CHAPTER 11 PROPOSED COMPANY OFFERING

11.1 Desired Financing

All business plans require financing. The Borneo Café is not an exception as the domestic and international expansion will contribute much financial strain to the company and if not address accordingly can result in serve cash flow problem to the company in the future.

The initial financing plan will be derived from equal contribution from all three partners with the initial investment cost of RM100,000 each. This is sufficient to set up the first pioneering outlet. With the first outlet running and expected to generate positive results, potential investors such as banks, private investors and maybe venture capitalist will be invited to participate in the business for the setting up of subsequent outlets.

Bank loans from local bank such as Bank Pembangunan can be considered as a way to generate fund for the business. Our discussion with one of their investment officer confirmed that the possibility of a loan should the bank feels the investment is profitable. However, according to the officer the government has tightened investment / loan in view of the current unfavourable economic condition .

To avoid dilution of powers to non-participating investors careful selection shall be necessary to offer the investment opportunity to genuine investors. Selection of potential partners or joint ventures must be with individual or organisation with some background in the food and beverage industry to promote synergy of resource and expertise in the field. For example, the local international specialty café Gloria Jean went into a joint venture with Tai Thong Chinese Restaurant to realise the maximum potential and benefits with the joint venture.

The possible type of financing for the business can be as follows:

	Equity (RM)	Loan (RM)
Year one	300,000	600,000
Year two	-	900,000
Year three	-	900,000

11.2 Offering

Since the company in question will did not involve going public at this stage, there is no intention of offering any investment or financial vehicle such as shares and warrants to generate cash investment in the business. The issue of issuance of share and computation of shares outstanding is not applied in this report.

However, the management intends to sell the idea to various Angles who may be interested in the business by first providing them a copy of this business plan, convincing the Angels of the viability of the project using the different Scenario analysis, visiting various areas such as malls, shopping centres to identify the success and failure of the existing café and finally ascertain suitability of the location for the business.

11.3 Use of Funds

The entire fund invested shall be used for the initial setting up of the outlets with possible allocation for promotional exercise and advertisement cost. Initial funds shall be used to carry out renovation works, purchase of raw material and equipment, pay rental and salary of all staff.

Subsequent investment cost shall be allocated to set up branches of the same nature outside Klang Valley. The allocation of working capital at different stage of the investment plan shall be incurred in the progressively to account for the cost of setting up of the outlets in the Klang Valley and other domestic location mentioned earlier. It is also critical to realised that the foreign investment entailed strict cash flow control to avoid over spending on unnecessary items and other expenses.

Any intention of investing into another outlet overseas must be deliberated carefully to avoid over zealous projections and forecast. NPV analysis of cash flow for the company as a whole should be conducted to fully realise the effect of the additional international outlets that is not covered in the original cash flow analysis. Most current updates on the country of investment must be given priority to avoid a strain in the cash flow that may adversely affect the rest of the outlets.

11.4 Investors Returns

There is a high probability that the investment in hand will generate reasonable earnings for its shareholders in light of the fact that the specialty coffee business is still at the growth rate with only about three year inception into the local market. If everything goes as forecast, investors will be rewarded rather handsomely with possibility of future growth. As mentioned earlier in the report, the projected return of the business is RM3.1 Million on top of the required rate of return, this is deemed acceptable to the five year projection conducted for the project. Hence, we expect the project to be viable.