional upon:

- (a) the delivery by the Company to the Underwriter before last date and time for applications and payment for the IPO in accordance with the Prospectus and Application Form ("**Closing Date**") or extended Closing Date as mutually agreed in writing by the Company and the Underwriter and subject to the prior written approval of the relevant authorities ("**Extended Closing Date**"), a written confirmation by the Company that there having been on or prior to the Closing Date or Extended Closing Date, neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial, business, operations or otherwise) of the Group, which is material in the context of the IPO as set out in this Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect which makes any of the representations and warranties contained in the Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in the Underwriting Agreement and the said written confirmation shall be in the form and substance as attached in the Underwriting Agreement;
- (b) the delivery by the Company to the Underwriter prior to the date of the registration of this Prospectus with Bursa Securities, two (2) copies (certified as true by the company secretary of the Company) of the extracts of all the resolutions of the board of Directors of the Company:
  - (i) approving the IPO and the Listing and the transactions contemplated by each of the same;
  - (ii) approving and authorising the execution of the Underwriting Agreement and authorising such person(s) as the board of Directors may resolve to execute the Underwriting Agreement for and on behalf of the Company;
  - (iii) approving the issue and allotment of the Issue Shares under the IPO;
  - (iv) approving and authorising the issuance of this Prospectus; and
  - (v) confirming that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus;
- (c) the delivery by the Company to the Underwriter, a written confirmation that all the resolutions referred in Clause (b) above are in full force and effect as at the Closing Date or Extended Closing Date (as the case may be) and have not been rescinded, revoked, or varied;
- (d) this Prospectus being in the form and substance satisfactory to the Underwriter;

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

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- (e) the delivery by the Company to the Underwriter on the Closing Date or Extended Closing Date (as the case may be) of such reports and confirmations dated the Closing Date or Extended Closing Date (as the case may be) from the Directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will materially and adversely affect the performance or financial position of the Group;
- (f) that arrangements have been made by the Company to ensure payment of the expenses referred to in the Underwriting Agreement;
- (g) on the Closing Date or Extended Closing Date (as the case may be), the IPO is not being prohibited or impeded by any statute, order, rule, regulation or directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
- (h) this Prospectus having been issued within two (2) months after the date of the Underwriting Agreement or within such extended period as may be agreed in writing by the Underwriter;
- (i) the Underwriting Agreement has been duly executed and stamped and the Company has complied with and there is no breach of, or failure on the part of the Company to comply with, any of their obligations under the Underwriting Agreement, and that on the Closing Date or Extended Closing Date (as the case may be), the Company has complied with, and that the IPO (including the offer, sale and issue of Public Issue Shares and the Offer Shares), the Listing and the transactions contemplated under the Underwriting Agreement are in compliance with, all relevant laws;
- (j) the acceptance for registration by Bursa Securities of this Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO and the lodgement of this Prospectus with the CCM on or before their release under the IPO or in accordance with Section 154 of the Act and the CMSA together with copies of all documents required under the Act and CMSA; and
- (k) all approvals required in relation to the IPO, the admission and the Listing, including but not limited to approvals from Bursa Securities and the MITI having been obtained and are in full force and effect as at the Closing Date or Extended Closing Date (as the case may be) and that all conditions of the Approvals (except for any which can only be complied with after the IPO has been completed) have been complied with and such Approvals have not been withdrawn, amended, suspended, terminated, lapsed or been revoked.

(Collectively referred to as the "**Conditions Precedent**")

#### **Termination**

The Underwriter may by notice in writing to the Company given at any time before the Closing Date or Extended Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:

- (a) any of the approvals of Bursa Securities for the Listing is revoked, withdrawn; or

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

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- (b) there is any breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within such number of days as stipulated in a notice to be made by the Underwriter to the Company of such breach, or by the Closing Date or Extended Closing Date, whichever is earlier; or
- (c) there is withholding of information by the Company which is required to be disclosed to the Underwriter pursuant to the Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated in a notice to be made by the Underwriter to the Company of such breach, which would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Issue Shares; or
- (d) there shall have occurred, happened or come into effect any material and adverse change to the business or financial conditions of the Company or the Group; or
- (e) approval for the IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to the Underwriter and which would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or operations of the Company, the success of the IPO, the distribution or sale of the Issue Shares or the performance of any material part of this Agreement;
- (f) there is a failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;
- (g) any of the Conditions Precedent are not duly satisfied by the Closing Date or Extended Closing Date (as the case may be).

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

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

Our Shares will be admitted to the Official List of the ACE 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 or 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.

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