

INFORMATION MEMORANDUM

FOR RESTRICTED CIRCULATION ONLY



SUNMOW HOLDING BERHAD

(Registration No. 202001024626 (1380946-V))
(Incorporated in Malaysia under the Companies Act 2016)

PROPOSED LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUNMOW HOLDING BERHAD (“SMH” OR “COMPANY”) ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

**APPROVED ADVISER
AND CONTINUING ADVISER**



DWA ADVISORY SDN BHD
(Registration No. 201301002419 (1032257-D))

FINANCIAL ADVISER



SIERAC CORPORATE ADVISERS SDN BHD
(Registration No. 200001013247 (515853-A))

THE LEAP MARKET OF BURSA SECURITIES HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET AND MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY OUR COMPANY. EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS (AS DEFINED HEREIN) SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN OUR COMPANY AND SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

This Information Memorandum is dated 6 October 2021

IMPORTANT NOTICE

All defined terms used in this Information Memorandum are defined under "Definitions", unless otherwise stated.

RESPONSIBILITY STATEMENTS

OUR BOARD AND PROMOTERS OF OUR COMPANY HAVE SEEN AND APPROVED THIS INFORMATION MEMORANDUM. OUR BOARD AND PROMOTERS, HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE, INFORMATION AND BELIEF, COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL THE INFORMATION AND STATEMENTS CONTAINED IN THIS INFORMATION MEMORANDUM, AND CONFIRM THAT THIS INFORMATION MEMORANDUM CONTAINS ALL RELEVANT INFORMATION WITH REGARD TO OUR GROUP WHICH IS MATERIAL IN THE CONTEXT OF OUR PROPOSED LISTING. AS AT THE DATE HEREOF, THE INFORMATION CONTAINED IN THIS DOCUMENT IS TRUE AND ACCURATE IN ALL MATERIAL RESPECT AND IS NOT MISLEADING. AS AT THE DATE HEREOF, THE OPINIONS AND INTENTIONS OF OUR COMPANY EXPRESSED HEREIN ARE HONESTLY HELD, AND THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER MATERIAL FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS INFORMATION MEMORANDUM FALSE OR MISLEADING.

DWA ADVISORY, BEING OUR APPROVED ADVISER AND CONTINUING ADVISER AND SCA, BEING OUR FINANCIAL ADVISER IN RELATION TO OUR PROPOSED LISTING, ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THIS INFORMATION MEMORANDUM CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR PROPOSED LISTING.

STATEMENTS OF DISCLAIMER

THIS INFORMATION MEMORANDUM HAS BEEN DRAWN UP IN ACCORDANCE WITH THE LISTING REQUIREMENTS FOR OUR PROPOSED LISTING AND HAS NOT BEEN REGISTERED, NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CMSA.

THIS INFORMATION MEMORANDUM HAS BEEN PREPARED UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA AND HAS NOT AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA.

A COPY OF THIS INFORMATION MEMORANDUM HAS BEEN DEPOSITED WITH THE SC.

THE SC AND BURSA SECURITIES TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC AND BURSA SECURITIES DO NOT MAKE ANY ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR GROUP. INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR GROUP OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS IN OUR COMPANY. DWA ADVISORY, AS OUR APPROVED ADVISER AND CONTINUING ADVISER, HAS ASSESSED THE SUITABILITY OF OUR COMPANY FOR ADMISSION TO THE LEAP MARKET OF BURSA SECURITIES AS PER THE LISTING REQUIREMENTS.

AN APPLICATION HAS BEEN MADE TO BURSA SECURITIES FOR THE ADMISSION OF OUR COMPANY AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED SHARE CAPITAL OF OUR COMPANY ON THE LEAP MARKET OF BURSA SECURITIES. APPROVAL FROM BURSA SECURITIES OF THE SAME IS NOT AN INDICATION OF THE MERITS OF OUR PROPOSED LISTING, OUR COMPANY AND OUR SHARES. THIS INFORMATION MEMORANDUM CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com.

IMPORTANT NOTICE (CONT'D)

THERE ARE CERTAIN RISK FACTORS WHICH HOLDERS AND SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS INFORMATION MEMORANDUM.

HOLDERS AND SOPHISTICATED INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THIS INFORMATION MEMORANDUM THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS INFORMATION MEMORANDUM. THIS INFORMATION MEMORANDUM IS NOT AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION BY US AND/OR THE APPROVED ADVISER AND CONTINUING ADVISER ON THE MERITS OF THE INVESTMENT IN OUR SHARES.

THIS INFORMATION MEMORANDUM IS PUBLISHED IN CONNECTION WITH OUR PROPOSED LISTING BY WAY OF INTRODUCTION OF SMH ON THE LEAP MARKET OF BURSA SECURITIES. THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR GROUP. THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE, OR SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OF OUR SHARES, NOR IS IT INTENDED TO INVITE OR PERMIT THE MAKING OF OFFERS TO THE PUBLIC TO SUBSCRIBE FOR OR PURCHASE OF OUR SHARES.

THIS INFORMATION MEMORANDUM IS NOT A SUBSTITUTE FOR AND SHOULD NOT BE REGARDED AS AN INDEPENDENT EVALUATION AND ANALYSIS AND DOES NOT PURPORT TO BE ALL INCLUSIVE. EACH HOLDER AND SOPHISTICATED INVESTOR SHOULD PERFORM AND IS DEEMED TO HAVE MADE ITS OWN INDEPENDENT INVESTIGATION, ASSESS THE MERITS AND RISKS OF THE INVESTMENT AND ANALYSIS OF OUR GROUP AND ALL OTHER RELEVANT MATTERS.

THIS INFORMATION MEMORANDUM IS ISSUED FOR INFORMATION PURPOSES ONLY. NO OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF OUR SHARES WILL BE MADE ON THE BASIS OF THIS INFORMATION MEMORANDUM. NO NEW ORDINARY SHARES WILL BE ALLOTTED TO AND ISSUED IN CONNECTION WITH, OR PURSUANT TO, THIS INFORMATION MEMORANDUM.

THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE, DWA ADVISORY AND/OR SCA SHALL DEEM FIT.

WE, DWA ADVISORY AND/OR SCA DO NOT ASSUME ANY FIDUCIARY RESPONSIBILITIES OR LIABILITY FOR ANY CONSEQUENCES, FINANCIAL OR OTHERWISE, ARISING FROM THE INVESTMENT IN OUR SHARES.

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IMPORTANT NOTICE (CONT'D)

MODE OF COMMUNICATION

In accordance with our Constitution, we may send notices and documents to our securities holders (“**Holders**”) by electronic means to the Holders’ registered email address last maintained with either our Share Registrar or Bursa Depository. Our Holders have a right to request for a hard copy of the notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders’ registered Malaysian address last maintained with either our Share Registrar or Bursa Depository, as the case may be, at their own risk.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders by way of any of the following:

- (i) ordinary mail;
- (ii) electronic means to the Holders’ registered email address;
- (iii) advertisements in an English daily newspaper in Malaysia; and/or
- (iv) announcements on Bursa Securities.

TERMS AND CONDITIONS BINDING ALL HOLDERS

By accepting this Information Memorandum, you agree and undertake to be bound by the following terms and conditions:

- (i) This Information Memorandum is issued by our Company and distributed by us as well as DWA Advisory as our Approved Adviser and Continuing Adviser. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy, upon request by Holders, free of charge. This Information Memorandum is distributed to Holders for information purposes only and upon the express understanding that such Holders will use it only for the purposes set forth below.
- (ii) The information contained in this Information Memorandum, including any statement or fact or opinion is solely for information purposes only. No offer for subscription or purchase of, or invitation to subscribe for or purchase of securities will be made on the basis of this Information Memorandum.
- (iii) You are solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance and prospects, the rights and obligations attaching to our Shares, the merits of investing in our Shares, and the extent of the risk involved in doing so.
- (iv) This Information Memorandum may include certain statements provided by us or on our behalf with respect to the anticipated future performance of our Group. These statements, although believed to be reasonable, are based on estimates and assumptions made by us that are subject to risks and uncertainties that may cause actual events and our future results to be materially different from that expected or indicated by such statements or estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by us or DWA Advisory that our plans and strategies as disclosed herein will be achieved.
- (v) Any document in relation to our Proposed Listing published or issued from time to time after the date hereof shall be deemed to form part of this Information Memorandum.

IMPORTANT NOTICE (CONT'D)

- (vi) You shall not copy, reproduce, distribute, summarise, excerpt from, publicly refer to or pass on any part of this Information Memorandum to any person at any time without the prior written consent of DWA Advisory. You shall at all times keep confidential all information contained herein or any other information relating to our Proposed Listing, whether written, oral or in a visual or an electronic form, transmitted or made available to you.
- (vii) Neither the receipt of this Information Memorandum by any Holders nor any information made available in connection with our Proposed Listing is to be taken as constituting the giving of investment advice by DWA Advisory. DWA Advisory shall not advise you on the merits or risks of our Proposed Listing.
- (viii) This Information Memorandum will not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No Holders in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the Holders without contravention of any relevant legal requirements. It is the sole responsibility of any Holders wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the law of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payment upon the sale of our Shares by the Holders, the repatriation of any money by the Holders out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. Such Holders shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and we and DWA Advisory shall be entitled to be fully indemnified by such Holders for any tax or payment as the recipient may be required to pay.
- (ix) This Information Memorandum had not been made and will not be made to ensure that our Proposed Listing complies with the laws of any jurisdiction other than Malaysia. We and DWA Advisory, shall not accept any responsibility or liability in the event that any action taken by any recipient in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction. Such Holders shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and shall keep us and DWA Advisory fully indemnified for the payment of such taxes or payments.

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IMPORTANT NOTICE (CONT'D)

PRIVACY NOTICE

The Personal Data Protection Act 2010 (“**PDPA**”) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, “**Personal Data**”) that you provide will be used and processed by us in connection with our Proposed Listing only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be disclosed to our advisers who provide services to us. Save for the foregoing, your Personal Data will not be knowingly transferred to any other third party.

Without prejudice to the terms and conditions of our Proposed Listing as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and, upon payment of a prescribed fee, request in writing for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

Postal address : **Sunmow Holding Berhad**
c/o Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of your Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

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CONTENTS

	PAGE
INDICATIVE TIMETABLE	VIII
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	IX
FORWARD-LOOKING STATEMENTS	X
DEFINITIONS	XI
1. CORPORATE DIRECTORY.....	1
2. DETAILS OF OUR PROPOSED LISTING.....	4
2.1 Listing Scheme	4
2.2 Utilisation of Proceeds.....	5
2.3 Share Capital	7
2.4 Purpose of Our Proposed Listing	11
2.5 Dividend Policy	11
3. INFORMATION OF OUR GROUP	12
3.1 Our Company	12
3.2 Our Group Structure	12
3.3 Issued Share Capital of SMH	14
3.4 Our Subsidiaries	14
4. BUSINESS OVERVIEW	16
4.1 Overview and Background	16
4.2 Impact of COVID-19 on Our Group and Measures to Continue Our Business Operations.....	20
4.3 Our Competitive Strengths	23
4.4 On-going and Completed Projects	25
4.5 Sources and Availability of Input	32
4.6 Major Customers	34
4.7 Major Suppliers.....	35
4.8 Major Approvals, Licenses and Permits	36
4.9 Business Process	44
4.10 Employees	45
4.11 Sales and Marketing.....	46
4.12 Research and Development.....	46
4.13 Internal Controls and Risk Management Systems	46
4.14 Brand Names, Patents, Licensing Agreements, Assistance Agreements, Franchises and Other Intellectual Property Rights.....	47
4.15 Properties of Our Group	48
4.16 Construction Machinery and Equipment	58
4.17 Operating Capacity and Output	58
4.18 Material Capital Expenditure and Divestiture	58
4.19 Regulatory Requirements and/or Environmental Issues	59
4.20 Seasonality of Our Business	59
4.21 Business Interruptions	59
4.22 Material Plans to Construct, Expand or Improve Facilities.....	59
4.23 Dependency on Patents, Licenses, Contracts, Agreements or Other Arrangements.....	59
4.24 Future Plans	59
4.25 Prospects of Our Group.....	61

CONTENTS (CONT'D)

5.	INDUSTRY OVERVIEW	63
5.1	Introduction to the Construction Industry.....	63
5.2	Overview and Outlook of Malaysian Economy.....	63
5.3	Overview and Outlook of Construction Sector in Malaysia	64
5.4	Overview of the Property Market in Malaysia.....	66
5.5	Overview of the Property Market in Sarawak	67
5.6	Operators in the Construction Industry.....	67
6.	RISK FACTORS	69
6.1	Risks Relating to Our Business.....	69
6.2	Risks Relating to the Industry in which We Operate	71
6.3	Risks Relating to an Investment in Our Shares.....	72
7.	PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL.....	74
7.1	Promoters and Substantial Shareholders.....	74
7.2	Directors	78
7.3	Key Management Personnel	80
7.4	Involvement of our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Businesses/Corporations Outside Our Group.....	83
7.5	Moratorium.....	88
8.	HISTORICAL FINANCIAL INFORMATION	89
8.1	Combined Statements of Profit or Loss and Other Comprehensive Income	89
8.2	Combined Statements of Financial Position.....	91
8.3	Combined Statements of Cash Flows	93
9.	MANAGEMENT DISCUSSION AND ANALYSIS	95
9.1	Overview.....	95
9.2	Overview of Our Operations	95
9.3	Key Financial Ratios.....	119
9.4	Cash Flows	124
9.5	Significant Factors Affecting Our Financial Position and Results of Operations.....	129
10.	OTHER INFORMATION	131
10.1	Directors' Responsibility Statements	131
10.2	Consents.....	131
10.3	Material Contracts.....	131
10.4	Material Litigation and Contingent Liabilities	134
10.5	Existing and Proposed Related Party Transactions	134
10.6	Interests in Similar Businesses and in Businesses of Our Customers and/or Suppliers.....	142
10.7	Other Transactions	142
10.8	Declaration by Our Advisers.....	143
APPENDIX I	Audited Combined Financial Statements of Sunmow Holding Sdn Bhd for the FYE 31 December 2018 and FYE 31 December 2019	
APPENDIX II	Audited Financial Statements of Sunmow Holding Berhad for the FYE 31 December 2020	
APPENDIX III	Unaudited Condensed Combined Interim Financial Statements of Sunmow Holding Berhad for the 7-Month FPE 31 July 2021	

INDICATIVE TIMETABLE

The indicative timing of events leading to the listing of and quotation for our entire issued share capital on the LEAP Market of Bursa Securities is set out below:

Events	Tentative dates
Date of Information Memorandum	6 October 2021
Listing of our Company on the LEAP Market of Bursa Securities	November 2021*

Note:

* *Subject to receipt of approval-in-principle from Bursa Securities for our Proposed Listing.*

The dates are tentative and are subject to changes which may be necessary to facilitate the implementation of our Proposed Listing procedures. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval-in-principle for our Proposed Listing.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” in this Information Memorandum are to Sunmow Holding Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Chairman, our Group Managing Director and our key management personnel as disclosed in this Information Memorandum, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Any reference to provisions of statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. Any reference to dates and times shall be a reference to dates and times in Malaysia.

In this Information Memorandum, any discrepancies between the amounts listed and the totals in tables are due to rounding.

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FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, amongst others, those regarding our expected financial position, business strategies, plans, prospects and objectives of our Management for future operations. These statements can be identified by forward-looking terminology terms such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans, expected industry trends and other matters discussed in this Information Memorandum regarding matters that are not historic facts, are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors beyond our control that could cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, amongst others:

- changes in the political, social and economic conditions and the regulatory environment in Malaysia in which we conduct business; and
- our future capital needs and the availability of financing and capital to fund such needs.

Some of these factors are discussed in more detail in Section 6 of this Information Memorandum.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As such, we cannot assure you that the forward-looking statements in this Information Memorandum will be realised.

These forward-looking statements are based on information available to us as at the date of this Information Memorandum. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any responsibility to update any of these forward-looking statements or publicly announce any revisions to these forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Information Memorandum:

ACS	: ACS Certification (M) Sdn Bhd (Registration No.: 200501021174 (703304-D))
Act	: Companies Act 2016
Acquisition of SMC	: Acquisition of 2,000,000 ordinary shares of SMC for a purchase consideration of RM25,000,000 which was satisfied via the issuance of 200,000,000 Shares to the Vendors of SMC at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 entered into between our Company and the Vendors of SMC which was completed on 14 January 2021
Acquisition of SMD	: Acquisition of 700,000 ordinary shares of SMD for a purchase consideration of RM640,000 which was satisfied via the issuance of 5,120,000 Shares to the Vendors of SMD at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 entered into between our Company and the Vendors of SMD which was completed on 30 December 2020
Acquisition of SMT	: Acquisition of 200 ordinary shares of SMT for a purchase consideration of RM600,000 which was satisfied via the issuance of 4,800,000 Shares to the Vendors of SMT at an issue price of RM0.125 each, pursuant to the share sale agreement dated 15 December 2020 entered into between our Company and the Vendors of SMT which was completed on 30 December 2020
BNM	: Bank Negara Malaysia
Board	: Board of Directors of SMH
BSB	: Benecap Sdn Bhd (Registration No: 201401006055 (1082135-K))
BSSB	: Bene Sky Sdn Bhd (Registration No: 201801005479 (1267493-W))
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No: 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CIDB	: Construction Industry Development Board
CMGD	: Certificate of Making Good Defects is a certificate issued when the contractor has rectified and made good all defects described in the schedule of defects and any other faults within the time frame of the defects liability period
CMSA	: Capital Markets and Services Act 2007
Constitution	: Constitution of SMH
COVID-19	: Coronavirus Disease 2019, an infectious disease which affects the respiratory system, and is a global pandemic
CPC	: Certificate of Practical Completion is a certificate issued contractually when it is satisfied that all works have been completed to its satisfaction, meeting all the requirements of the contract
Director	: A natural person who holds directorship in our Company and has the meaning given in Section 2 of the Act and Section 2(1) of the CMSA
DWA Advisory	: DWA Advisory Sdn Bhd (Registration No. 201301002419 (1032257-D)), being the Approved Adviser and Continuing Adviser for our Proposed Listing

DEFINITIONS (CONT'D)

EBITDA	: Earnings before interest, tax, depreciation and amortisation
Eligible Employees	: Comprises key management personnel and other eligible employees of our Group who have contributed to the success of our Group who participated in the Share Gift
EOT	: Extension of time
EPS	: Earnings per Share
FPE	: Financial period ended/ending, as the case may be
FYE	: Financial year ended/ending, as the case may be
FYE Under Review	: FYE 31 December 2018, FYE 31 December 2019 and FYE 31 December 2020
GDP	: Gross Domestic Product
GDV	: Gross Development Value
Government	: Government of Malaysia
GP	: Gross profit
Group	: SMH and its subsidiaries, collectively
HJSB	: Hasil Jujur Sdn Bhd (Registration No: 201101029089 (957224-D))
ISO 9001:2015	: The latest International Standards specifies requirements for a qualified management system issued by International Organisation for Standardization
Information Memorandum	: This Information Memorandum dated 6 October 2021 in relation to our Proposed Listing
LEAP Market	: Leading Entrepreneur Accelerator Platform Market of Bursa Securities
Listing Reference Price	: Reference price of our Shares of RM0.50 per Share upon our listing on the LEAP Market of Bursa Securities
Listing Requirements	: LEAP Market Listing Requirements of Bursa Securities
LPD	: 30 September 2021, being the latest practicable date prior to the date of this Information Memorandum
MCO	: The Movement Control Order implemented by the Government as a preventive measure in response to the COVID-19 pandemic in the country
Minority Shareholders	: 6 individual shareholders who collectively hold 100,000 ordinary shares of SMC representing 5% equity interest in SMC prior to completion of the Acquisition of SMC
MITI	: Ministry of International Trade and Industry
NA	: Net assets
N.E.C.	: Not elsewhere classified
Official List	: The list specifying all securities listed on Bursa Securities
PAT	: Profit after tax
PBT	: Profit before tax
Period Under Review	: FYE 31 December 2018, FYE 31 December 2019, FYE 31 December 2020, FPE 31 July 2020 and FPE 31 July 2021
Private Investors	: A group of individuals comprises suppliers, customers, business associates and acquaintances

DEFINITIONS (CONT'D)

Promoters	: Kong Chiong Miew, Kong Chiong Ung and BSSB collectively
Proposed Listing	: Proposed admission to the Official List and the listing of and quotation for our entire issued share capital of RM38,250,000 comprising of 233,940,000 Shares on the LEAP Market of Bursa Securities
RM and sen	: Ringgit Malaysia and sen, respectively
SC	: Securities Commission Malaysia
SCA	: Sierac Corporate Advisers Sdn Bhd (Registration No. 200001013247 (515853-A)), being the Financial Adviser for our Proposed Listing
Share Gift	: Share transfer of 4,000,000 Shares, representing 1.71% of the entire issued share capital of our Company, by Kong Chiong Miew, our Executive Chairman to the Eligible Employees at RM1.00 per employee
Share(s)	: Ordinary share(s) of SMH
SMH or Company	: Sunmow Holding Berhad (Registration No. 202001024626 (1380946-V))
SOPs	: Standard operating procedures
Sophisticated Investors	: Investors who fall within Part I of Schedule 7 of the CMSA
SOVO	: Small Office Versatile Office
Sqm	: Square metres
Vendors of SMC	: Kong Chiong Miew, Kong Chiong Ung, BSSB and Minority Shareholders collectively
Vendors of SMD	: Kong Chiong Miew, Kong Chiong Ung and BSSB collectively
Vendors of SMT	: Kong Chiong Miew, Kong Chiong Ung and BSSB collectively
<u>Subsidiaries of SMH</u>	
SMC	: Sunmow Construction Sdn Bhd (Registration No. 200501023366 (705498-K)), a wholly-owned subsidiary of SMH
SMD	: Sunmow Development Sdn Bhd (Registration No. 201001028391 (912310-T)), a wholly-owned subsidiary of SMH
SMT	: Sunmow Trading Sdn Bhd (Registration No. 201301004284 (1034127-H)), a wholly-owned subsidiary of SMH

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1. CORPORATE DIRECTORY

- BOARD OF DIRECTORS** : Kong Chiong Miew
Executive Chairman
- Kong Chiong Ung
Group Managing Director
- Lee Yew Chen
Non-Independent Non-Executive Director
- Kio Fook Khan
Non-Independent Non-Executive Director
- REGISTERED OFFICE** : No. 5-1, Jalan Radin Bagus 9
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel No. : +603 90541498
Fax No. : +603 90541498
- HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS** : No. 142, 1st Floor,
Parkcity Commerce Square,
Jalan Tun Ahmad Zaidi
97010 Bintulu
Sarawak
Tel No. : +6086 339951/331951
Fax No. : +6086 338951
Website address : <https://sunmow.com.my>
E-mail address : sunmowsb@sunmow.com.my
- COMPANY SECRETARY** : Wong Yen Lee
Membership No. MAICSA7046106
SSM Practising Certificate No. 202008001170
c/o Innex Corporate Partners Sdn Bhd
No. 5-1, Jalan Radin Bagus 9
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel No. : +603 90541498
Fax No. : +603 90541498
- APPROVED ADVISER AND CONTINUING ADVISER** : DWA Advisory Sdn Bhd
(Registration No. 201301002419 (1032257-D))
D-3A-11, Capital 4, Oasis Square
No. 2, Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : +603 7490 5795
Fax No. : +603 7831 7512

1. CORPORATE DIRECTORY (CONT'D)

- FINANCIAL ADVISER** : Sierac Corporate Advisers Sdn Bhd
(Registration No. 200001013247 (515853-A))
Unit 12-07, Menara 1MK, Kompleks 1 Mont' Kiara
No.1, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel No. : +603 2389 3697
Fax No. : +603 6201 0062
- AUDITORS** : Crowe Malaysia PLT (Registration No. 201906000005
(LLP0018817-LCA) & AF 1018))
1st Floor, Lot 4542- Lot 4543
Jalan Abang Galau Shophouse
Kampung Masjid
97000 Bintulu
Sarawak
Tel No. : +6086 333328
Fax No. : +6086 334802
- REPORTING ACCOUNTANTS** : Crowe Malaysia PLT (Registration No. 201906000005
(LLP0018817-LCA) & AF 1018))
2nd Floor, C378, Block C, iCom Square
Jalan Pending
93450 Kuching
Sarawak
Tel No. : +6082 266988/552688
Fax No. : +6082 266987
- DUE DILIGENCE SOLICITORS FOR OUR PROPOSED LISTING** : Olivia Lim & Co (Registration No. 000020004647)
41-3, Plaza Damansara
Jalan Medan Setia 1, Bukit Damansara
50490 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel No. : +603 2011 1386/ 2011 6386
Fax No. : +603 2093 8124
- DUE DILIGENCE SOLICITORS IN RELATION TO SARAWAK'S LAWS** : David Allan Sagah & Teng Advocates
(Registration No. 122/97)
No. 87, Ground Floor
Parkcity Commerce Square, Jalan Tun Ahmad Zaidi
97008 Bintulu
Sarawak
Tel No. : +6086 313118
Fax No. : +6086 311682
- INDEPENDENT CONTROLS MANAGEMENT CONSULTANT** **INTERNAL AND RISK SYSTEMS** : CAS Consulting Services Sdn Bhd
(Registration No: 200301008631 (611051-H))
B-5-1, IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47170 Puchong
Selangor Darul Ehsan
Tel No. : +603 8075 2300/80/81
Fax No. : +603 86005463

1. CORPORATE DIRECTORY (CONT'D)

- PRINCIPAL BANKER** : United Overseas Bank (Malaysia) Bhd
(Registration No: 199301017069 (271809-K))
No. 207 & 208, Parkcity Commercial Square (Phase III)
Jalan Tun Ahmad Zaidi
97000 Bintulu
Sarawak
Tel No. : +6086 312232
Fax No. : +6086 338381
- SHARE REGISTRAR** : Bina Management (M) Sdn Bhd
(Registration No. 197901005880 (50164-V))
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel No : +603 77843922
Fax No : +603 77841988
- LISTING SOUGHT** : LEAP Market of Bursa Securities

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2. DETAILS OF OUR PROPOSED LISTING

2.1 Listing Scheme

Our Proposed Listing will be implemented via listing by way of introduction and will not entail any fund-raising exercise upon admission on the LEAP Market of Bursa Securities.

The listing of and quotation for our entire issued share capital on the LEAP Market of Bursa Securities is subject to the approval in-principle from Bursa Securities.

Thus, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for our entire issued share capital of RM38,250,000 comprising 233,940,000 Shares on the LEAP Market and are awaiting Bursa Securities' decision on the same.

2.1.1 Basis of Arriving at the Listing Reference Price

The Listing Reference Price of RM0.50 was determined by our Board, after taking into consideration the following factors:

- (i) our implied historical price-earnings multiple of 45.36 times based on our combined EPS of 1.10 sen for the FYE 31 December 2020, calculated based on our audited combined PAT of RM2.58 million for the FYE 31 December 2020, and our entire issued share capital of 233,940,000 Shares. However, based on the adjusted PAT of RM3.58 million after excluding non-recurring expenses in relation to the Share Gift of approximately RM1.00 million, our implied PE multiple is 32.69 times;
- (ii) our Group's audited NA per Share of RM0.12, computed based on our audited NA of RM28.31 million as at 31 December 2020 and our entire issued share capital of 233,940,000 Shares translating to a price-to-book multiple of 4.13 times based on the Listing Reference Price;
- (iii) our Group's historical financial track records from the FYE 31 December 2018 to the FYE 31 December 2020 as summarised below:

FYE 31 December	Audited 2018 RM'000	Audited 2019 RM'000	Audited 2020 RM'000
Revenue	119,824	103,576	62,613
GP	9,042	7,971	7,614
PAT	2,491	1,110	2,579
NA	24,008	25,118	28,306

- (iv) the issuance and allotment of 24,000,000 new Shares to the Private Investors and one of our Minority Shareholders that were subscribed or acquired at the subscription or purchase price of RM0.50 per Share as further described in Section 2.3.1 of this Information Memorandum;
- (v) our competitive strengths as set out in Section 4.3 of this Information Memorandum; and
- (vi) our future plans and prospects as set out in Sections 4.24 and 4.25 of this Information Memorandum.

2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

Prior to our Proposed Listing, there was no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You are reminded to carefully consider the risk factors as set out in Section 6 of this Information Memorandum and form your own views on the valuation of our Shares.

2.2 Utilisation of Proceeds

The total proceeds of RM12,000,000 that were raised from the Private Investors and one of our Minority Shareholders, had been accrued entirely to our Company on 18 February 2021. As at the LPD, we have utilised part of the funds raised for listing expenses.

We plan to fully utilise the total proceeds raised in the following manner:

Details of utilisation of proceeds	Estimated timeframe for utilisation from the LPD	RM'000	% of proceeds
(a) Purchase of new construction machineries and equipment	Within 24 months	3,026	25.22
(b) Working capital for our construction projects	Within 24 months	4,000	33.33
(c) Working capital for our Group	Within 12 months	4,274	35.62
(d) Estimated listing expenses	Immediate	700	5.83
Total		12,000	100.0

Further details on the utilisation of proceeds are as set out below:

(a) Purchase of new construction machineries and equipment

We intend to utilise approximately RM3.03 million for the purchase of new construction machineries and equipment. The breakdown of the estimated cost for each type of machineries and equipment is as follows:

Machineries and equipment	Purpose	Estimated no. of units	Total estimated cost RM'000
A hydraulic-power mobile crane	To be used for the transport of different types of load and cargo between sites	3	1,700
Excavator	To be used for land clearing purposes and excavation purposes	1	720
Truck	To be used for transporting materials	1	350
Air compressor	To be used for removing heat generated by the compression process	1	110
Genset	To be used for generating electrical power	1	87
Welding machine	To be used for joining metal to metal	1	59
Total			3,026

2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

The purchase of the construction machineries and equipment is in line with our Group's future plans to further grow our building construction activities and expand into the infrastructure construction activities. Further, the purchase of the machineries and equipment is expected to strengthen our Group's capacity and flexibility, particularly in meeting the needs of our future construction projects.

The estimated purchase cost and quantity of these construction machineries and equipment is subject to changes. Nonetheless, we intend to use only up to RM3.03 million of the proceeds to finance the purchase of these new construction machineries and equipment. Any shortfall in the estimated purchase cost will be funded via our internally generated funds and/or bank borrowings.

Conversely, if our actual purchase and/or cost of machineries and equipment are lower than the estimated costs, the excess funds will be utilised for our working capital requirements.

Further information on our future plans and prospects are disclosed in Sections 4.24 and 4.25 of this Information Memorandum.

(b) Working capital for our construction projects

We intend to utilise RM4.00 million as working capital for the new building and construction project of 75 units of double-storey terrace houses and 6 units of double-storey semi-detached house on Lot 1755 and part of Lot 3650, Block 32, Kemena Land District, Bintulu, Sarawak ("**Housing Project**"). Barring unforeseen circumstances, the Housing Project is expected to commence in 4th quarter of 2021 subject to obtaining development order from the relevant authorities within the stipulated timeframe.

We intend to utilise RM4.00 million to partly defray the costs relating to earthwork and infrastructural costs of the Housing Project which include payment to subcontractors as well as payment to construction workers.

(c) Working capital for our Group

We intend to allocate approximately RM4.27 million for the payment to suppliers and other creditors.

(d) Estimated listing expenses

We have allocated approximately RM0.70 million of the proceeds raised from the Private Investors and one of our Minority Shareholders for estimated expenses in relation to our Proposed Listing. In the event of any shortfall or any excess in the actual listing expenses as compared to the allocated amount, such amount will be adjusted accordingly against the portion allocated for our Group's working capital.

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2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

2.3 Share Capital

As at the date of this Information Memorandum and upon our Proposed Listing, our enlarged issued share capital would be as follows:

	No. of Shares	RM
Enlarged issued share capital	233,940,000	38,250,000
Listing Reference Price		0.50
Market capitalisation upon our Proposed Listing		116,970,000

As at the LPD, we have only a single class of shares, being ordinary shares, all of which rank equally in all respects with one another including voting rights and rights to all dividends and other distributions that may be declared.

Subject to any special rights attached to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount of Shares held by them, be entitled to share in the whole of the profits distributed by us as dividends and other distributions, and in respect of surplus in the event of our liquidation, in accordance with our Constitution.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, attorney or any duly authorised representative. Each shareholder present either in person, by proxy, attorney or any other duly authorised representative shall have 1 vote for each Share held.

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2. DETAILS OF OUR PROPOSED LISTING (CONT'D)**2.3.1 Shareholding Structure**

As at the LPD, our shareholding structure pursuant to the Proposed Listing is as set out below:

Shareholders	No. of Shares	%
<u>Promoters and Substantial Shareholders</u>		
Kong Chiong Miew	109,715,400	46.90
Kong Chiong Ung	67,230,600	28.74
BSSB	18,994,000	8.12
<u>Other shareholders (public shareholders)</u>		
Minority Shareholders ⁽¹⁾	10,000,000	4.27
	205,940,000	88.03
<u>Private Investors (public shareholders)</u>		
Suppliers / customers / business associates / acquaintances ⁽²⁾⁽³⁾	24,000,000	10.26
	229,940,000	98.29
Eligible Employees ⁽⁴⁾	4,000,000	1.71
Total	233,940,000	100.00

Notes:

- ⁽¹⁾ *Minority Shareholders comprise 6 individual shareholders who originally held 5% equity interest in SMC prior to the completion of Acquisition of SMC.*
- ⁽²⁾ *The Private Investors and one of our Minority Shareholders, namely Ngu Dien Huat, subscribed or acquired 24,000,000 Shares at the subscription or purchase price of RM0.50 per Share for the aggregate subscription sum of RM12,000,000. The issuance and allotment of 24,000,000 Shares to the Private Investors was completed on 18 February 2021.*
- ⁽³⁾ *One of our Minority Shareholders, namely Ngu Dien Huat, acquired additional 500,000 Shares representing 0.21% of the entire issued share capital of SMH. Upon our Proposed Listing, Ngu Dien Huat collectively holds 3,500,000 Shares representing approximately 1.50% of the entire issued share capital of SMH.*

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2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

- (4) *Kong Chiong Miew transferred his 4,000,000 Shares to Eligible Employees at RM1.00 per employee. The Share Gift was completed on 15 February 2021 for the first tranche and 4 March 2021 for the second tranche.*

The criteria for allocation to the Eligible Employees by Kong Chiong Miew are based on, among others, their past contribution to our Group's success, length of service as well as roles and responsibilities. The allocation of Shares to the Eligible Employees is as follows:

Name	Designation	No. of Shares allocated
<i>Ling Nai Ik</i>	<i>General Manager</i>	<i>191,000</i>
<i>Chieng Ching Hong</i>	<i>Project Manager</i>	<i>300,000</i>
<i>Hee Eng Choo</i>	<i>Accountant</i>	<i>220,000</i>
<i>Yong Sze Ling</i>	<i>Contract Manager</i>	<i>440,000</i>
<i>Ting Chia Chia</i>	<i>Human Resource Manager</i>	<i>100,000</i>
<i>Other Eligible Employees</i>	<i>Executive and Non-Executive positions</i>	<i>2,749,000</i>
Total		4,000,000

Included in the Share Gift are 360,000 Shares representing 0.15% of the entire issued share capital of SMH which are held by spouses, sons and daughters of Kong Chiong Miew and Kong Chiong Ung, who are also the employees of our Group.

As the LEAP Market of Bursa Securities is a qualified market which is meant mainly for Sophisticated Investors, we are required, under Rule 2.24(2) of the Listing Requirements, to ensure that all our Shares to be issued and offered post-listing fall within Schedule 6 or 7 of the CMSA and are to our existing shareholders or Sophisticated Investors only ("**Qualified Market Restriction**"). For the avoidance of doubt, upon completion of our Proposed Listing, only Sophisticated Investors are allowed to buy and sell our Shares via Bursa Securities. On the other hand, our shareholders who are not Sophisticated Investors:

- (i) shall not buy or purchase our Shares via Bursa Securities, unless they subsequently become a Sophisticated Investor;
- (ii) subject to moratorium, if applicable, will only be able to sell their respective Shares after our Proposed Listing; and
- (iii) will only be able to deal with our Shares to be offered or issued by our Company (e.g. via a rights issue exercise by our Company) via Bursa Securities, after our Proposed Listing.

Save for the Qualified Market Restriction, there are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company.

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2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

2.3.2 Cost of Investments

Our existing shareholders' original cost of investments in our Shares are as follows:

Shareholder	Details	Date for the cost of investments	Average cost of investments per Share	Upon our Proposed Listing	
			RM	No. of Shares	%
Kong Chiong Miew	Promoter, substantial shareholder and Executive Chairman	21 August 2020, 21 September 2020, 19 December 2020, 25 December 2020 and 13 January 2021	- ⁽¹⁾	109,715,400	46.90
Kong Chiong Ung	Promoter, substantial shareholder and Group Managing Director	21 August 2020, 21 September 2020, 19 December 2020, 25 December 2020, and 13 January 2021	- ⁽¹⁾	67,230,600	28.74
BSSB	Promoter and substantial shareholder	21 September 2020, 19 December 2020, 25 December 2020 and 13 January 2021	- ⁽¹⁾	18,994,000	8.12
Minority Shareholders	-	13 January 2021	0.50 ⁽²⁾	10,000,000	4.27
Private Investors	-	18 February 2021	0.50	24,000,000 ⁽³⁾	10.26
Eligible Employees	-	15 February 2021 and 4 March 2021	Not applicable	4,000,000 ⁽⁴⁾	1.71
Total				233,940,000	100.00

Notes:

⁽¹⁾ Negligible.

⁽²⁾ The cost of investment of RM0.50 was arrived based on the total purchase consideration of RM5,000,000 paid by the Minority Shareholders for the purchase of shares in SMC over 10,000,000 Shares in SMH owned by the Minority Shareholders, collectively.

⁽³⁾ One of our Minority Shareholders, namely Ngu Dien Huat, acquired additional 500,000 Shares representing 0.21% of the entire issued share capital of SMH.

⁽⁴⁾ Kong Chiong Miew, our Executive Chairman transferred his 4,000,000 Shares to Eligible Employees at RM1.00 per employee.

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2. DETAILS OF OUR PROPOSED LISTING (CONT'D)

2.4 Purpose of Our Proposed Listing

The purposes of our Proposed Listing are as follows:

- (i) to further enhance our Company's profile and visibility and allow our shareholders to better ascertain the merits, risks profile, prospects and value of our Group;
- (ii) to ease the transaction of our Shares for our shareholders and potential investors via an official trading platform on Bursa Securities;
- (iii) to enable us to tap into the capital market for future fund-raising to pursue future growth opportunities; and
- (iv) to act as an initial step to prepare our Group for the eventual transfer of listing to the other markets of Bursa Securities.

2.5 Dividend Policy

We do not have any formal dividend policy presently. It is our intention to pay dividends to shareholders in the future while retaining adequate reserves for our future growth. However, such payments will depend upon our Company's income and dividends from our subsidiaries. The payment of dividends by our subsidiaries will depend on their distributable profits, operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem relevant.

Our ability to pay future dividend to our shareholders is subject to various factors, including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditures plans. Actual dividend proposed and declared may vary depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow for operations.

SMH was incorporated on 21 August 2020 and has not declared or paid any dividend since its incorporation up to the LPD. However, one of our subsidiaries, SMC has paid dividend of RM1,000,000 in respect of FYE 31 December 2020.

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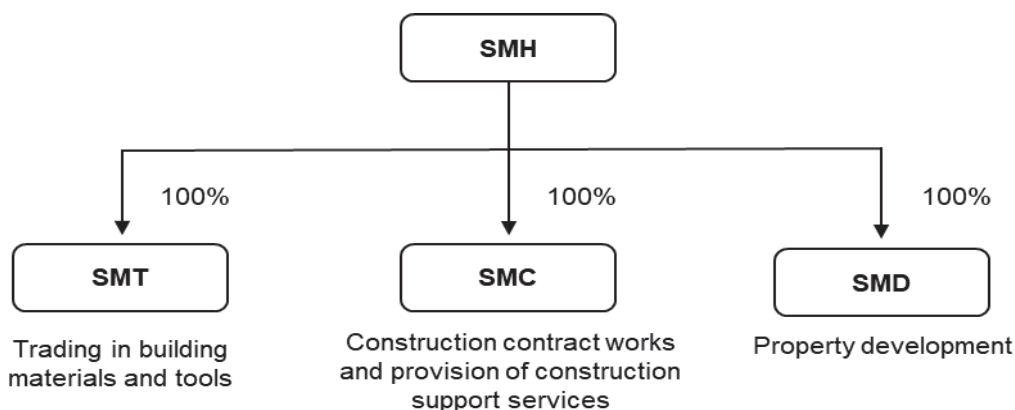
3. INFORMATION OF OUR GROUP

3.1 Our Company

SMH was incorporated in Malaysia on 21 August 2020 under the Act as a private limited company under the name Sunmow Holding Sdn Bhd. Subsequently, it was converted into a public limited company under the name of Sunmow Holding Berhad on 8 February 2021 to carry out our Proposed Listing. SMH's principal activity is investment holding while the principal activities of our subsidiaries, namely SMC, SMD and SMT are set out in Section 3.2 below.

3.2 Our Group Structure

Our Group structure as at the date of this Information Memorandum is as follows:



In conjunction with, and as an integral part of our Proposed Listing, on 15 December 2020, we had entered into conditional share sale agreements with the Vendors of SMC, Vendors of SMD and Vendors of SMT to acquire the entire equity interest in SMC, SMD and SMT, respectively. The Acquisition of SMC was completed on 14 January 2021 while the Acquisition of SMD and Acquisition of SMT were completed on 30 December 2020. The details of the acquisitions are as follows:

(i) Acquisition of SMC

The Acquisition of SMC entails an acquisition by SMH of 2,000,000 ordinary shares of SMC from the Vendors of SMC for a purchase consideration of RM25,000,000 after taking into consideration the audited NA of SMC as at 31 December 2019 of RM24,976,825. The purchase consideration for the Acquisition of SMC was satisfied via the issuance of 200,000,000 Shares to the Vendors of SMC at an issue price of RM0.125 each.

The details of the Vendors of SMC and the number of Shares issued under the Acquisition of SMC are as follows:

Vendors	No. of shares acquired in SMC	% of issued share capital in SMC	Purchase consideration (RM)	No. of new Shares issued
Kong Chiong Miew	1,090,000	54.5	13,625,000	109,000,000
Kong Chiong Ung	630,000	31.5	7,875,000	63,000,000
BSSB ⁽¹⁾	180,000	9.0	2,250,000	18,000,000
Minority Shareholders ⁽²⁾	100,000	5.0	1,250,000	10,000,000
Total	2,000,000	100.00	25,000,000	200,000,000

3. INFORMATION OF OUR GROUP (CONT'D)

Notes:

- (1) The shareholders of BSSB are Lee Yew Chen and BSB. Further information on Lee Yew Chen and BSB are disclosed in Section 7.1.2 of this Information Memorandum.
- (2) Minority Shareholders comprise 6 individual shareholders who originally held 5% equity interest in SMC prior to the completion of Acquisition of SMC.

(ii) Acquisition of SMD

The Acquisition of SMD entails an acquisition by SMH of 700,000 ordinary shares of SMD from the Vendors of SMD for a purchase consideration of RM640,000 after taking into consideration the audited NA of SMD as at 31 December 2019 of RM35,865 and an increase in issued share capital of RM600,000 on 18 September 2020. The purchase consideration for the Acquisition of SMD was satisfied via the issuance of 5,120,000 Shares to the Vendors of SMD at an issue price of RM0.125 each.

The details of the Vendors of SMD and the number of Shares issued under the Acquisition of SMD are as follows:

Vendors	No. of shares acquired in SMD	% of issued share capital in SMD	Purchase consideration (RM)	No. of new Shares issued
Kong Chiong Miew	315,000	45.0	288,000	2,304,000
Kong Chiong Ung	315,000	45.0	288,000	2,304,000
BSSB ⁽¹⁾	70,000	10.0	64,000	512,000
Total	700,000	100.00	640,000	5,120,000

Note:

- (1) The shareholders of BSSB are Lee Yew Chen and BSB. Further information on Lee Yew Chen and BSB are disclosed in Section 7.1.2 of this Information Memorandum.

(iii) Acquisition of SMT

The Acquisition of SMT entails an acquisition by SMH of 200 ordinary shares of SMT from the Vendors of SMT for a purchase consideration of RM600,000 after taking into consideration the audited NA of SMT as at 31 December 2019 of RM596,210. The purchase consideration for the Acquisition of SMT was satisfied via the issuance of 4,800,000 Shares to the Vendors of SMT at an issue price of RM0.125 each.

The details of the Vendors of SMT and the number of Shares issued under the Acquisition of SMT are as follows:

Vendors	No of shares acquired in SMT	% of issued share capital in SMT	Purchase consideration (RM)	No. of new Shares issued
Kong Chiong Miew	100	50.0	300,000	2,400,000
Kong Chiong Ung	80	40.0	240,000	1,920,000
BSSB ⁽¹⁾	20	10.0	60,000	480,000
Total	200	100.00	600,000	4,800,000

Note:

- (1) The shareholders of BSSB are Lee Yew Chen and BSB. Further information on BSB is disclosed in Section 7.1.2 of this Information Memorandum.

3. INFORMATION OF OUR GROUP (CONT'D)

3.3 Issued Share Capital of SMH

As at the LPD, the issued share capital of SMH is RM38,250,000 comprising 233,940,000 Shares. Details of the changes in our issued share capital since incorporation up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Cumulative no. of Shares	Consideration	Cumulative issued share capital (RM)
21 August 2020	2	2	Cash	1
21 September 2020	19,998	20,000	Cash	10,000
19 December 2020	5,120,000	5,140,000	Shares ⁽¹⁾	650,000
25 December 2020	4,800,000	9,940,000	Shares ⁽²⁾	1,250,000
13 January 2021	200,000,000	209,940,000	Shares ⁽³⁾	26,250,000
18 February 2021	24,000,000	233,940,000	Cash ⁽⁴⁾	38,250,000

Notes:

⁽¹⁾ Pursuant to the issuance and allotment of 5,120,000 Shares in relation to the Acquisition of SMD.

⁽²⁾ Pursuant to the issuance and allotment of 4,800,000 Shares in relation to the Acquisition of SMT.

⁽³⁾ Pursuant to the issuance and allotment of 200,000,000 Shares in relation to the Acquisition of SMC.

⁽⁴⁾ Pursuant to the issuance and allotment of 24,000,000 Shares to the Private Investors and one of our Minority Shareholders.

3.4 Our Subsidiaries

As at the LPD, the details of our subsidiaries are summarised as follows:

Name	Date / Country of incorporation	Issued share capital (RM)	Effective equity interest	Principal activities
SMC	8 August 2005 / Malaysia	2,000,000	100%	Construction contract works and provision of construction support services
SMD	19 August 2010 / Malaysia	700,000	100%	Property development
SMT	6 February 2013 / Malaysia	200	100%	Trading in building materials and tools

As at the LPD, we do not have any associate company. Further details of our subsidiaries are set out below.

3.4.1 SMC

(i) History and business

SMC was incorporated in Malaysia on 8 August 2005 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. It is principally engaged in construction contract works and provision of construction support services. SMC commenced its business in March 2006.

3. INFORMATION OF OUR GROUP (CONT'D)

(ii) Share capital

SMC is a wholly-owned subsidiary of our Company. As at the LPD, the issued share capital of SMC is RM2,000,000 comprising 2,000,000 ordinary shares.

(iii) Directors

As at the LPD, the directors of SMC are Kong Chiong Miew and Kong Chiong Ung.

(iv) Subsidiary and associate company

As at the LPD, SMC does not have any subsidiary and/or associate company.

3.4.2 SMD

(i) History and business

SMD was incorporated in Malaysia on 19 August 2010 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. It is principally engaged in property development. SMD commenced its business in June 2019.

(ii) Share capital

SMD is a wholly-owned subsidiary of our Company. As at the LPD, the issued share capital of SMD is RM700,000 comprising 700,000 ordinary shares.

(iii) Directors

As at the LPD, the directors of SMD are Kong Chiong Miew and Kong Chiong Ung.

(iv) Subsidiary and associate company

As at the LPD, SMD does not have any subsidiary and/or associate company.

3.4.3 SMT

(i) History and business

SMT was incorporated in Malaysia on 6 February 2013 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. It is principally engaged in trading in building materials and tools. SMT commenced its business in February 2013.

(ii) Share capital

SMT is a wholly-owned subsidiary of our Company. As at the LPD, the issued share capital of SMT is RM200 comprising 200 ordinary shares.

(iii) Directors

As at the LPD, the directors of SMT are Kong Chiong Miew and Kong Chiong Ung.

(iv) Subsidiary and associate company

As at the LPD, SMT does not have any subsidiary and/or associate company.

4. BUSINESS OVERVIEW

4.1 Overview and Background

Overview of Our Group

Our Group is principally engaged in the following business activities:

- (i) construction contract works and provision of construction support services via SMC;
- (ii) property development via SMD; and
- (iii) trading in building materials and tools via SMT.

During the FYE Under Review, SMC contributed at least 99.8% of the Group's revenue whilst, SMT contributed about 0.2% of the revenue. SMD has not contributed any revenue during the FYE Under Review.

Our participation in the construction works is via SMC, either as a main contractor, principal subcontractor or a subcontractor, where our roles and responsibilities differ according to the terms of the contract, and can be generally categorised in the table below:

Role	Responsibilities
Main contractor	Plays a central coordinator role in planning and managing the overall construction project to ensure successful handover to our customers within the contract period. Our scope of works includes supervising daily construction activities, coordinating with suppliers and subcontractors, planning and managing our resources such as site workers, construction materials, construction machinery and equipment.
Principal subcontractor	Similar to our role as main contractor, but the contract is awarded by the appointed main contractor instead of the property developer directly.
Subcontractor	Mainly responsible for specific sections of a construction project.

Our Executive Chairman, Kong Chiong Miew and Group Managing Director, Kong Chiong Ung with the support from our key management personnel are actively seeking for new projects by engaging with our past and existing customers, consultants as well as other prospective customers in order to identify potential business opportunities. Please refer to Section 4.11 of this Information Memorandum for our sales and marketing activities.

We have experience in building construction for both residential and commercial buildings. Our experience in residential buildings includes construction of terrace houses, bungalows and apartments. As for commercial buildings, we have experience in the construction of condominium, shop offices, shopping complex and purpose-built buildings.

Currently, SMC is also involved in the provision of construction support services. On 12 October 2020, SMC has accepted a letter of award from Borneo SMC Engineering Sdn Bhd for the provision of construction support services for a provisional sum of RM35,500,000 for a project duration of 4 years for Sabah and Sarawak mechanical pipelines maintenance ("**SSGP**"). The construction support services include provision of project preliminaries and facilities set up such as office, yard, workshop or accommodation, provision of heavy machineries, safety equipment, equipment services, provision of tools, equipment and consumables, provision of project support services and provision of construction crew and support project management team at site and other services as per request by Borneo SMC Engineering Sdn Bhd as and when the necessity arises.

4. BUSINESS OVERVIEW (CONT'D)

We are principally involved in the property development business via SMD, where we intend to develop and sell commercial, residential and mixed development properties using our own land bank. In addition, we intend to participate in property development projects through joint ventures either with landowners or local authorities.

Our segmental revenue for the FYE Under Review is set out below:

Business segment	Audited		Audited		Audited	
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2020
	RM'000	%	RM'000	%	RM'000	%
Construction						
Residential	10,542	8.80	11,929	11.52	3,390	5.41
Commercial	106,677	89.03	84,955	82.02	40,362	64.47
Others ⁽¹⁾	2,418	2.02	6,657	6.43	18,852	30.11
	119,637	99.85	103,541	99.97	62,604	99.99
Trading	187	0.15	35	0.03	9	0.01
Property development	-	-	-	-	-	-
Total	119,824	100.00	103,576	100.00	62,613	100.00

Note:

⁽¹⁾ Mainly include revenue from sale of contra properties, renovation works and construction of church, weighbridge, store, substructure of kernel crushing plant and road infrastructure. For the customers who made payment via contra properties, the revenue will be categorised in "Others". The breakdown of revenue for others is as follows:

	FYE 31 December 2018		FYE 31 December 2019		FYE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%
Sale of contra properties	-	-	1,050	15.77	4,395	23.31
Other projects	2,418	100.00	5,607	84.23	8,727	46.29
Construction support services	-	-	-	-	5,730	30.40
Total	2,418	100.00	6,657	100.00	18,852	100.00

As at the LPD, we have 11 on-going construction projects with a total project value of approximately RM254.56 million. The breakdown of the total project value by segments are detailed out as follows:

Segments	RM'000	%
Residential	4,644	1.82
Commercial	237,450	93.28
Others ⁽¹⁾	12,463	4.90
Total ⁽²⁾	254,557	100.00

Notes:

⁽¹⁾ Mainly comprises upgrading work for village roads, construction of palm oil plant and construction of showroom and office building.

⁽²⁾ The remaining value for all 11 projects as detailed out in Section 4.4.1 of this Information Memorandum are expected to be recognised in the FYE 31 December 2021 and 31 December 2022.

4. BUSINESS OVERVIEW (CONT'D)

Currently SMC is registered with CIDB as Grade 7 contractor and as such we are able to tender for construction projects that are of unlimited value. In addition, we are allowed to participate in tenders by the Government or in Government related projects as SMC holds a certificate of Government Procurement Works issued by CIDB. Please refer to Section 4.8 for details of our major approvals, licenses, permits and registrations.

Currently, SMC is undertaking a Government related project in upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak as a subcontractor. Further details of the project are set out in Section 4.4.1 of this Information Memorandum.

Moving forward, our Group will:

- (i) continue to participate in construction of residential housing projects, high-rise residential and commercial projects and venture into infrastructure construction services as well as providing more construction support services via SMC;
- (ii) enter into a joint venture with landowners to develop residential housing projects and high-rise residential projects via SMD; and
- (iii) expand our trading and distribution of building materials and tools in Sabah and Sarawak via SMT.

Background of our Group

SMC was incorporated in 2005 by both Kong Chiong Miew and Kong Chiong Ung to carry out range of services such as infrastructure works, building structure works, refurbishment, drainage system, road paving works and civil engineering related works. Whilst maintaining the involvement in civil and structural works projects, Kong Chiong Miew and Kong Chiong Ung had gradually expanded our Group's business activities into property development and trading in building materials and tools, by forming SMD in 2010 and SMT in 2013 respectively.

From its business commencement, SMC undertook and completed numerous projects, covering construction of roads, water and sewerage treatment plants, water tanks, reticulation system, sales gallery, landed residential houses and shop offices. SMC had been continuously improving its knowledge and expertise. In 2013, SMC began to undertake larger building construction projects as the main contractor with a stronger capability and capacity. SMC was appointed by few subsidiaries of Naim Holdings Berhad as the main contractor for a mixed development project on Lot 2203, 4172 and 4173, Bintulu Old Airport ("**Bintulu Paragon**") and completed the first sales gallery of Bintulu Paragon in June 2013. Subsequently, SMC was appointed to complete the Paragon Mall, Shop Office, SOVO, business hotel, carpark, walkway and Petronas Office on Bintulu Paragon with a total contract value of RM213.36 million. Bintulu Paragon is one of Sarawak's largest integrated developments to date and is now home to iconic components such as Street Mall, the innovatively designed SOVO and Malaysia's first Fairfield by Marriott International Hotel.

In January 2020, SMC had successfully completed the construction of The Peak Condominium at Bintulu Paragon.

The table below summarises our Group's key milestones and achievements in terms of building construction contracts with value of RM5.0 million and above:

Year	Key milestones and achievements
2005	<ul style="list-style-type: none"> • Kong Chiong Miew and Kong Chiong Ung formed SMC and registered under State Financial Secretary's Office, Contractors and Consultants Registration Unit (UPKJ), Sarawak, Class A in the same year.

4. BUSINESS OVERVIEW (CONT'D)

Year	Key milestones and achievements
2007	<ul style="list-style-type: none"> Registered under CIDB Grade 7. Completion of electro-mechanical works, as a subcontractor to provide all materials, labours, tools and machineries for Bakun Hydroelectric Project, with a contract value of RM5.36 million.
2008	<ul style="list-style-type: none"> Completion of civil and structural works, as a subcontractor on proposed upgrading project of Niah Palm Oil Mill in Miri, Sarawak, with a contract value of RM5.84 million.
2009	<ul style="list-style-type: none"> Completion of construction, as a main contractor of 31 units 2-storey Shophouse and 8 units 2-storey mini shophouse in Niah Land District, Sarawak, with a contract value of RM5.66 million.
2010	<ul style="list-style-type: none"> Incorporation of SMD. Completion of rehabilitation and upgrading project, as a subcontractor in Damascus International Airport, Syrian Arab Republic, with a contract value of RM15.09 million.
2011	<ul style="list-style-type: none"> Completion of engineering, procurement and construction of the Central Oil Distribution Terminal, as a subcontractor at Tanjung Manis, Mukah, with a contract value of RM7.90 million.
2012	<ul style="list-style-type: none"> Completion of construction, as a main contractor of 24 units 2-storey Semi-Detach house and 26 units 2-storey terrace house at Seduan Land District, Sarawak, with a contract value of RM7.85 million.
2013	<ul style="list-style-type: none"> Incorporation of SMT. Completion of civil works services, as a subcontractor in Tokuyama Malaysia Poly-Silicon Phase 1 and Phase 2 projects at Samalaju Industrial Park, Bintulu in March 2013, with a contract value of RM9.29 million.
2015	<ul style="list-style-type: none"> Completion of construction, as a main contractor of 10 units 2-storey Semi-Detach and 64 units 2-storey residential houses at Kemena Land District, Sarawak in July 2015, with a contract value of RM20.02 million.
2016	<ul style="list-style-type: none"> Completion of construction, as a main contractor of 12 units 2-storey Semi-Detach, 81 units 2-storey residential houses and 27 units single storey residential houses at Kemena Land District in June 2016, with a contract value of RM25.00 million.
2017	<ul style="list-style-type: none"> Completion of reinforced concrete works, infrastructure works, supply and construction of temporary facilities utilities, as a subcontractor at Petronas Liquefied Natural Gas Train 9 Project at Kidurong, Bintulu, with a total contract value of RM80.30 million.
2018	<ul style="list-style-type: none"> Completion of substation establishment project on external infrastructure works and structures, as a main contractor at Samalaju Industrial Park, Bintulu, with a contract value of RM8.75 million.

4. BUSINESS OVERVIEW (CONT'D)

Year	Key milestones and achievements
2019	<ul style="list-style-type: none"> Our quality management system was assessed and accredited with ISO9001:2015 by ACS under the scope "Provision of Project Management in Building Construction and Infrastructure Works". Completion of construction, a main contractor of proposed structures and other facilities for Palm Oil Refinery and Kernel Crushing Plant in Kidurong Industries Area, Bintulu, with a total contract value of RM8.30 million. Completion of construction, as a main contractor of 9-storey business hotel namely Fairfield by Marriott International Hotel at Bintulu Town District, Sarawak ("Naim Hotel"), with a project value of RM44.49 million.
2020	<ul style="list-style-type: none"> Completion of construction of The Peak Condominium, as a main contractor at Bintulu Town District, Sarawak in January 2020, with a total project value of RM68.49 million.

4.2 Impact of COVID-19 on Our Group and Measures to Continue Our Business Operations

On 11 March 2020, Director General of the World Health Organisation declared that COVID-19 could be characterised as a pandemic. Thereafter, on 16 March 2020, the Government announced a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020 and it was subsequently extended to 31 December 2020. The construction activities were suspended for a period of 2 months from 18 March 2020 to 4 May 2020. The Government had subsequently implemented a conditional MCO on 4 May 2020 up to 9 June 2020 allowing certain business sector to resume operations. SMC had on 6 May 2020 received an approval letter from MITI, which allowed SMC to resume operations, subject to adhering to the terms and SOPs determined by the relevant authorities. Such temporary suspension had caused manageable recoverable impact on the business operation and financial condition. The Government then implemented a recovery MCO beginning 10 June 2020 which was initially scheduled to end on 31 August 2020 but was subsequently extended to 31 March 2021. However, given the significant rise in COVID-19 cases seen throughout Malaysia, MCO was re-imposed nationwide effective from 12 May 2021 until 7 June 2021.

Subsequently, on 28 May 2021, the Government had announced the imposition of a nationwide lockdown started from 1 June 2021 to 14 June 2021, and further extended to 14 July 2021. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural and recreational activities.

Under the full lockdown, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities were suspended, save for the infrastructure project for the proposed upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak, where SMC was appointed as the subcontractor for the project.

As part of a four-phase National Recovery Plan ("**NRP**"), on 4 August 2021, the Government announced Sarawak's transition to the third phase of NRP, however, the State Disaster Management Committee of Sarawak ("**SDMC**") decided to postpone its implementation due to the high number of COVID-19 cases. During the second phase of NRP, our Company is allowed to operate up to 50% capacity. On 27 September 2021, the SDMC announced that Sarawak is due for transition into the third phase of NRP on 1 October 2021 onwards, whereby companies will be allowed to operate at maximum capacity, if 80% of the employees are fully vaccinated with COVID-19 vaccines. As at the LPD, all of our employees are fully vaccinated with COVID-19 vaccines, except for one staff due to maternity leave.

4. BUSINESS OVERVIEW (CONT'D)

Our Group had taken care the welfare of the workers and we had setup a strict SOPs restricting all workers from moving around. We have sent few foreign construction workers back to their home countries as per their request and majority of the foreign construction workers had decided to stay with our Group. On 25 January 2021, Bintulu was classified as red zone following the increase in new local infection cases recorded in the district. We had arranged for a total of 264 employees for Rapid Test Kit Antigen test in batches from January 2021 to March 2021. As at the LPD, we had 10 employees who were confirmed COVID-19 positive and they were immediately quarantined.

We have implemented COVID-19 SOPs and social distancing guidelines as imposed by the Government, relevant authorities and local councils. This is to safeguard the safety and health conditions of our employees and construction workers. The COVID-19 SOPs include but not limited to the following:

- (i) all employees are required to declare the health conditions and travel history before returning to the office and construction sites;
- (ii) all our employees, construction workers and visitors have to wear face masks at all times and practise social distancing;
- (iii) measuring and recording temperature of employees, construction workers and visitors daily;
- (iv) sanitising of the office, construction sites, staff hostel and worker camps; and
- (v) reminding all employees and construction workers to be aware of the importance of COVID-19 SOPs and social distancing guidelines.

The costs incurred for the implementation of the COVID-19 SOPs are not material to our Group.

We have been working closely with our suppliers and subcontractors to ensure no shortage in supply of construction materials and labour and that all construction materials will be delivered in time when we resume our operation. As at the LPD, we have approximately 289 suppliers and subcontractors and our top five suppliers for each FYE Under Review collectively contributed 28.04%, 21.71% and 17.73% of our total cost of sales, respectively. As such, we are not dependent on any single supplier or subcontractor. In the event our suppliers and/or subcontractors temporarily suspended their operations, it will not impact our business significantly as we have alternative suppliers and subcontractors to meet our requirements. Currently, we are in the midst of adopting new procedure to streamline our suppliers and subcontractors.

The implementation of MCO and conditional MCO since March 2020 to June 2021 has caused deferment to our on-going constructions projects, thus, we have sought EOT from our customers to complete our projects. The requests for the following projects have been approved:

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4. BUSINESS OVERVIEW (CONT'D)

Projects	Contract completion date	Extended completion date
Proposed upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak	27 April 2020	31 July 2021 ⁽¹⁾
Construction of 12 units double storey semi-detached industrial building on Block 32, Kemena Land District, Bintulu, Sarawak	27 July 2021	15 November 2021
Construction of 3-storey shop office in Bukar Sadong Land District, Kuching, Sarawak – Serian Road	1 July 2021	30 November 2021
Construction and completion of proposed 15-storey hotel cum service apartment in Kota Kinabalu, Sabah	13 February 2019	31 December 2021
Proposed mixed development and structure works for shoplot and apartment in Bintulu, Sarawak	2 September 2020	11 July 2022

Note:

⁽¹⁾ The main contractor, Rizquna Sdn Bhd has obtained approval from MITI to operate during the national lockdown which started on 1 June 2021. As such, we were able to continue to act as the sub-contractor for the project during lockdown. As at the LPD, the project is completed but pending CPC.

Despite the outbreak of COVID-19 and MCO implemented by the Government, there has not been any reduction in the contract value or the contract terms of our on-going projects as we did not experience any cancellation or termination of the on-going projects. However, there is some postponement of tenders for new construction projects in the construction industry but we believe it will not have any adverse impact on our financial performance for the FYE 31 December 2021.

Our financial performance was affected by the MCO due to delay in our billing and customers' payment because of the temporary suspension of the construction activities. Our construction activities were only resumed on 6 May 2020. As a result of the business interruptions during the MCO between March and April 2020, lower revenue of RM62.61 million was recognised for FYE 31 December 2020 compared to the previous corresponding year.

During the MCO period, we continued to incur costs including direct labour cost, depreciation expenses and other administrative expenses. We also incurred medical cost for COVID-19 tests for our employees. However, we did not experience shortages of construction materials and labour when we resumed operations on 6 May 2020.

In view of the suspension of operation during MCO period from 1 June 2021 to 14 July 2021, the deferment of our on-going commercial and residential construction projects has resulted in decrease of revenue for FPE 31 July 2021 compared to the prior corresponding period.

As at 31 July 2021, we have cash and cash equivalents of RM13.22 million mainly arising from the gross proceeds of RM12.0 million that were raised from the Private Investors and one of our Minority Shareholders. Further, our working capital stood at RM19.77 million as at 31 July 2021, being the difference of current assets and current liabilities. As such, we are of the view that our working capital will be sufficient in meeting our operating expenditures for the next 12 months.

As at the LPD, we have not received any notification from the banks for cancellation or reduction in banking facility limits granted to us by the financial institutions. We do not expect any difficulties in meeting our debt repayment obligations during the next 12 months.

Save as disclosed above, we do not expect any material adverse effects to our cash flow, liquidity, financial position and financial performance from the impact of COVID-19.

4. BUSINESS OVERVIEW (CONT'D)

4.3 Our Competitive Strengths

We believe that our competitive strengths and advantages include:

4.3.1 We have over 15 years of experience as contractor and subcontractor for buildings, civil and structural works in the construction industry

We have over 15 years of experiences and expertise in the construction and development sector in the construction industry since our venture into this business in 2005. Throughout the years of operation, we have accumulated experiences in meeting the needs of customers in the construction of residential and commercial buildings.

Accordingly, we have developed and established close working relationship with our suppliers and customers. We believe the good working relationship with our customers, especially recurring customers, provide better opportunities for us to sustain and further grow our business. Aside from our customers, we maintain a close relationship with our suppliers and subcontractors who supply construction related materials and services for our projects. This will ensure that we are able to enjoy continuous supply of raw materials and services, whilst obtaining competitive pricing for supplies and services.

We believe the positive business relationship with our suppliers, customers, consultants and architects will led to potential business opportunities with other prospective customers.

4.3.2 Our commitment to maintain good quality in our projects

We have been assessed and accredited with ISO 9001:2015 by ACS for the provision of project management in building construction and infrastructure works in July 2019. ACS is a certification body based in Malaysia accredited by Joint Accreditation System of Australia and New Zealand (JAS-ANZ), a member of the International Accreditation Forum, to carry out audits for quality management system ISO 9001:2015.

Our experienced management team, suppliers and subcontractors which gives us the ability to identify potential challenges and ensure all projects are well managed and are completed on time while meeting our customers' requirements and specifications.

We are confident that these measures have enabled our Group to gain trust of our existing and potential customers and increase our opportunities of securing projects from new and recurring customers.

4.3.3 We have an experienced management team with strong technical expertise

We have been operating our business for more than 15 years and we are led by an experienced and technically strong senior management team. Our Executive Chairman, Kong Chiong Miew and Group Managing Director, Kong Chiong Ung, have more than 25 years of experience in the construction business.

Our Executive Chairman and Group Managing Director are supported by our key management team, who collectively, have exposure across a broad spectrum of business activities, including quantity survey, project and contract management, marketing and finance. Our General Manager, Ling Nai Ik, completed his Bachelor of Environmental Design and Bachelor of Architecture from University of Tasmania, Australia and has more than 15 years of experience in project development and management. He has been admitted as an Architect under the Board of Architects Malaysia since 2007. Our Project Manager, Chieng Ching Hong, holds a Diploma in Quantity Surveying and has experience spanning more than 15 years in construction management. Our Accountant, Hee Eng Choo, is a Chartered Accountant since 2011 and has more than 14 years of experience in accounting and finance.

4. BUSINESS OVERVIEW (CONT'D)

Yong Sze Ling, our Contract Manager joined SMC in 2006 and has more than 19 years of experience in quantity survey. Our Human Resources Manager, Ting Chia Chia has a Diploma in Civil Engineering and a Bachelor of Science in Construction Management and has more than 10 years in human resource management. She joined SMC in 2010.

Since our inception, we have established our reputation in the industry through our experience and expertise as a builder, our ability to provide good quality in our projects and consistent customer satisfaction. Moving forward, the competencies of our key management personnel will enable us to sustain our future growth and improve the overall financial performance of our Group. Please refer to Section 7 of this Information Memorandum for further details on the profiles of our Directors.

4.3.4 Quality assurance

Given the nature of our business and the clientele that we serve, the ability to consistently meet the quality requirements of our customers is vital for our business. To this end, we have established an internal quality control and assurance system to ensure consistency in the quality of the products we supply. Our Group strives continuously and consistently in providing the highest quality and meeting the stringent standards set by our customers.

In 2019, our subsidiary, SMC was certified compliant to ISO 9001:2015. The details of SMC's present ISO certification are as follows:

Certification	Scope	Current validity period	Certifying party
ISO 9001:2015	Quality management system applicable to the management of the quality aspects related to: Provision of Project Management in Building Construction and Infrastructure Works	23 July 2019 to 17 July 2022	ACS

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4. BUSINESS OVERVIEW (CONT'D)

4.4 On-going and Completed Projects

4.4.1 On-going Construction Projects

We have 11 on-going construction projects as at the LPD with a total project value of RM254.56 million and the details are as follows:

No.	(1)	(2)	(3)	(4)	(5)
Project description	Upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak ("URDA")	Extension of existing 4-storey commercial / office building in Bintulu, Sarawak ("FARLEY")	Construction of 12 units double storey Semi-Detached Industrial Building on Block 32, Kemena Land District, Bintulu, Sarawak	Construction of 15 storey hotel cum service apartment in Kota Kinabalu, Sabah ("KKHO")	Construction of 3-storey Shop office in Bukar Sadong Land District, Kuching, Sarawak – Serian Road ("SERIAN1")
Main / Subcontractor	Subcontractor	Main contractor	Main contractor	Subcontractor	Subcontractor
Client	Rizquna Sdn Bhd	Farley Organisation Sdn Bhd	Pelita Raya Sdn Bhd	KK View Sdn Bhd	Tarat Height Sdn Bhd
Project value (RM'000)	2,471	2,209	3,105	34,156	16,833
Initial duration	6 months	9 months	12 months	18 months	48 months
Completion as at 31 July 2021 (%)	100.00	100.00	13.65	85.95	44.45
Remaining project value as at 31 July 2021 (RM'000)	-	-	2,681	4,797	9,351
Expected date of completion	31 July 2021	31 January 2021	15 November 2021	31 December 2021	30 November 2021
Status as at the LPD	Pending CPC	Pending CPC	EOT approved	In progress	EOT approved

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4. BUSINESS OVERVIEW (CONT'D)

No.	Project description	(6)	(7)	(8)	(9)	(10)	(11)
		Construction of Palm Kernel Meal Store for Palm Kernel Crushing Plant in Kidurong Industry Area, Bintulu, Sarawak ("BEO5")	Construction of mixed development and structure works for shoplot and apartment in Bintulu, Sarawak ("SK Gold")	Construction of 3-storey showroom cum 2-storey office on Block 32, Kemena Land District, Bintulu, Sarawak ("Lot 1747")	Construction and completion of proposed housing development in Kemena Land District, Bintulu, Sarawak	Construction and completion of proposed 1 unit of double-storey detached house in Bintulu, Sarawak ("Lot 2276")	Construction of temporary facilities work comprise of office building (office, canteen with kitchen, contractor office, safety induction center, guard house and hut) and warehouse
Main / Subcontractor		Main contractor	Main contractor	Main contractor	Main contractor	Main contractor	Subcontractor
Client		Borneo Edible Oil Sdn Bhd	S.K. Gold Land Sdn Bhd	Kong Choon Wei and Ting Yu Kwong	Ling Kong Sui	Lim Sheng Wei and Lim Kock Peng	Dynaciate Engineering Sdn Bhd
Project value (RM'000)		7,497	160,167	2,495	3,708	936	20,980
Initial duration		12 months	18 months	15 months	15 months	8 months	6.5 months
Completion as at 31 July 2021 (%)		100.00	66.62	75.77	100.00	40.67	2.56
Remaining project value as at 31 July 2021 (RM'000)		-	53,471	604	-	556	20,443
Expected date of completion		28 February 2021	11 July 2022	30 November 2021	31 March 2021	8 March 2022	30 November 2021
Status as at the LPD		Pending CPC	In progress	In progress	Pending CPC	EOT approved	In progress

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4. BUSINESS OVERVIEW (CONT'D)

4.4.2 Completed Construction Projects

We have completed the following construction projects during FYE Under Review and up to the LPD and the details are as follows:

No.	Project Description	(1)	(2)	(3)	(4)	(5)	(6)
	Package B: Completion of the remaining works at podium (Lower Ground to Facilities floor) and tower block (4 th Floor to Roof level) in Bintulu, Sarawak ("The Peak")	Main contractor	Proposed construction of Naim Hotel	Construction and completion of 11 units of double storey detached and 26 units double storey semi-detached houses in Bintulu, Sarawak ("BDA Staff Quarter")	Construction and completion of 13-storey commercial / office / SOHO / multi-storey carpark complex in Bintulu, Sarawak ("PJM1")	Construction and completion of substructures, ground floor structures for Palm Kernel Crushing Plant in Kidurong Industrial Area, Bintulu, Sarawak (Package 1) ("BEO4")	Construction and completion of 1 unit double storey detached house in Bintulu, Sarawak
Main / Principal subcontractor / Subcontractor		Main contractor	Main contractor	Principal subcontractor	Subcontractor	Main contractor	Main contractor
Client	Naim Land Sdn Bhd	Naim Hotel Sdn Bhd	Kemena Holding Sdn Bhd	Pembinaan Jaya Maju Sdn Bhd	Borneo Edible Oils Sdn Bhd	Yee Ming Kiung and Yee Choo How	
Project value (RM'000)	68,487	44,487	11,572	37,614	3,769	720	
Duration	37 months	55 months	20 months	34 months	22 months	26 months	
Date of completion	30 January 2020	13 December 2019	27 August 2019	20 August 2019	8 May 2019	31 December 2019	
Defect liability period	30 months	12 months	12 months	24 months	12 months	12 months	

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4. BUSINESS OVERVIEW (CONT'D)

No.	Project Description	(7)	(8)	(9)	(10)	(11)	(12)
		Construction and completion of external infrastructure and works on structures in Substation in Samalaju, Bintulu, Sarawak ("Samalaju Substation")	Construction of 35 double storey houses on Lot 62, Block 32, Kemena Land District, Bintulu, Sarawak ("Topwish")	Upgrading of existing village road in Sg. Sebanggan, Bintulu, Sarawak	Construction and completion of 6 blocks of 4-storey apartment of Samalaju Eco-Park Package 2, Bintulu, Sarawak ("ECOP2")	Construction and completion of 30 units 3-storey shophouses in Kemena Land District, Bintulu, Sarawak ("Kenyalang Avenue")	Phase 1: Waterproofing and floor finishing works to upper ground floor, concourse walkway and linkway for Bintulu Old Airport in Bintulu, Sarawak ("The Project" / "Work")
Main / Principal subcontractor / Subcontractor		Subcontractor	Main contractor	Subcontractor	Subcontractor	Main contractor	Main contractor
Client		Hock Seng Lee Berhad	Topwish Capital Sdn Bhd	Jayatiasa Supply & Services Sdn Bhd	Kemena Holding Sdn Bhd	Kenyalang Avenue Sdn Bhd	Naim Land Sdn Bhd
Project value (RM'000)		8,297	7,528	292	8,540	13,603	4,951
Duration		25 months	43 months	11 months	20 months	39 months	8 months
Date of completion		31 May 2018	31 October 2018	19 October 2020	26 February 2020	18 November 2019	30 April 2018
Defect liability period		24 months	12 months	NIL	12 months	24 months	24 months

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4. BUSINESS OVERVIEW (CONT'D)

No.	Project Description	(13)	(14)	(15)
Main / Principal subcontractor / Subcontractor	Project value (RM'000) Duration Date of completion Defect liability period	Construction of Borneo Evangelical Mission ("BEM") Public Church in Belaga, Sarawak Main contractor BEM Geraja Umum Asap 7,762 12 months 2 August 2021 12 months	Construction and completion of proposed 1 unit of double-storey semi-detached house in Bintulu, Sarawak Main contractor Kelvin Law 600 12 months 28 May 2021 12 months	Construction and completion of proposed 1 unit of double-storey semi-detached house in Bintulu, Sarawak Main contractor Victor Law 600 12 months 28 May 2021 12 months

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4. BUSINESS OVERVIEW (CONT'D)

4.4.3 Development Projects

SMD has 4 development projects as at the LPD with total estimated GDV of RM187.75 million and the details are as follows:

No.	Project description	(1)	(2)
		Proposed development of 10 Units of Double Storey Semi-Detached House and 70 Units of Double Storey Terrace House on Lot 1755 and part of Lot 3650, Block 32, Kemena Land District, Bintulu, Sarawak	Proposed development of 73 Units of Double Storey Terrace House on Lot 403, Block 33, Kemena Land District, Bintulu, Sarawak
	Land owner	Kong Chiong Miew, Kong Chiong Ung, Lau Pan Ho, Able Growth Sdn Bhd and SMC	Ling Ing Khing, Ling Hoe Ming, Ling Ho King, Ling Ho Yu, Ling Mee Chin, Ling Ewe Choon, Ling Kim Lan and Ling Ching Pei
	Location	Jalan Sibiyu, Lot 1755 and Part of Lot 3650, Block 32, Kemena Land District, Bintulu Sarawak	Jalan Bintulu-Miri, Lot 403, Block 33, Kemena Land District, Bintulu Sarawak
	Type of project	Residential development project	Residential development project
	Total site area (acres)	9.788	7.457
	Estimated gross development cost (RM'000)	47,741	37,101
	Estimated GDV (RM'000)	51,790	39,560
	Expected commencement date	November 2021	July 2022
	Expected completion date	Within 2 and a half years from the commencement date	Within 3 years from the commencement date
	Total units	Semi-Detached House – 10 Units Terrace House – 70 Units	Double Storey Terrace House – 73 Units

4. BUSINESS OVERVIEW (CONT'D)

No.	Project description	(3)	(4)
Project description	Proposed development of 90 units of Double Storey Terrace House and 15 units of Single Storey SPEKTRA LITE ⁽¹⁾ House on Lot 3629, Block 32, Kemena Land District, Bintulu, Sarawak	Proposed development of 71 units of Double Storey Terrace House, 14 units of Single Storey SPEKTRA MEDIUM ⁽²⁾ House, 14 units of Single Storey SPEKTRA LITE ⁽¹⁾ House and 20 units of Double Storey Shophouses on Lot 3, 7, 8, 11, 132 and 877, Block 37, Kemena Land District, Bintulu, Sarawak	
Land owner	Ling Ngee Kie, Liang Lai Kiong, Ling Lee Sing, Ling Poh Kim, Ling Li Kim and Ling Yia Kim	Percila Binti Joseph Paul Teoh, Ramlah Binti Kamar, Johnny Anak Emparan and Mariana Binti Mersel	
Location	Jalan Bintulu-Miri, Lot 3629, Block 32, Kemena Land District, Bintulu Sarawak	Jalan Kuala Tatau, Lot 3, 7, 8, 11, 132 and 877, Block 37, Kemena Land District, Bintulu, Sarawak	
Type of project	Residential development project	Mixed development project	
Total site area (acres)	10.601	11.485	
Estimated gross development cost (RM'000)	45,558	41,418	
Estimated GDV (RM'000)	50,980	45,422	
Expected commencement date	September 2023	March 2024	
Expected completion date	Within 2 years from the commencement date	Within 2 years from the commencement date	
Total units	Double Storey Terrace House – 90 Units Single Storey SPEKTRA LITE ⁽¹⁾ House – 15 Units	Double Storey Terrace House – 71 Units Single Storey SPEKTRA MEDIUM ⁽²⁾ House – 14 Units Single Storey SPEKTRA LITE ⁽¹⁾ House – 14 Units Double Storey Shophouses – 20 Units	

Notes:

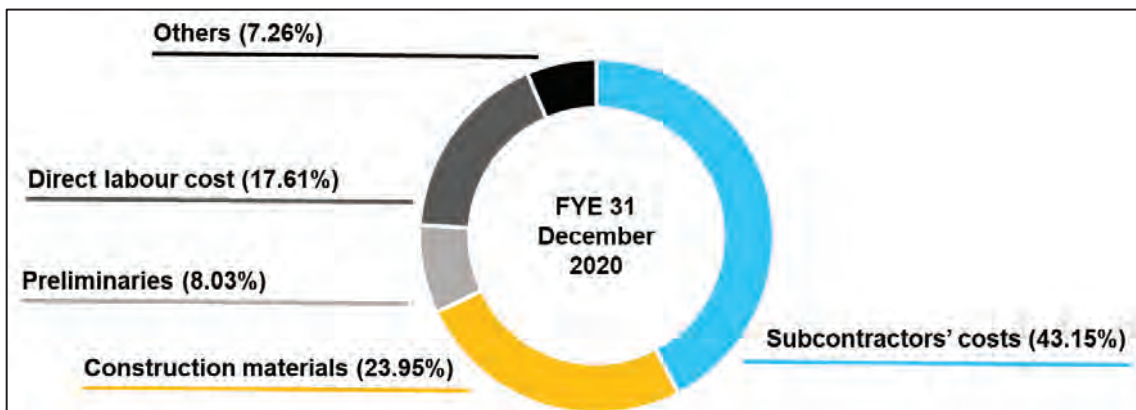
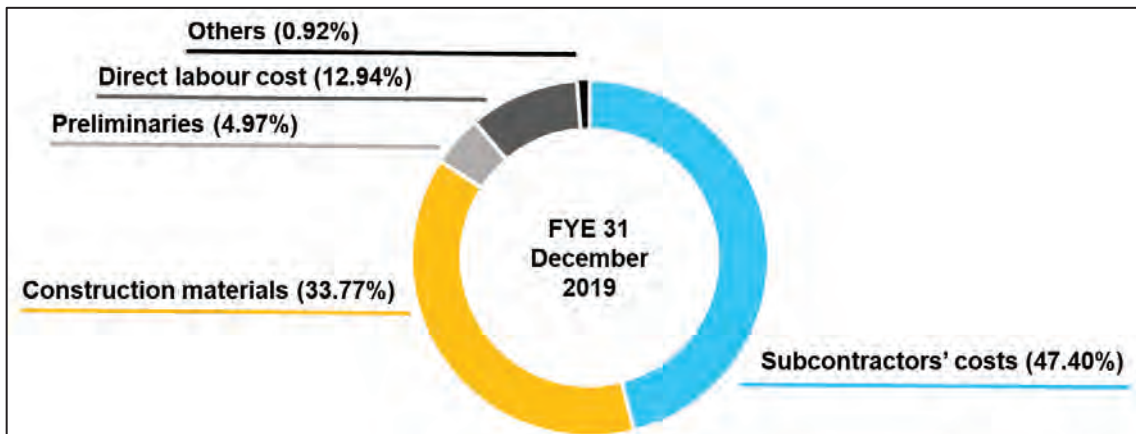
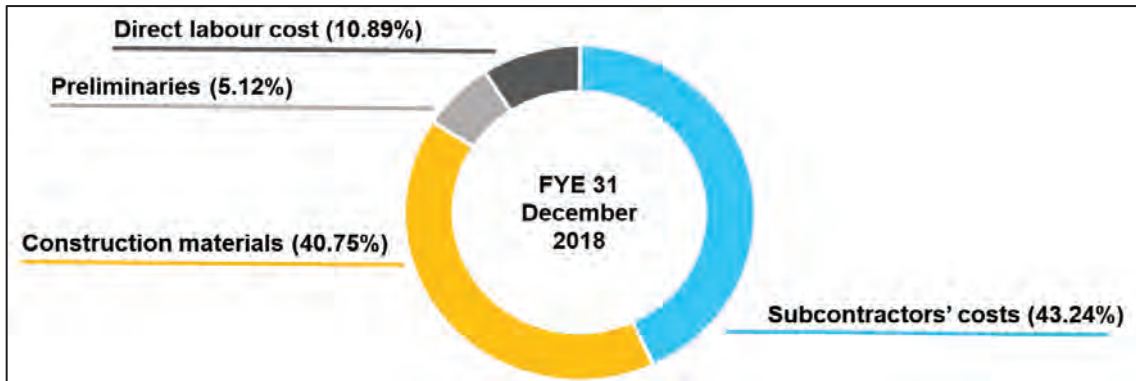
⁽¹⁾ SPEKTRA LITE refers to affordable houses priced not exceeding RM100,000 for intermediate lots and not exceeding RM120,000 for corner lots.

⁽²⁾ SPEKTRA MEDIUM refers to affordable houses priced not exceeding RM135,000 for intermediate lots and not exceeding RM168,000 for corner lots.

4. BUSINESS OVERVIEW (CONT'D)

4.5 Sources and Availability of Input

Our Group's major cost components comprises subcontractors' cost, construction materials, preliminaries, direct labour costs and others which includes mainly the cost of selling contra properties. The diagram below shows the breakdown of our Group's major cost components for the FYE Under Review:



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4. BUSINESS OVERVIEW (CONT'D)**(i) Subcontractors' cost**

We engaged subcontractors to carry out certain construction activities throughout different stages of the projects. Various specialists works such as mechanical and electrical works, plumbing, painting, roofing as well as windows, door frame and security equipment installation works were performed by either customers' nominated subcontractors or our own subcontractors subsequent to the completion of building structure. We also engaged subcontractors for the structure construction services.

(ii) Construction materials

We use construction materials such as concrete, deformed bar, reinforced wire, quarry products, cements, tiles and accessories, plywood, premix and aluminum products which are widely available from local suppliers. The breakdown for the construction materials for the FYE Under Review is as follow:

Construction materials	FYE 31 December 2018		FYE 31 December 2019		FYE 31 December 2020	
	RM'000	%	RM'000	%	RM'000	%
Plywood	1,084	2.40	824	2.55	677	5.14
Tiles	2,065	4.57	635	1.97	98	0.74
Deformed bar	14,188	31.43	10,859	33.63	2,583	19.61
Concrete	15,414	34.15	9,702	30.05	4,602	34.93
Cement	1,229	2.72	912	2.82	913	6.93
Timber	1,154	2.56	897	2.78	798	6.06
Bricks	742	1.64	749	2.32	444	3.37
Pile	1,321	2.93	1,143	3.54	503	3.82
Others ⁽¹⁾	7,943	17.60	6,566	20.34	2,555	19.40
Total	45,140	100.00	32,287	100.00	13,173	100.00

Note:

⁽¹⁾ Mainly comprise of sand, stone, frame, sanitary, roof, ironmongeries, septic tank, wire mesh, roofing sheet and super strong.

(iii) Preliminaries and direct labour cost

Preliminaries are general and miscellaneous expenses incurred over the course of a project and include bank charges, bank guarantee, commissions, stamp duties, CIDB levies, site management costs, utilities, rental expenses of machinery and equipment and other related project maintenance and overhead expenses. Direct labour cost refers to workers' salaries and wages.

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4. BUSINESS OVERVIEW (CONT'D)

4.6 Major Customers

Our top 5 customers for the FYE Under Review are as follows:

Customer	Products / Services	FYE 31 December 2018		Length of business relationship (years)
		RM'000	%	
Naim Land Sdn Bhd ⁽¹⁾	Construction Project	30,371	25.35	5
S.K. Gold Land Sdn Bhd	Construction Project	28,959	24.17	1
Naim Hotel Sdn Bhd ⁽¹⁾	Construction Project	17,233	14.38	3
Pembinaan Jaya Maju Sdn Bhd	Construction Project	14,620	12.20	2
KK View Sdn Bhd	Construction Project	9,026	7.53	1
Total contribution		100,209	83.63	

Customer	Products / Services	FYE 31 December 2019		Length of business relationship (years)
		RM'000	%	
S.K. Gold Land Sdn Bhd	Construction Project	23,934	23.11	2
Naim Land Sdn Bhd ⁽¹⁾	Construction Project	18,716	18.07	6
Naim Hotel Sdn Bhd ⁽¹⁾	Construction Project	16,548	15.98	4
Pembinaan Jaya Maju Sdn Bhd	Construction Project	11,734	11.33	3
Kemena Holding Sdn Bhd	Construction Project	10,227	9.87	4
Total contribution		81,159	78.36	

Customer	Products/Services	FYE 31 December 2020		Length of business relationship (years)
		RM'000	%	
S.K. Gold Land Sdn Bhd	Construction Project	19,477	31.11	3
Naim Land Sdn Bhd ⁽¹⁾	Construction Project	9,171	14.64	7
KK View Sdn Bhd	Construction Project	4,533	7.24	3
BEM Gereja Umum Asap Koyan	Construction Project	4,073	6.51	1
Kenyalang Avenue Sdn Bhd	Construction Project	3,277	5.23	4
Total contribution		40,531	64.73	

Note:

⁽¹⁾ Naim Land Sdn Bhd and Naim Hotel Sdn Bhd are subsidiaries of Naim Holdings Berhad.

Throughout the FYE Under Review, these top 5 customers contributed approximately between 64.73% to 83.63% of our total revenue for each FYE Under Review. The percentage of revenue contributed from our customers varies from year to year as our businesses are conducted on a project basis. We may not secure similar projects with the same customer every year. Based on the table above, the contributions from the subsidiaries of Naim Holdings Berhad to the Group's revenue are on a decreasing trend from 39.73% in FYE 31 December 2018 to 14.64% in FYE 31 December 2020 in line with the completion of 3 projects namely The Project, Naim Hotel and The Peak. In view thereof, we are not materially dependent on a single major customer although they may contribute a large portion of our revenue for a particular FYE.

4. BUSINESS OVERVIEW (CONT'D)

4.7 Major Suppliers

Our top 5 suppliers for the FYE Under Review are as follows:

Supplier	Products/Services	FYE 31 December 2018		Length of business relationship (years)
		RM'000	%	
Kipal Industries Sdn Bhd	Concrete	11,553	10.43	13
Chuan Huat Metal Sdn Bhd	Cement	5,382	4.86	4
Unique Deco Sdn Bhd	Mechanical and Electrical	5,186	4.68	2
Sungreen Planet Sdn Bhd	Aluminium Formwork	4,716	4.26	2
Naim Supply & Logistic Sdn Bhd ⁽¹⁾	Building Materials	4,228	3.81	5
Total contribution		31,065	28.04	

Supplier	Products/Services	FYE 31 December 2019		Length of business relationship (years)
		RM'000	%	
Kipal Industries Sdn Bhd	Concrete	6,858	7.17	14
Unique Deco Sdn Bhd	Mechanical and Electrical	4,454	4.66	3
Sheng Huat Aluminium Works Sdn Bhd	Aluminium work	3,615	3.78	6
I De Builder Sdn Bhd	Supply and installation air condition	3,067	3.21	3
Chuan Huat Metal Sdn Bhd	Cement	2,763	2.89	5
Total contribution		20,757	21.71	

Supplier	Products/Services	FYE 31 December 2020		Length of business relationship (years)
		RM'000	%	
Kipal Industries Sdn Bhd	Concrete	2,639	4.80	15
Kemena Holding Sdn Bhd	Making road and car park	1,912	3.48	5
Oersted Sdn Bhd	Mechanical Services	1,902	3.46	1
Marsar Industrial Sdn Bhd	Roofing and wall cladding works	1,798	3.27	4
WYK Electrical Works Sdn Bhd	Electrical Services	1,499	2.72	8
Total contribution		9,750	17.73	

Note:

⁽¹⁾ Naim Supply & Logistic Sdn Bhd is a subsidiary of Naim Holdings Berhad.

We are not materially dependent on any one of our major suppliers and subcontractors as the top five suppliers contributed approximately 17.73% to 28.04% of our total cost of sales for each FYE. In any case, the construction materials and subcontractors are widely available from various local suppliers.

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4. BUSINESS OVERVIEW (CONT'D)

4.8 Major Approvals, Licenses and Permits

Save as disclosed below, as at the LPD, there are no other major approvals, licenses and permits necessary for our business operations:

No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance
1.	SMC	CIDB	25 July 2020 / 26 July 2023	Certificate of registration in respect of Grade 7 (no limit) under works and mechanical category. The licence permits the licensee to carry out the following work scope: B04 : Construction work on buildings B13 : Tiles installation B14 : Paint works B21 : Scaffolding installation B24 : Building maintenance CE01 : Road and pavement construction CE10 : Piling CE13 : Billboard installation CE21 : Civil engineering construction CE29 : Scaffolding installation CE34 : Precast concrete installation CE36 : Earthworks M15 : Miscellaneous mechanical equipment	Registration No. 0120070126-SR112159	(a) This certification cannot be assigned/transferred. (b) CIDB have the right to reassess the grade registered by SMC ("Contractor") from time to time. (c) Contractor is required to comply with the provision under Lembaga Pembinaan Industri Pembinaan Malaysia Act 1994, any other rules under the act and any terms, requirement or restriction set by the CIDB from time to time. (d) Contractor shall not participate in any tender or conduct any construction work after the expiry date of the certificate until it has been renewed. (e) Contractor shall not undertake any construction project which the value of the construction work exceeds the limit of its grade and shall not conduct any construction project outside its registered categories. (f) Contractor is required to disclose information related to any construction work or contract within 14 days from the award or before the start of its work, whichever is earlier.	Noted Noted Noted Complied Noted

4. BUSINESS OVERVIEW (CONT'D)

No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance
						<p>(g) Contractor is required to disclose any information that required by the CIDB from time to time.</p> <p>(h) Contractor is required to appoint trained worker and site supervisor that are accredited and recognized by the CIDB.</p> <p>(i) all the workers at the construction site must have a valid CIDB Green Card.</p>	<p>Noted</p> <p>Complied</p> <p>Complied</p>
2.	SMC	CIDB	25 July 2020 / 26 July 2023	Government Procurement Working Certificate for Grade 7 categories	Registration no. 0120070126-SR112159	<p>(a) Contractor or certificate holder shall not lend, lease, transfer, allow or cause whatsoever matter that will cause this certificate to be used by anyone who is not named to use this certificate in order to obtain any procurement from the Government.</p> <p>(b) Contractor shall not be allowed to participate in any tender or do any construction works after this Certificate has expired unless it is renewed.</p> <p>(c) Any changes to the information shall be informed to the CIDB within 30 days from the date of such changes.</p> <p>(d) The contractor is required to comply with all the directions and resolutions issued by the Government through the Directives of the Ministry of Finance, CIDB circular, issued from time to time.</p>	<p>Noted</p> <p>Noted</p> <p>Complied, SMC has notified to CIDB via its letter dated 1 March 2021 in respect of the Acquisition of SMC.</p> <p>Noted</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance						
9.	SMC	Department of Labour, Sarawak	13 June 2021 – 12 June 2022	License to employ non-resident employee and to comply with Section 119 of the Labour Ordinance, Sarawak	Reference No. 10-PTK-MG-BU-50011-43(A) JLD. 15	(a) The employer is responsible to obtain the temporary employment pass from the Department of Immigration Sarawak, Malaysia, for its relevant employees. (b) The employer shall inform the Department of Labour Sarawak and Immigration Department Sarawak, Malaysia when the non-resident employee is repatriated.	Complied						
				<table border="1"> <tr> <td>Date of license</td> <td>12 July 2021</td> </tr> <tr> <td>No. of workers</td> <td>28 employees</td> </tr> <tr> <td>Nationality</td> <td>Indonesia</td> </tr> </table>	Date of license	12 July 2021	No. of workers	28 employees	Nationality	Indonesia			Noted
Date of license	12 July 2021												
No. of workers	28 employees												
Nationality	Indonesia												
10.	SMH	Bintulu Division Administration	13 August 2021 – 6 September 2022	Trade License for the business of investment holding	License No. A919627/128	None	Not applicable						
11.	SMC	Bintulu Division Administration	13 August 2021 - 10 August 2022	Trade License for the business of building construction works, civil engineering works, engineering and transportation	License No. A919629/128	None	Not applicable						
12.	SMD	Bintulu Division Administration	13 August 2021 - 30 August 2022	Trade License for the business of development	License No. A919628/128	None	Not applicable						
13.	SMT	Bintulu Division Administration	2 March 2021 – 11 March 2022	Trade License for the business of general trading	License No. A915344/42	None	Not applicable						
14.	SMC	Kota Kinabalu Municipal Council	<u>Expiry Date</u> 31 December 2021	Business License for the purpose of building construction and civil engineering works contractor	License No. 629056	None	Not applicable						

4. BUSINESS OVERVIEW (CONT'D)

No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance						
15.	SMC	Bintulu Development Authority	Issue Date 10 March 2021 / No expiry date	Signboard Permit <table border="1"> <tr> <td>Business Name</td> <td>Sumnow Construction Sdn Bhd</td> </tr> <tr> <td>Size</td> <td>18 feet x 4 feet</td> </tr> <tr> <td>Address</td> <td>No. 143, 2nd Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak</td> </tr> </table>	Business Name	Sumnow Construction Sdn Bhd	Size	18 feet x 4 feet	Address	No. 143, 2nd Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak	Permit No. BDA/ADV/BNS/035955/2021	None	Not applicable
Business Name	Sumnow Construction Sdn Bhd												
Size	18 feet x 4 feet												
Address	No. 143, 2nd Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak												
16.	SMC	Bintulu Development Authority	Issue Date 10 March 2021 / No expiry date	Signboard Permit <table border="1"> <tr> <td>Business Name</td> <td>Sumnow Construction Sdn Bhd</td> </tr> <tr> <td>Size</td> <td>18 feet x 4 feet</td> </tr> <tr> <td>Address</td> <td>No. 142, 1st Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak</td> </tr> </table>	Business Name	Sumnow Construction Sdn Bhd	Size	18 feet x 4 feet	Address	No. 142, 1st Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak	Permit No. BDA/ADV/BNS/035954/2021	None	Not applicable
Business Name	Sumnow Construction Sdn Bhd												
Size	18 feet x 4 feet												
Address	No. 142, 1st Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak												
17.	SMC	State Financial Secretary's Office, Contractors and Consultants Registration Unit, Sarawak (UPKJ)	Expiry Date 30 October 2023	To certify SMC in relation to the registration Class A under the following categories: <u>Head I – Civil Engineering</u> 1: General civil engineering works including piling	Registration No.: UPK-K/15741	This certificate is not transferable.	Noted						

4. BUSINESS OVERVIEW (CONT'D)

No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance
				6: Gas Pipe Laying			
				<u>Head II – Building Works</u>			
				1(a): Non-reinforced framed structure	concrete		
				1(b): Pre-fabricated buildings	timber		
				1(c): Pre-fabricated steel structure	fabricated		
				2(a): Reinforced concrete buildings	framed		
				2(b): Pre-fabricated buildings	concrete		
				3(a): Repainting/ maintenance of buildings	repair/ high-rise		
				3(b): Demolition			
				3(c): Other related works (exceeding 4-stores)	works		
				5(a): Repainting / maintenance of buildings	repair / low-rise		
				5(b): Demolition (not exceeding 4-stores)			
				5(c): Other related works			
				6(a): Fencing works			
				6(b): Others			
				<u>Head III – Road Works and Earthworks</u>			
				1(a): Levelling and earthworks			
				1(b): Site clearing			

4. BUSINESS OVERVIEW (CONT'D)

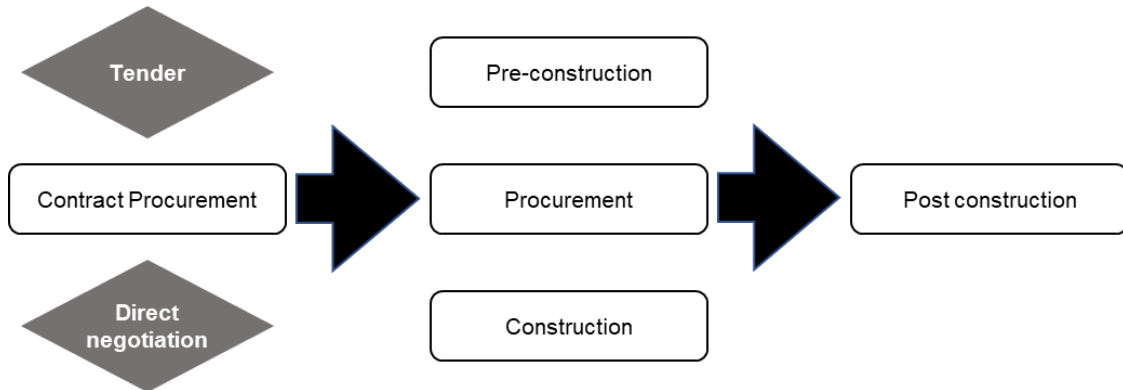
No.	Company	Issuing authority	Effective date / Expiry date	Description of license / certificate	Account no. / License no. / Certificate no.	Major conditions imposed	Status of compliance
				1(c): Jungle felling and terracing 1(d): Farm road / gravel road 1(e): Other related works, sand-filling, etc 2(a): Asphaltic coatings 2(b): Bituminous road 2(c): Other materials associated with road construction 2(d): Repair and maintenance 3(a): Earth 3(b): R.C. 3(c): Plankwalk 4(a): Construction, repair and maintenance of road-railing 4(b): Road lining and associated works 4(c): Construction repair and maintenance of road kerbs / dividers			
18.	SMC	ACS Certification (M) Sdn Bhd (ACS)	23 July 2019 – 17 July 2022	Certificate of Registration for provision of project management in building construction and infrastructure works ISO 9001:2015	Certificate No: ACSMA0550-02	None	Not applicable

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4. BUSINESS OVERVIEW (CONT'D)

4.9 Business Process

Our general process flow to undertake construction project is depicted in the diagram below:



In general, the process flow of a building construction project is usually implemented in three phases. The initial phase starts with contract procurement, where the contract is either secured through tendering or direct negotiation with our customer. Direct negotiation applies to potential projects recommended from consultants, referrals or invitations from past and existing customers. The tendering process begins when we receive a direct invitation from prospective customer to participate in open tenders for special-built buildings projects.

Once the potential project is deemed feasible, our Quantity Surveyor and Project Manager will prepare a tender proposal based on the project's requirements. They will identify the relevant scope of work and estimate the extent of subcontracted work required while our Quantity Surveyor will provide the estimated cost of construction material required.

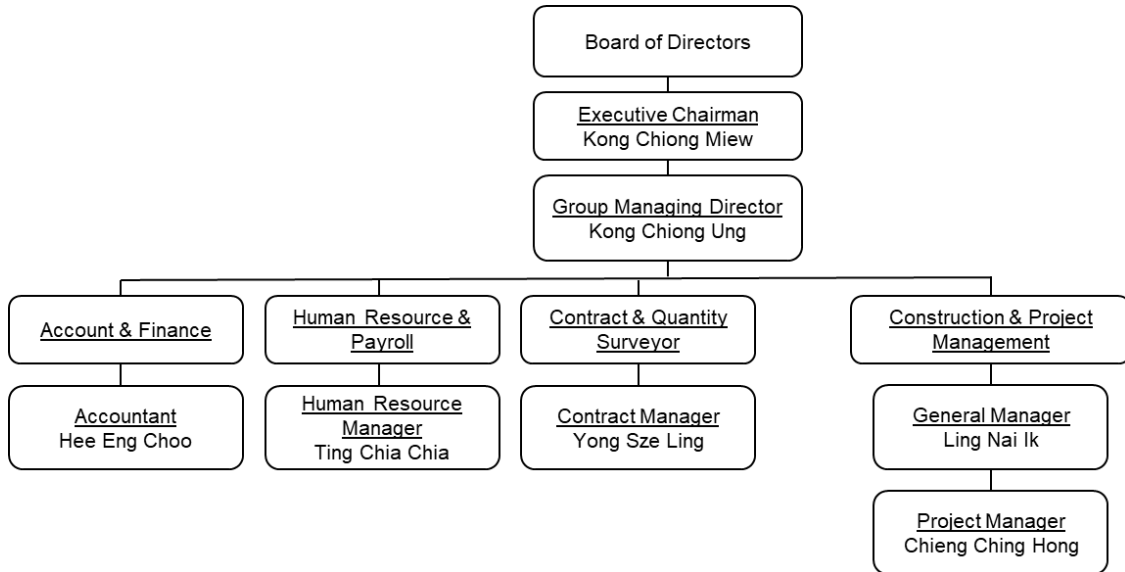
When a contract is secured, we will commence pre-construction and construction works which involve the following processes:

- (i) **Pre-construction:** Pre-construction begins with project planning, cost estimation, design and structural review. The preparation of preliminary works for site possession is commenced at this stage.
- (ii) **Procurement:** This stage involves the procurement of construction materials, labour, hiring of machinery and equipment required for the project. Subcontractors are appointed subject to the evaluation and approval of their proposals where required. The appointment will be based on criteria such as timeliness of delivery, reliability, quality and pricing.
- (iii) **Construction:** This process involves construction works which will be monitored, coordinated and supervised by our Group Managing Director and General Manager with the assistance of the project team to ensure the project timeline is adhered to. Over the course of the construction period, the project team carries out regular inspections to ensure works are performed according to specifications. Testing and commissioning activities are carried out at the end of construction activities before the project is officially handed over to our customer.
- (iv) **Post construction:** The project is deemed completed upon the receipt of CPC. This is also when we officially handover the completed projects to customers. The defects liability period will begin once the CPC is obtained and we are bound to rectify defects that appear during this period. The length of the defects liability period is dependent on the nature and scale of the project and generally ranges from 12 to 30 months after receiving the CPC.

4. BUSINESS OVERVIEW (CONT'D)

4.10 Employees

Our organisation chart is as follows:



A summary of our Group's total workforce is set out below:

Category	No. of Employees	
	As at 31 December 2020	As at the LPD
Executive Directors	2	2
Company Management Team	2	1
Account and Finance	8	8
Admin and Procurement	10	11
Human Resource and Payroll	5	6
Contract and Quantity Surveyor	5	6
Project management team	23	24
Store and Workshop	9	5
Site supervisor / Foreman	16	16
Driver / Operator	24	19
General workers		
Local workers	27	47
Foreign workers	185	52
TOTAL	316	197

As at the LPD, we have a total workforce of 197 employees, of which 145 are local staff and remaining 52 are foreign workers. As at the LPD, our foreign workers have valid working permits and passports.

4. BUSINESS OVERVIEW (CONT'D)

4.11 Sales and Marketing

We do not have a designated marketing personnel. Our Promoters, assisted by our Project Manager, Quantity Surveyor and contracts department personnel, actively engaged past and existing customers, as well as consultants, to identify potential business opportunities.

Our Group has on many occasions secured new projects via invitation. Be it a new, existing, or a past customer, our Group's commendable track records have provided us with opportunities to do so. On other occasions, consultants whom our Group has had dealings with have also referred us to prospective customers.

Our Group's participation in high profile projects in the past, such as The Peak Condominium in Bintulu, Sarawak have also aided in creating awareness of our prolific experience.

4.12 Research and Development

As a building construction group, we do not undertake research and development activities in our business operations.

4.13 Internal Controls and Risk Management Systems

In order to ensure the adequacy and effectiveness of our internal control and risk management systems, we have engaged the Independent Internal Controls and Risk Management Systems Consultant to conduct a review. Our Board, after taking into consideration the review results by the Independent Internal Controls and Risk Management Systems Consultant, is of the opinion that our internal controls and risk management systems are adequate and operating effectively.

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4. BUSINESS OVERVIEW (CONT'D)

4.14 Brand Names, Patents, Licensing Agreements, Assistance Agreements, Franchises and Other Intellectual Property Rights

Save as disclosed in the table below, we do not have any other brand names, patents, licensing agreements, assistance agreements, franchises and other intellectual property rights for our business operations as at the LPD:

Trademark	Registered owner	Country of Registration	Application no.	Date of application	Class	Status
	SMC	Malaysia	TM2020027469	18 November 2020	35 ⁽¹⁾ and 37 ⁽²⁾	The trademark has been gazetted on 9 September 2021.

Notes:

⁽¹⁾ Advertising; business administration; business administration assistance; business management and administration; business project management and administration; marketing and promotional activities relating to business administration and business management; information, advisory and consultancy services relating to business management and business administration provided on-line or via the internet; business development; business strategy development; social media marketing; online customer-based social media brand marketing services; providing business information in the field of social media; providing marketing consultancy in the field of social media; organisation of advertising events; arranging and conducting of promotional and marketing events; organising and conducting trade fairs, events and exhibitions for commercial or advertising purposes; providing business information via a web site; providing marketing information via web sites; real estate marketing; real estate sales management services; advertising of commercial or residential real estate; advertising of real estate; publication of publicity material; publication of publicity materials on-line; corporate communications services; dissemination of advertising via online communications networks.

⁽²⁾ Construction; building construction; real estate development building and construction services; repair and maintenance of shopping centers, industrial complexes, office buildings, residential buildings and other real estate developments; building renovation; installation of utilities in construction sites; installation of rainwater drainage systems; road paving; construction services in the nature of earthworks; pile driving services; laying of foundations; concrete leveling services; installation of floor tiles; supervision of building reconstruction; demolition of civil engineering structures; general building contractor services.

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4. BUSINESS OVERVIEW (CONT'D)

4.15 Properties of Our Group

Details of material properties owned by our Group as at the LPD are as follows:

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqm)	Tenure
1.	SMC	<p><u>Postal Address</u> Lot 10680 Block 32 Kemena Land District, Sibiyu Light Industrial Estate, Jalan Bintulu-Tatau, Bintulu</p> <p><u>Land Description</u> Lot 10680 Block 32 Kemena Land District (formerly known as Sublot 20 of Lot 271 Block 32 Kemena Land District), Jalan Bintulu-Sibiyu, Bintulu</p>	<p><u>Description of properties</u> Double storey semi-detached light industrial building</p> <p><u>Existing use</u> Use as construction workshop by SMC</p>	<p>Mixed Zone Land / Suburban Land</p> <p><u>Special conditions:</u> 2-storey semi-detached building for industrial, office, store and watchman's quarters.</p>	1 July 2010	904.00	60 years, expiring on 1 September 2075
2.	SMC	<p><u>Postal Address</u> Lot 10679 Block 32 Kemena Land District, Sibiyu Light Industrial Estate, Jalan Bintulu-Tatau, Bintulu</p> <p><u>Land Description</u> Lot 10679 Block 32 Kemena Land District (formerly known as Sublot 19 of Lot 271 Block 32 Kemena Land District), Jalan Bintulu-Sibiyu, Bintulu</p>	<p><u>Description of properties</u> Double storey semi-detached light industrial building</p> <p><u>Existing use</u> Use as construction workshop by SMC</p>	<p>Mixed Zone Land / Suburban Land</p> <p><u>Special conditions:</u> 2-storey semi-detached building for industrial, office, store and watchman's quarters.</p>	1 July 2010	632.70	60 years, expiring on 1 September 2075

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqkm)	Tenure
3.	SMC	<p><u>Postal Address</u> Lot 3411, Block 12 Muara Tebas Land District Off Jalan Setia Raja (Vista Industrial Park), Kuching, Sarawak</p> <p><u>Land Description</u> Lots 3411-3416, Block 12, MTL D at Off Jalan Setia Raja, Kuching (formerly known as New Survey Lot 3365 (Part of Parent Lot 30, 44, 83, Block 12, MLTD, Lots 3583, 3584, 3612-3615, 4276, 4277, 4279, 4281-4284 and 4922), all under Muara Tebas Land District, Block 1 (Plots 9-14) at Off Jalan Setia Raja, Kuching)</p>	<p><u>Description of properties</u> 2-storey semi-detached factory</p> <p><u>Existing use</u> Rented out to Jee Hong Trading Sdn. Bhd. to be used for bicycle workshop, bicycle storage and storage of baby goods</p>	<p>Mixed Zone Land / Town Land</p> <p><u>Special conditions:</u> The land is to be used for industrial purposes.</p>	14 November 2018	665.50	99 years, expiring on 8 August 2109
4.	SMC	<p><u>Land Description</u> Lot 531 Block 10 Senggi-Poak Land District, Tah Foh Shak, Siniawan Bau</p>	Vacant land	<p>Mixed Zone Land / Country Land</p> <p><u>Special conditions:</u> The land is to be used for agricultural purposes.</p>	Not applicable	24,270.00	99 years, expiring on 22 January 2118
5.	SMC	<p><u>Land Description</u> Lot 530 Block 10 Senggi-Poak Land District, Tah Foh Shak, Siniawan Bau</p>	Vacant land	<p>Mixed Zone Land / Country Land</p> <p><u>Special conditions:</u> The land is to be used for agricultural purposes.</p>	Not applicable	28,440.00	99 years, expiring on 22 January 2118

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqkm)	Tenure
6.	SMC	<u>Land Description</u> Lot 1512 Block 10 Senggi-Poak Land District, Siniawan Bau	Vacant Land	Mixed Zone Land / Country Land <u>Special conditions:</u> The land is to be used for agricultural purposes.	Not applicable	1,789.00	99 years, expiring on 23 January 2118
7.	SMC	<u>Land Description</u> 100/343 undivided shares under Lot 426 Kemena Land District, Sungai Sibiau, Bintulu	Vacant Land	Mixed Zone Land / Town Land <u>Special conditions:</u> The land is to be used for agricultural purposes.	Not applicable	13,881.00	60 years, expiring on 31 December 2022 <u>Extended Term</u> The term of title is extended to 60 years commencing from 9 February 2021 and expiring on 8 February 2081
8.	SMC	<u>Land Description</u> 160/990 and 40/990 undivided shares under Lot 1755, Block 32, Kemena Land District, Jalan Sibiyu, Bintulu, Sarawak	Vacant Land	Mixed Zone Land / Suburban Land <u>Special conditions:</u> The land is to be used for agricultural purposes.	Not applicable	3,961.00	60 years, expiring on 22 July 2072

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqm)	Tenure
9.	<p><u>Registered Owner</u> Naim Land Sdn Bhd (Developer)</p> <p><u>Beneficial Owner</u> (¹) SMC</p>	<p><u>Postal Address</u> Unit No. E-2-2, Unit No. E-2-3, Unit No. E-2-3a, Unit No. E-2-5 all within Bintulu Paragon Street Mall, Old Airport Road, 97000 Bintulu Sarawak</p> <p><u>Land Description</u> Phase 1 Block E erected on Master Lots 4532 and 4533 (formerly known as Lots 2203, 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak</p>	<p><u>Description of properties</u> Commercial Building known as Bintulu Paragon</p> <p><u>Existing use</u> <u>Unit E-2-2</u> Rented out to The Ark Reading Room to use as book room, sale of souvenirs and stationery</p> <p><u>Unit E-2-3</u> Rented out to Borneo SMC Engineering Sdn Bhd to use as office</p> <p><u>Units E-2-3a and E-2-5</u> Vacant. SMC proposed to use the said premise as their office.</p>	<p>Mixed Zone Land/ Town Land</p> <p><u>Special conditions:</u> Up to 39-storey detached/ on podium building for residential/ condominium, commercial, hotel, office and other related purposes.</p>	<p>Partial Occupation Permit dated 27 May 2013</p>	<p>117.00 for each unit</p>	<p>99 years, expiring on 4 July 2111</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqm)	Tenure
10.	<p><u>Registered Owner</u> Naim Land Sdn Bhd (Developer)</p> <p><u>Beneficial Owner</u> (1) SMC</p>	<p><u>Postal Address</u> Unit No. F-G-1 (Ground Floor), Unit No. F-1-1 (First Floor), Unit No. F-2-1 (Second Floor) all within Bintulu Paragon Street Mall, Old Airport Road, 97000 Bintulu Sarawak</p> <p><u>Land Description</u> Phase 1 Block F erected on Master Lots 4532 and 4533 (formerly known as Lots 2203, 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak</p>	<p><u>Description of properties</u> Commercial Building known as Bintulu Paragon</p> <p><u>Existing use</u> Units F-G-1, F-1-1 and F-2-1 Vacant. SMC proposed to use the said premise as their office.</p>	<p>Mixed Zone Land/ Town Land</p> <p><u>Special conditions:</u> Up to 39-storey detached/ on podium building for residential/ condominium, commercial, hotel, office and other related purposes.</p>	<p>Partial Occupation Permit dated 27 May 2013</p>	<p>Ground Floor – 287.1 First Floor – 323.4 Second Floor – 323.4</p>	<p>99 years, expiring on 4 July 2111</p>
11.	<p><u>Registered Owner</u> Naim Land Sdn Bhd (Developer)</p> <p><u>Beneficial Owner</u> (1) SMC</p>	<p><u>Postal Address</u> C-1-19, Bintulu Paragon Street Mall, Old Airport Road, 97000 Bintulu Sarawak</p> <p><u>Land Description</u> Block C erected on Master Lots 4532 and 4533 (formerly known as Lots 2203, 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak</p>	<p><u>Description of properties</u> Commercial Building known as Bintulu Paragon</p> <p><u>Existing use</u> Rented out to Tommy Wong Chu Huang to be used for retail purpose.</p>	<p>Mixed Zone Land/ Town Land</p> <p><u>Special conditions:</u> Up to 39-storey detached/ on podium building for residential/ condominium, commercial, hotel, office and other related purposes.</p>	<p>Partial Occupation Permit dated 27 May 2013</p>	<p>136.00</p>	<p>99 years, expiring on 4 July 2111</p>

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqm)	Tenure
12.	<u>Registered Owner</u> Naim Land Sdn Bhd (Developer)	<u>Postal Address</u> E-2-01, Bintulu Paragon Street Mall, Old Airport Road, 97000 Bintulu Sarawak	<u>Description of properties</u> Commercial Building known as Bintulu Paragon	Mixed Zone Land / Town Land <u>Special conditions:</u> Up to 39-storey detached/ on podium building for residential/ condominium, hotel, commercial, office and other related purposes.	Partial Occupation Permit dated 27 May 2013	221.00	99 years, expiring on 4 July 2111
	<u>Beneficial Owner</u> ⁽¹⁾ SMC	<u>Land Description</u> Phase 1, Block E erected on Master Lots 4532 and 4533 (formerly known as Lots 2203, 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak	<u>Existing use</u> Rented out to The Ark Reading Room to be use as book room, sale of souvenirs and stationery				
13.	<u>Registered Owner</u> S.K. Gold Land Bhd (Developer)	Unit L-80, L-81 and L-82 all situated in Level 1 under the mixed development known as SK One Garden City comprising commercial lots and service apartment known as Garden City Residential which is erected on Lots 184 and 924 Bintulu Town District, Jalan Sultan Iskandar, Bintulu, Sarawak	SK One Garden City comprising commercial lots and service apartment known as Garden City Residential ⁽⁴⁾	Mixed Zone Land / Town Land <u>Special conditions:</u> The land is to be used for commercial and residential purposes.	Not applicable	L80 – 1,436.99 L81- 1,443.45 L82 – 1,379.94	60 years expiring on 4 May 2066
	<u>Beneficial Owner</u> ⁽²⁾ SMC						
14.	<u>Registered Owner</u> S.K. Gold Land Bhd (Developer)	Unit L-80, L-81 and L-82 all situated in Level 2 under the mixed development known as SK One Garden City comprising commercial lots and service apartment known as Garden City Residential which is erected on Lots 184 and 924 Bintulu Town District, Jalan Sultan Iskandar, Bintulu, Sarawak	SK One Garden City comprising commercial lots and service apartment known as Garden City Residential ⁽⁴⁾	Mixed Zone Land / Town Land <u>Special conditions:</u> The land is to be used for commercial and residential purposes.	Not applicable	L80 – 1,427.31 L81- 1,356.26 L82 – 1,288.45	60 years expiring on 4 May 2066
	<u>Beneficial Owner</u> ⁽²⁾ SMC						

4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sqm)	Tenure
15.	<u>Registered Owner</u> S.K. Gold Land Bhd (Developer) <u>Beneficial Owner</u> ⁽²⁾ SMC	Unit L-80, L-81, L-82, L-83, L-83A all situated in Level 3 under the mixed development known as SK One Garden City comprising commercial lots and service apartment known as Garden City Residential which is erected on Lots 184 and 924 Bintulu Town District, Jalan Sultan Iskandar, Bintulu, Sarawak	SK One Garden City comprising commercial lots and service apartment known as Garden City Residential ⁽⁴⁾	Mixed Zone Land / Town Land <u>Special conditions:</u> The land is to be used for commercial and residential purposes.	Not applicable	L80 – 1,755.61 L81 - 1,684.57 L82 – 1,616.75 L83 – 1,546.79 L83A – 1,666.27	60 years expiring on 4 May 2066
16.	<u>Registered Owner</u> Naim Land Sdn Bhd (Developer) <u>Beneficial Owner</u> ⁽³⁾ SMC	<u>Postal Address</u> Sublot 25-10, Naim The Peak, No.1, Old Airport Place, 97000 Bintulu, Sarawak. <u>Land Description</u> Parcel No. 10, Phase 1 erected on Master Lots 4532 and 4533 (formerly known as Lots 2203, 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak	<u>Description of properties</u> 34-storey residential condominium known as The Peak Condominium <u>Existing use</u> Vacant.	Mixed Zone Land / Town Land <u>Special conditions:</u> Up to 39-storey detached/ on podium building residential/ condominium, commercial, hotel, office and other related purposes.	16 December 2019	1,216.00	99 years, expiring on 4 July 2111

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4. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial owner	Postal Address / Land Description	Description of properties / Existing use	Classification of land / Category of land	Occupation Permit	Land area / Built-up Area (Sq.m)	Tenure
17.	<p><u>Registered Owner</u> Naim Land Sdn Bhd (Developer)</p> <p><u>Beneficial Owner</u> (3)</p> <p>SMC</p>	<p><u>Postal Address</u> Sublot 25/26-03A, Naim The Peak, No.1, Old Airport Place, 97000 Bintulu, Sarawak.</p> <p><u>Land Description</u> Parcel No.03A, Phase 1, erected on Master Lots 4532 and 4533 (formerly known as Lots 4172 and 4173), Bintulu Town District, Paragon, Bintulu Town, Sarawak</p>	<p><u>Description of properties</u> 34-storey residential condominium known as The Peak Condominium</p> <p><u>Existing use</u> Vacant. SMC proposed to rent out the property for residential purpose</p>	<p>Mixed Zone Land/ Town Land</p> <p><u>Special conditions:</u> Up to 39-storey detached/ on podium building for residential/ condominium, commercial, hotel, office and other related purposes.</p>	16 December 2019	1,592.00	99 years, expiring on 4 July 2111

Notes:

- (1) The sale and purchase transactions are completed and purchase price fully paid. The properties will be registered under SMC's name upon issuance of the strata title by the developer.
- (2) The sale and purchase transactions are pending completion as the properties are under construction. The properties will be registered under SMC's name upon the completion of the sale and purchase agreements and the issuance of the strata title for the land.
- (3) The sale and purchase transactions are pending completion and the remaining of the purchase price will be paid upon the issuance of the strata title by the developer. The properties will be registered under SMC's name upon issuance of the strata title by the developer.
- (4) The properties are still under construction.

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4. BUSINESS OVERVIEW (CONT'D)

Details of material properties rented or leased by our Group as at the LPD are as follows:

No.	Postal Address/ Land Description	Landlord / Tenant Lessor / Lessee	Description	Land area / Built-up Area (Sqm)	Period of tenancy / Rental
1.	<u>Postal Address</u> 1 st Floor, No.142, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak <u>Land Description</u> Lot 3428 Bintulu Town District, Jalan Tun Ahmad Zaidi, Bintulu, Sarawak	<u>Landlord</u> Liong Pien Onn <u>Tenant</u> SMC	Main Office	122.50	<u>Period of Tenancy</u> 1 November 2020 to 31 October 2021 <u>Rental</u> RM1,000.00 per month
2.	<u>Postal Address</u> 2 nd Floor, No.142, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak <u>Land Description</u> Lot 3428 Bintulu Town District, Jalan Tun Ahmad Zaidi, Bintulu, Sarawak	<u>Landlord</u> Liong Pien Onn <u>Tenant</u> SMC	Main Office	122.50	<u>Period of Tenancy</u> 1 September 2021 to 31 August 2022 <u>Rental</u> RM500.00 per month
3.	<u>Postal Address</u> No.143, 1 st and 2 nd Floor, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak <u>Land Description</u> Lot 3429 Bintulu Town District, Jalan Tun Ahmad Zaidi, Bintulu, Sarawak	<u>Landlord</u> Liong Poh Kim <u>Tenant</u> SMC	Main Office	1 st Floor - 122.50 2 nd Floor – 122.50	<u>Period of tenancy</u> 1 January 2021 to 31 December 2021 <u>Rental</u> RM1,500.00 per month
4.	<u>Land Description</u> Lot 2969, Block 6, Lawas Land District, Lawas River, Lawas, Sarawak ⁽¹⁾	<u>Landlord</u> Kenygold Sdn Bhd <u>Tenant</u> SMC	Temporary workers' accommodation and site office	24,140.00	<u>Period of Tenancy</u> 2 May 2020 to 30 April 2025 <u>Rental</u> RM3,000.00 per month

Registration No. 202001024626 (1380946-V)

4. BUSINESS OVERVIEW (CONT'D)

No.	Postal Address/ Land Description	Landlord / Tenant Lessor / Lessee	Description	Land area / Built-up Area (Sqm)	Period of tenancy / Rental
5.	<u>Postal Address</u> First and Second Floor, Sublot No. 31, Lot 2104 Block 20 Kemena Land District (Formerly Part of Parent Lot 790 Block 20 Kemena Land District, Bintulu, 97000 Sarawak <u>Land Description</u> Sublot No. 31, Lot 2104 Block 20 Kemena Land District (Formerly Part of Parent Lot 790 Block 20 Kemena Land District, Bintulu, 97000 Sarawak	<u>Landlord</u> Jayfatt Sdn. Bhd. <u>Tenant</u> SMC	Site Office	118.10	<u>Period of Lease</u> 1 July 2021 to 30 June 2022 <u>Rental</u> RM1,800.00 per month

Note:

(1) SMC has sublet this tenanted property to Borneo SMC Engineering Sdn Bhd on a monthly basis.

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4. BUSINESS OVERVIEW (CONT'D)

4.16 Construction Machinery and Equipment

As at the LPD, we own the following construction machinery and equipment for our operations:

Construction machinery and equipment	Age range (year(s))	Units	Audited net book value as at 31 December 2020 (RM'000)
Equipment	7	430	521
Motor vehicles ⁽¹⁾	8	76	126
Plant and Machinery ⁽²⁾	1	2	106
Right-of-Use Assets			
Equipment	1	6	494
Motor vehicles ⁽¹⁾	2 - 3	22	1,877
Plant and Machinery ⁽²⁾	2	9	3,402
Total			6,526

Notes:

⁽¹⁾ Motor vehicles comprise private cars, 4 x 4 pickup, lorry, truck, dumper, forklift and excavator.

⁽²⁾ Plant and machinery comprise passenger hoist, concrete pump and mobile crane.

4.17 Operating Capacity and Output

Due to the nature of our Group's business activities, operating capacity and output is not applicable to us.

4.18 Material Capital Expenditure and Divestiture

Save as disclosed below, our Group has not incurred any other material capital expenditure for the FYE Under Review:

Capital expenditure	FYE 31 December 2018 (RM'000)	FYE 31 December 2019 (RM'000)	FYE 31 December 2020 (RM'000)
Plant and equipment	2,119	1,377	1,122
Investment properties work-in-progress	2,339	1,732	1,719
Hire purchase on plant and equipment	200	739	3,803
Total expenditure	4,658	3,848	6,644

Our Group had no material divestment during the FYE Under Review and up to the LPD. The material capital expenditure above was mainly financed by bank borrowings and internally generated funds.

The additional plant and equipment have strengthened our capacity and flexibility in meeting the needs of our construction activities and leasing purposes. This in return, allowed us to better manage our time and cost, also to generate higher hiring income due to the leasing of additional units of plant and equipment.

4. BUSINESS OVERVIEW (CONT'D)

4.19 Regulatory Requirements and/or Environmental Issues

As at the LPD, save as disclosed in Section 4.8 of this Information Memorandum, there are no other regulatory requirements and/or environment issues which may materially affect our business and operations.

4.20 Seasonality of Our Business

Our Group's operations and sales are not subject to any material seasonality factors. However, the demands for properties and construction services may be affected by factors such as global and local economic conditions and government policies, which may affect construction activities.

4.21 Business Interruptions

Save as disclosed in Section 4.2 of this Information Memorandum, our Group has not experienced any interruption that has had a significant effect on our operations during the past 12 months preceding the LPD.

4.22 Material Plans to Construct, Expand or Improve Facilities

As at the LPD, save for the utilisation of proceeds of RM12,000,000 that were raised from the Private Investors and one of our Minority Shareholders as set out in Section 2.2 of this Information Memorandum, we do not have any other immediate material plans to construct, expand or improve our facilities.

4.23 Dependency on Patents, Licenses, Contracts, Agreements or Other Arrangements

As at the LPD, save for the major approvals, licenses and permits as disclosed in Section 4.8 of this Information Memorandum, we are not dependent on any of our patents, licences, contracts, agreements or other arrangements that could materially affect our business or profitability.

4.24 Future Plans

We believe that the pursuit of the strategies below will contribute to the growth of our business.

4.24.1 To further grow our existing building construction activities

Since our establishment, we have cultivated much goodwill and built a reputation as a trusted builder in the construction industry.

Our Group's past and present projects bear testament to our commitment to execute projects with quality and in a timely fashion, excluding the hallmarks of a dedicated builder. Our past projects, encompassing various residential and commercial developments, include famous landmarks such as Bintulu Paragon and The Peak Condominium.

As at the LPD, our Group has 11 on-going construction projects, with a total project value of RM254.56 million. In addition, our Group will embark on 4 development projects, with an estimated GDV of RM187.75 million.

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4. BUSINESS OVERVIEW (CONT'D)

The COVID-19 pandemic and lockdown measures imposed by the Government of Malaysia have dampened overall consumer demand for property, as well as causing delays on some construction projects. Due to this, certain quarters, including property developers have postponed plans for new construction projects. As we are dependent on construction contracts, postponement of new construction projects will result in a longer period to replenish our order book. However, we are cautiously optimistic on the situation, which is expected to improve in the near future on the back of various government initiatives and economic stimulus packages introduced to ease the economy during this difficult period. We also note that Sarawak's property market is predominantly domestic, and would comparatively be less affected by global events, as the Sarawak state's recovery would depend very much on the extent and speed of recovery of the various sectors contributing to the Sarawak state's GDP growth.

Forging ahead, our Group intends to further grow our construction activities by participating more actively in tenders for residential, commercial, infrastructure, and construction of other structures, including special-purpose buildings for industrial use, and various other usage, as well as building and infrastructure related activities, such as building and facility maintenance. Our Group also plans to form joint ventures with landowners, to develop residential housing projects and high-rise residential projects through SMD.

As part of this expansion plan, our Group intends to allocate RM4.00 million of the proceeds raised from our Private Investors and one of our Minority Shareholders to partly defray the costs relating to the earthwork and infrastructural costs of the Housing Project, which include payment to subcontractors, as well as payment to construction workers. This will free up our working capital and enable us to tender for and/or take on additional projects.

Further details on the utilisation of proceeds are disclosed in Section 2.2 of this Information Memorandum.

4.24.2 We intend to purchase machinery and equipment to support our expansion plans

As at 31 July 2021, we own a total of 12 heavy machineries, 97 vehicles, whereby 57 out of 97 are used in our construction activities. Further details of our vehicles, machinery and equipment used in our construction activities, are available in Section 4.16 of this Information Memorandum. These construction machinery and equipment are used to perform our daily construction activities and we also hire construction machinery and equipment as and when required. In addition, selected works at site also utilise construction machinery and equipment which are provided by our subcontractors as part of their scope of work.

In order to enhance our capability to secure large scale projects and cater for new projects secured, we have allocated RM3.03 million, or 25.22% of the proceeds raised from the Private Investors and one of our Minority Shareholders to purchase new construction machineries and equipment, which we plan to acquire within 24 months from the LPD. The identified machineries and equipment include 3 units of hydraulic-power mobile cranes, 1 unit of excavator, 1 unit of truck, 1 unit of air compressor, 1 unit of genset and 1 unit of welding machine. Further details of our intended use of proceeds are disclosed in Section 2.2 of this Information Memorandum.

The purchase of these construction machinery and equipment is expected to increase our capacity and flexibility in meeting the needs of our future construction projects, as it allows us to use these construction machinery and equipment as and when required without delays or incurring additional costs to rent from external parties. This flexibility may result in better time management as we are able to mobilise these construction machinery and equipment on short notices to our construction sites when required. Further, we will also be able to manage our costs more efficiently while at the same time enable our Group to be more competitive in terms of pricing, which will provide us an edge when trying to secure future contracts.

4. BUSINESS OVERVIEW (CONT'D)

4.24.3 We intend to form strategic alliances with larger and reputable construction entities

Our Group intends to form strategic alliances with reputable companies who have better resources, capabilities and core competencies to acquire new technologies or skills. The collaboration aims for a synergy where both parties believe the benefits from the alliance will be greater than those from individual efforts.

By forming strategic alliances, our Group will have a better access to potentially participate in large scale projects. The strategic alliances are expected to enhance the profile of our Group, as it will enable us to access the resources, manpower and expertise of our strategic partners, amplifying our abilities to work on large scale projects.

4.24.4 To further grow our construction support services business

SMC is also currently involved in the provision of construction support services. On 12 October 2020, SMC has accepted a letter of award from Borneo SMC Engineering Sdn Bhd for the provision of construction support services for a provisional sum of RM35,500,000 for a duration of 4 years for SSGP.

Moving forward, our Group intends to further grow our construction support services business by participating more actively in tenders for provision of these services.

4.25 Prospects of Our Group

Our Group believes that the prospects in the construction industry are favourable in view of the following factors:

(i) Prospects of the construction industry

Year 2020 has proved challenging for the Malaysian economy, and the Malaysian construction industry was no exception. In light of the COVID-19 pandemic, the various lockdown measures imposed by the federal and state government have impacted operations of many construction projects, causing delays to construction timelines while incurring additional costs. Overall, the Malaysian construction sector is expected to contract by 18.7% for the year.

The Malaysian property market took a beating as well, with a decrease of 9.9% in volume and 15.8% drop in value of transactions, as compared to 2019. As a result of the slow primary market absorption, the residential property overhang continued to increase.

Despite the abovementioned, BNM expects the Malaysian economy to recover gradually in 2021, as the economy progressively re-opens and external demand improves. Looking ahead, a rebound of 13.9% is expected for the Malaysian construction industry in 2021, on accounts of the acceleration and revival of major infrastructure, housing and major civil engineering projects.

We also noted that the property market in Sarawak is largely domestic. This partially shields the Sarawak property market from the effects of any economic turmoil outside Sarawak. Therefore, the recovery and growth of the state's property market would depend very much on the extent and speed of recovery of the various sectors contributing to the Sarawak state's GDP.

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4. BUSINESS OVERVIEW (CONT'D)

(ii) On-going construction projects

As at the LPD, our Group has 11 on-going construction projects, which consist of the construction of residential, commercial and others which comprises mainly revenue from renovation works, store and road infrastructure. As at 31 July 2021, our Group has an estimated remaining project value of RM91.90 million to be recognised over the next year, up to FYE 31 December 2022. Further details of our on-going projects are set out in Section 4.4.1 of this Information Memorandum.

(iii) Our competitive strengths

Our Group has more than 15 years history in the construction industry. Throughout the years, we have accumulated invaluable experience, and in the uncompromising ways to meet the needs of our customers, we have built a solidly admirable reputation for our Group. Through our reputation and work ethics, we have developed close working relationships, with not just our customers, but also with our suppliers. This ensures we enjoy continuous supply of raw materials and services at competitive prices. Our efforts to maintain good quality enabled us to be accredited with ISO 9001:2015 by ACS for the provision of project management in building construction and infrastructure works in July 2019.

Our Group has an experienced management team with strong technical expertise and know-how. Our Executive Chairman, Kong Chiong Miew and our Group Managing Director, Kong Chiong Ung, have each more than 25 years of experience in construction business. Aided by our key management team, who collectively, have exposure across a broad spectrum of business activities, including quantity survey, project and contract management, marketing and finance, our Group is more than prepared to take on additional challenges in the construction industry landscape.

Further details of our competitive strengths are available in Section 4.3 of this Information Memorandum.

(iv) Purchase of new machinery and equipment

Our Group has allocated RM3.03 million, or 25.22% of the proceeds raised from the Private Investors and one of our Minority Shareholders to purchase new construction machineries and equipment to further expand our capacity in the construction and development industry. The purchase of these machineries and equipment will increase our Group's capacity and flexibility in meeting the needs of our future construction and development projects. Further details on our intended purchase of new machineries and equipment are available in Section 2.2 of this Information Memorandum.

(v) Continuous efforts in expanding our services and capabilities

Our Group's future strategies moving forward involve continuous efforts to expand our current portfolio of projects, to bid for larger projects, as well as to secure construction and infrastructure related projects. We intend to leverage on our Group's reputation, our experienced management team, as well as through our present and future strategic partners, to secure large scale projects.

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5. INDUSTRY OVERVIEW

5.1 Introduction to the Construction Industry

Construction means an activity of putting together different elements, using a detailed design and plan, to create a structure for a certain location. Most of the construction projects can be generally categorised into these three types of projects namely, buildings and houses, public works and industrial type structures. Buildings and houses projects can be further categorised into residential or non-residential whereas public works mainly refers to the construction of infrastructures.

SMH, via its subsidiaries, is principally involved in the construction contract works and provision of construction support services, property development and trading in building materials and tools. SMH's revenue is mainly contributed from the construction segment.

5.2 Overview and Outlook of Malaysian Economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

The balance of risks remains tilted to the downside, arising mainly from pandemic-related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

(Source: BNM Quarterly Bulletin for Second Quarter of 2021, BNM)

After a dismal economic performance in 2020 due to the COVID-19 pandemic, the Malaysian economy is expected to rebound firmly in 2021, in line with the expectation of a more synchronised global recovery. At the same time, domestic demand is projected to record a steady growth, supported by improvements in labour market conditions, low inflation and favourable financing conditions as well as the revival of major infrastructure projects. All sectors in the economy are expected to turnaround, with services and manufacturing sectors continuing to spearhead growth.

5. INDUSTRY OVERVIEW (CONT'D)

Nevertheless, downside risks to the growth outlook remain, arising from the resurgence of COVID-19 cases and the duration of containment measures domestically and globally. Geopolitical tensions, volatility in financial and commodity markets as well as prolonged trade and tech war may dampen the recovery pace. Against this background, the Government will continue to promote resilient and sustainable economic growth, while safeguarding the welfare of the people. Efforts will be enhanced to accelerate the shift to digitalisation, skilled workforce, quality Foreign Direct Investments and strengthening environmental, social and governance principles to ensure sustainable and inclusive growth.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

5.3 Overview and Outlook of Construction Sector in Malaysia

The construction sector registered a strong positive growth of 40.3% (1Q 2021: -10.4%). Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, Program Strategik Memperkasa Rakyat dan Ekonomi ("PEMERKASA") and PEMERKASA+ stimulus packages. However, on a seasonally adjusted, quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under Phase 1 of the FMCO, where only essential construction projects¹ were allowed to operate, albeit at a reduced capacity.

(Source: BNM Quarterly Bulletin for Second Quarter of 2021, BNM)

The real estate and business services subsector declined by 11.3% in the first half of 2020, attributed to temporarily suspension of construction activities during the MCO. The subsector is expected to continue to decline by 11.9% in the second half and 11.6% for the whole year. This is mainly due to deferred construction projects and subdued business activities. However, with projected economic recovery and the roll-out of delayed infrastructure projects, the subsector is expected to rebound by 7.6% in 2021. The exemption of Real Property Gains Tax (RPGT), launching of the National Affordable Housing Policy and Rent-to-Own (RTO) scheme, extension of Youth Housing Scheme (YHS) and Home Ownership Campaign (HOC) are expected to support the subsector. In addition, higher demand for construction-related services is expected to drive the business services segment.

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

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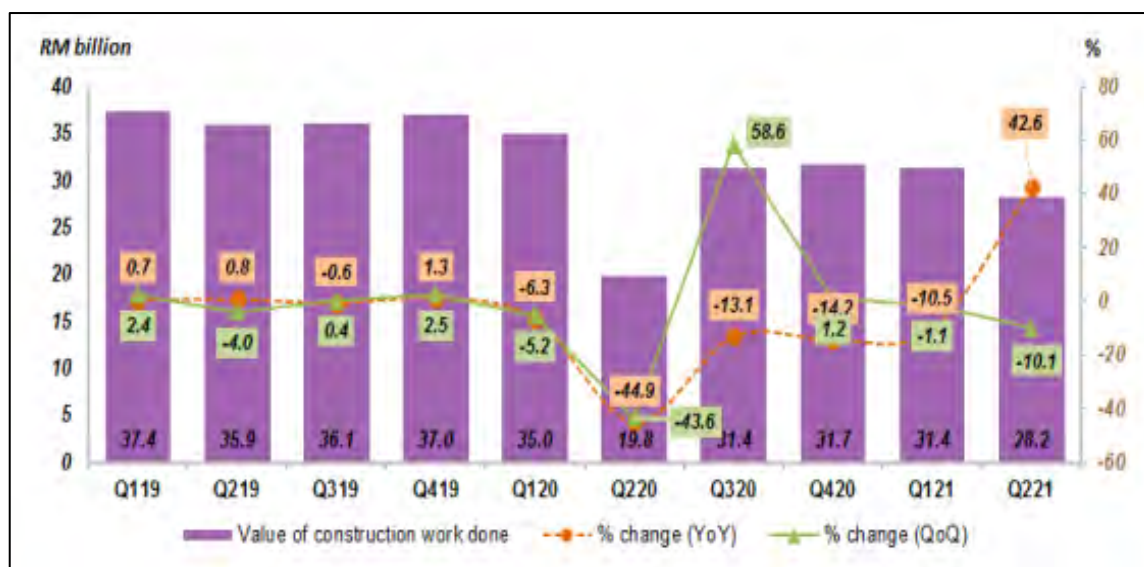
5. INDUSTRY OVERVIEW (CONT'D)

Growth in the *construction* sector is also expected to rebound, driven by resumption of activities across all subsectors. In the civil engineering subsector, growth is expected to recover in line with the ramp up of construction activity in large infrastructure projects. Meanwhile, launches of affordable housing projects in the previous years will continue to provide support for activity in the residential subsector. Growth in the special trade subsector is expected to strengthen further with support from solar power projects, Jalinan Digital Negara (JENDELA), small-scale projects under the 2021 Budget and Program Strategik Memperkasa Rakyat dan Ekonomi (PEMERKASA) measures, as well as end-works from the completion of large projects. However, completion of large commercial projects is expected to weigh on growth in the non-residential subsector.

(Source: *Economic and Monetary Review 2020*, BNM)

The value of construction work done in the second quarter 2021 grew 42.6% (Q1 2021: -10.5%) year-on-year basis, amounting to RM28.2 billion (Q1 2021: RM31.4 billion). A quarter on quarter comparison also showed that the value of construction work done contracted by -10.1% from the previous quarter.

Value of construction work done and percentage change, Q1 2019 – Q2 2021



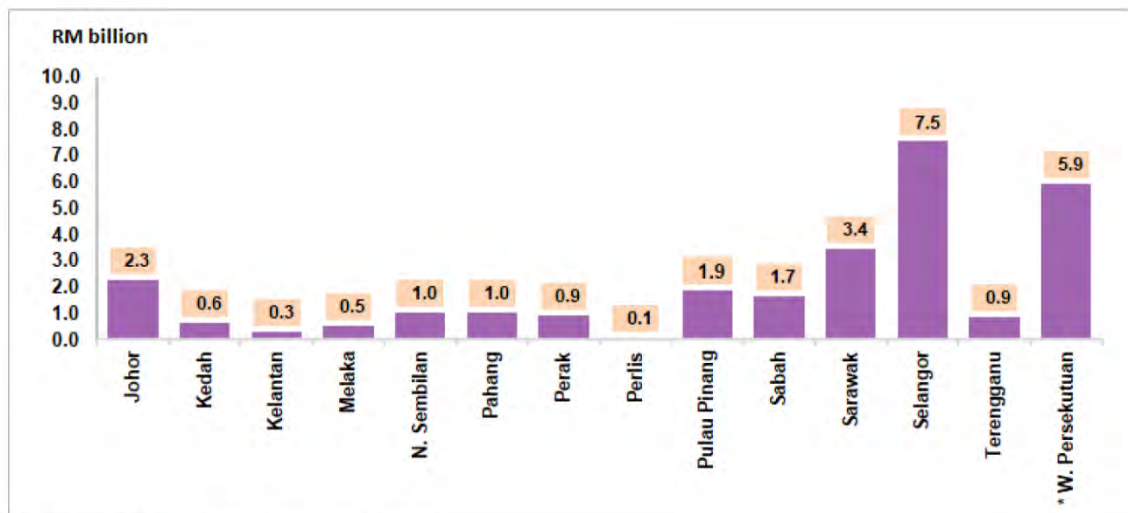
The special trades activities sub-sector registered a growth at 75.0% in the second quarter 2021 as compared to the same quarter last year. Meanwhile, the other three sub-sectors, namely civil engineering, non-residential buildings and residential buildings showed a growth of 59.5%, -37.0% and 18.0%, respectively, as compared with the same quarter 2020.

The Department of Statistics Malaysia also reports the value of construction work done is dominant by civil engineering sub-sector since fourth quarter 2015 with 40.7% share. This followed by non-residential buildings (28.2%), residential buildings (22.6%) and special trades activities (8.6%).

In the second quarter 2021, Selangor recorded the highest value of construction work done with RM7.5 billion or 26.7% share. This was followed by the Wilayah Persekutuan Kuala Lumpur and Sarawak respectively by 21.0% and 12.2%.

5. INDUSTRY OVERVIEW (CONT'D)

Value of construction work done by location of project, Q2 2021



Note: * Include W.P. Kuala Lumpur, Labuan and Putrajaya

(Source: Department of Statistics Malaysia, Second Quarter of 2021)

5.4 Overview of the Property Market in Malaysia

The property market performance recorded a significant increase in the first half of 2021 (“**H1 2021**”) compared to the same period last year (“**H1 2020**”). A total of 139,754 transactions worth RM62.01 billion were recorded, showing an increase of 21.0% in volume and 32.1% in value compared to the same period last year.

Volume of transactions across the sub-sectors showed upward movements. Residential, commercial, industrial, agriculture and development land sub-sectors recorded year-on-year growths of 22.2%, 28.5%, 29.4%, 13.9% and 21.3% respectively.

The residential sub-sector led the overall property market, with 65.8% contribution. This was followed by agriculture sub-sector (18.9%), commercial (7.5%), development land and others (5.9%) and industrial (1.8%). In terms of value, residential took the lead with 55.6% share, followed by commercial (17.6%), industrial (10.4%), agriculture (8.9%) and development land and others (7.4%).

On the supply front, residential construction activity recorded an increase in completion, starts and new planned supply, each up by 8.7%, 35.3% and 36.0% respectively compared to the same period last year. Selangor contributed the highest number of completions, accounting for 15.7% (4,702 units) of the national total, followed by Pulau Pinang (13.2%) and Sarawak (12.6%). As at end-June 2021, there were nearly 6.0 million existing residential units and 0.43 million in the incoming supply with slightly more than 0.43 million in the planned supply.

The acceleration of the National COVID-19 Immunisation Programme and the ability to achieve National Recovery Plan threshold across the states will see the reopening of more economic and social sectors in the fourth quarter of 2021. Supported by the implementation of various government initiatives and assistance, the property market is expected to be on the recovery path in line with the gradual economic recovery.

(Source: Property Market Report First Half 2021, National Property Information Centre (“**NAPIC**”), Valuation and Property Services Department (“**JPPH**”))

5. INDUSTRY OVERVIEW (CONT'D)

5.5 Overview of the Property Market in Sarawak

The performance of East Malaysia Region property market improved in H1 2021, indicated by higher volume and value of transactions as compared to H1 2020. The region registered 14,071 transactions worth RM5.61 billion, increased by 35.5% and 59.2% in volume and value respectively as compared to H1 2020. Combined these three states formed 10.1% and 9.0% of the national volume and value transactions.

All states showed upward trend. Labuan increased by 37.6%, followed by Sarawak (37.1%) and Sabah (30.8%). By state, Sarawak dominated the region's overall property transactions volume and value with 10,258 transactions (72.9%) worth RM3.57 billion (63.7%) followed by Sabah and Labuan. By sub-sector, residential sub-sector continued to dominate the region's property activity by contributing 51.0% in volume (7,174 transactions) and 44.7% in value (RM2.51 billion) from the total transaction.

Residential sub-sector was the main sub-sector for all states. All states recorded double-digit growth led by Sarawak (49.4%), Labuan (38.2%) and Sabah (34.8%). Similar upward trend was seen in transaction value. Sarawak shown an increase of 62.9%, followed by Sabah (61.0%) and Labuan (48.7%). The residential construction activities showed slight improvement in the region.

In general, the sub-sector construction activities saw mix movement in the East Malaysia Region. Completion increased by 20.2% to 256 units (H1 2020: 213 units).

(Source: East Malaysia Region Property Market Report First Half 2021, NAPIC, JPPH)

The state' property market is expected to remain resilient supported by various on-going and proposed development projects. Transport infrastructure development remains the state's focus in line with Pan Borneo Highway Project for long-term highways projects. The whole Pan Borneo Highway covered a total length of 2,239 kilometres including 1,090 kilometres stretch in Sarawak. The project is 52% completed as at June 2020 and is scheduled to be fully completed by 2022. This project not just a catalyst for economic growth but a game-changer that would bring huge transformation to the state.

(Source: Annual Property Market State Report 2020 - Sarawak, NAPIC, JPPH)

5.6 Operators in the Construction Industry

The construction industry in Malaysia is regulated by the Government. The industry is bound by several Federal Acts on matters such as town planning, road and transport, the environment, occupational safety and health, labour and the professional services. The CIDB is a statutory body established under the CIDB Act 520 and operates under the aegis of the Ministry of Works. Its objective is to promote the development and improvement of the construction industry, all contractors whether local or foreign are mandatory to register with CIDB before they participate in any construction works in Malaysia. There are 3 categories of registration namely the building construction category, civil engineering construction category and mechanical and electrical engineering category.

As at the LPD, there were a total of 129,215 registered contractors in Malaysia being CIDB graded Grade 1 to Grade 7. Out of the total registered contractors in Malaysia, 9,430 of these contractors are from Sarawak.

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5. INDUSTRY OVERVIEW (CONT'D)

The table below shows numbers of contractors in the Malaysia Construction Industry as at the LPD:

Grade	Financial Limit (RM)	No. of Contractors
G1	200,000 and below	64,267
G2	200,001 to 500,000	23,862
G3	500,001 to 1,000,000	18,364
G4	1,000,001 to 3,000,000	5,388
G5	3,000,001 to 5,000,000	6,581
G6	5,000,001 to 10,000,000	2,033
G7	10,000,001 and above	8,720

(Source: CIDB)

The table below shows numbers of contractors in Sarawak as at the LPD:

Grade	Financial Limit (RM)	No. of Contractors
G1	200,000 and below	5,221
G2	200,001 to 500,000	1,647
G3	500,001 to 1,000,000	1,080
G4	1,000,001 to 3,000,000	233
G5	3,000,001 to 5,000,000	350
G6	5,000,001 to 10,000,000	163
G7	10,000,001 and above	736

(Source: CIDB)

Contractors who are able to compete and undertake projects of unlimited size are categorised under G7 as they have sufficient financial strength, proven track records, good reputation and technical expertise to undertake larger scale projects.

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6. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER MATTERS IN THIS INFORMATION MEMORANDUM, THE RISKS AND INVESTMENT CONSIDERATIONS BELOW.

The information below does not purport to be complete nor exhaustive, as additional risks and uncertainties not presently known to our Group, or that our Group currently deems as not material, may have an adverse effect on our business.

6.1 Risks Relating to Our Business

6.1.1 We are dependent on our key management personnel

Our Group's continued success depends, to a significant extent, upon the abilities, capabilities and continued efforts of our key management personnel comprising our Executive Chairman, Kong Chiong Miew and Group Managing Director, Kong Chiong Ung, and other senior management from various backgrounds and expertise.

Any loss of our key management personnel without suitable and timely replacement may adversely affect our Group's operations and financial performance. In recognising the importance of attracting and retaining suitable qualified personnel, we have put in place human resource strategies, which include competitive remuneration packages, the adoption of succession planning for key positions and providing employees with a variety of on-going training programmes to enhance their knowledge and capabilities.

However, we cannot provide any assurance that these measures will be successful in attracting and retaining our key management personnel or ensuring a smooth transition should any changes occur.

6.1.2 Our financial performance is dependent on the projects we secure each financial year

As the nature of our construction business is project-based, there is no assurance that we are able to continuously secure new projects. Our financial performance is dependent on our ability to secure new projects and the project's GP and GP margins may differ depending on the scope of work, technical specifications, project durations and costs.

As at the LPD, we have a total of 11 on-going projects based on contracts secured with total value of RM254.56 million. Please refer to Section 4.4.1 of this Information Memorandum for further details of the on-going projects.

Any delay or cancellation or reduction in the contract value or scope of work of secured projects will reduce the value of our order book and in turn will affect our future financial performance. As at the LPD, we have yet to receive any letter of cancellation or request for reduction in the contract value from our customers. Our Group had submitted application of EOT to complete the delayed projects due to the MCO.

6.1.3 Our business and financial performance may be affected by increase in the cost of construction for our projects

The increase in the cost of construction for our Group's projects may have an adverse impact on our business and financial performance. The cost of construction comprises building material, labour, subcontractors' fees and overhead.

In particular, the price of building materials such as cement, concrete, copper, iron and steel are subjected to global market prices, while imported materials are subject to foreign currency fluctuations.

As such, the increase in the price of building materials could result in the increase to the cost of construction and adversely impact our business and financial performance.

6. RISK FACTORS (CONT'D)

6.1.4 We are exposed to credit risks

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in more severe circumstances, we may not be able to collect payment from our customers. Accordingly, we would have to make provision for impairment, which may have an adverse impact on our profitability.

Our customers may experience a decline in their business performance due to the current property overhang situation and the outbreak of COVID-19. As such, our Group may be exposed to the delay in collections, non-recoverability of trade receivables or incur material impairment loss for outstanding payments.

There is no assurance that any inability to collect the debts from our customers in a timely manner would not have an unfavourable impact on our financial performance and position.

6.1.5 We are subject to the risk of defects liability claims from our customers

During the defect liability period, we are liable for any repair work, reconstruction or rectification of any defects which may surface or be identified during this period at our own cost. In addition to defects liability, our Group need to provide design guarantees or indemnity to our customers if the projects include design works.

In situation where we are affected by defect liability claims, we may experience an increase in construction costs if we are unable to enforce or experience delay in enforcing legal recourse against our subcontractors to indemnity or compensate us.

There can be no assurance that in the future we will not be subject to material defect liability claims which may have an adverse impact on our profitability and reputation.

6.1.6 Our financial performance and position and business operation may be affected due to the outbreak of COVID-19

Due to the COVID-19 pandemic, the Government had on 16 March 2020 implemented a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. During the MCO period, all government and private premises except those involved in essential services are required to be closed and to cease operations during the period that the MCO takes effect unless exempted. This was followed by a conditional MCO on 4 May 2020 up to 9 June 2020 which allowed selected business sectors to resume operation. The Government then implemented a recovery MCO beginning 10 June 2020 which was initially scheduled to end on 31 August 2020 but was subsequently extended to 31 March 2021. However, given the recent significant rise in COVID-19 cases seen throughout Malaysia, MCO was re-imposed nationwide effective from 12 May 2021 until 7 June 2021.

Subsequently, on 28 May 2021, the Government had announced the imposition of a nationwide lockdown started from 1 June 2021 to 14 June 2021, and further extended to 14 July 2021. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural and recreational activities.

Under the full lockdown, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities were suspended, save for the infrastructure project for the proposed upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak, where SMC was appointed as the subcontractor for the project.

6. RISK FACTORS (CONT'D)

As part of a four-phase NRP, on 4 August 2021, the Government announced Sarawak's transition to the third phase of NRP, however, the SDMC decided to postpone its implementation due to the high number of COVID-19 cases. During the second phase of NRP, our Company is allowed to operate up to 50% capacity. On 27 September 2021, the SDMC announced that Sarawak is due for transition into the third phase of NRP on 1 October 2021 onwards, whereby companies will be allowed to operate at maximum capacity, if 80% of the employees are fully vaccinated with COVID-19 vaccines. As at the LPD, except for one staff who is on maternity leave, all our employees are fully vaccinated with COVID-19 vaccines.

The implementation of MCO and conditional MCO since March 2020 to June 2021 has caused deferment to our on-going constructions projects, thus, we have sought EOT from our customers to complete our projects. Despite the outbreak of COVID-19 and MCO implemented by the Government, there has not been any reduction in the contract value or the contract terms of our on-going projects as we did not experience any cancellation or termination of the on-going projects. However, there is some postponement of tenders for new construction projects in the construction industry but we believe it will not have any adverse impact on our financial performance for the FYE 31 December 2021.

Furthermore, we had to incur fixed overhead costs during the period when our business operations were temporarily suspended such as staff cost and wages, upkeep and maintenance, finance cost and rental expenses.

There is no assurance that outbreak of COVID-19 in Malaysia can be effectively controlled or another outbreak of COVID-19 or other pandemics will not happen in the future. Other outbreak or pandemics may materialise in the future and could persist for a substantial period, and this may significantly and adversely affect our business operations and financial performance.

6.1.7 We may be subjected to inadequate insurance coverage

Our Group has insurance coverage including machinery and equipment, employees' personal accident insurance and contractors' all risk insurance for our construction projects due to the nature of our business. Further, our head office is also insured against burglary, fire and other types of insurance coverage. As at the LPD, our Group has not made any insurance claims pertaining to the above coverage.

There can be no assurance that our insurance coverage is sufficient to cover all the liabilities incurred, which may negatively impact our Group's financial performance.

6.2 Risks Relating to the Industry in which We Operate

6.2.1 We operate in a competitive industry

We operate in a competitive industry. As at the LPD, there was a total of 736 Grade 7 operators in Sarawak that are registered with CIDB under the Grade 7 category. In general, competition among building construction contractors will be somewhat moderated by operators with competitive advantages such as track records, reputation, integration of design capabilities or certain degree of specialisation.

Our Group's future success and competitiveness largely depends on, amongst others, our track records, integration of design capabilities and the quality of the projects that we constructed, our technical expertise, our understanding and ability to respond to the changing economic conditions, our customers' specification and project lead times, as well as our planning and marketing strategies. Our Board believes that we will remain competitive and be able to grow our business due to our competitive strengths as set out in Section 4.3 of this Information Memorandum.

6. RISK FACTORS (CONT'D)

Nevertheless, there can be no assurance that competition within our industry will not have any material impact on our business and financial performance.

6.2.2 We are dependent on labour supply

The construction industry is labour intensive industry, as a continuous supply of foreign workers is required for building construction projects. Our Group's construction operations are dependent on our ability to secure an adequate supply of labour to meet our project requirements, either through engaging subcontractors or employing foreign workers.

As at the LPD, the number of foreign workers we employed is 52 at our construction sites who are subject to the regulations imposed by CIDB and the Immigration Department of Malaysia in relation to the employment of foreign workers in the construction industry.

If we are unable to obtain an adequate supply of workers due to the changes in Government policy on foreign labour intake and conditions, our Group may face difficulty in maintaining sufficient workforce for our operations, which in turn affect our ability to meet our delivery schedules and may result a delay in completion of our projects. Any increase in minimum wage or foreign worker levies or any additional costs imposed by the Government will result in our increased costs and overheads which will adversely impact our profitability.

As such, there is no assurance that we will continue to be able to secure adequate supply of labour either through engaging subcontractors, renewing existing or hiring additional foreign workers to meet our project requirements.

6.2.3 We face political, economic and regulatory risks

Our Group operates in Malaysia and derives all our revenue from domestic sales. Changes in political, economic and regulatory conditions in Malaysia and the markets in which our customers operate may materially and adversely affect the overall profitability of our business. Amongst the political, economic and regulatory uncertainties that may affect our operations and profitability are the changes in political leadership, changes in interest rates, fluctuation in currency exchange rate, expropriation, nationalisation or nullification of existing sales orders and contracts, as well as the changes in the regulations relating to taxation or licensing in which our Group and our customers operate.

We have adopted a proactive approach in keeping abreast with the political, economic and regulatory developments in the relevant jurisdictions reported through various media, participation and attendance in events and seminars hosted by government agencies as well as the provision of relevant trainings to designated employees on any updates to the regulatory requirements in respect of labour, machinery and safety. We also will continue to ensure material compliance with the legal and regulatory frameworks in the countries in which we or our customers operate. However, there is no assurance that the introduction of new laws or other future economic, political and regulatory conditions will not have a material adverse effect on the business, results of operations or financial condition of our Group.

6.3 Risks Relating to an Investment in Our Shares

6.3.1 We may not be able to proceed with or experience a delay for our Proposed Listing

Bursa Securities may not grant an approval-in-principle for our Proposed Listing or if granted, we may not be able to proceed with or experience a delay in our Proposed Listing.

Nevertheless, we will endeavour to ensure compliance with the Listing Requirements for our successful listing on the LEAP Market.

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6. RISK FACTORS (CONT'D)

6.3.2 There may not be an active or liquid market for our Shares

The listing of and quotation for our Shares on the LEAP Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop or if developed, that such market will be sustained.

There can also be no assurance that the Listing Reference Price, which has been determined after taking into consideration the factors as set out in Section 2.1.1 of this Information Memorandum, will correspond to the price at which our Shares will be traded on the LEAP Market upon or subsequent to our Proposed Listing.

6.3.3 Our Promoters can exercise significant control over us

Upon our Proposed Listing, our Promoters will collectively hold approximately 83.64% of our entire issued share capital. As a result, our Promoters have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Group will be governed by the Listing Requirements upon our Proposed Listing.

6.3.4 We may not be able to pay dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiary. Hence, our ability to pay future dividends in the future are largely dependent on the performance of our subsidiary. In determining the size of any dividend recommendation, we will also take into consideration several factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

6.3.5 Disclosure regarding forward looking statements

Certain statements in this Information Memorandum are forward-looking in nature and are subject to uncertainty and contingencies. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will materialise.

The inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by our Company, DWA Advisory or any other advisers that the plans and objectives of our Company will be achieved.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.1 Promoters and Substantial Shareholders

7.1.1 Shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company as at the date of this Information Memorandum and upon our Proposed Listing are as follows:

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>				
Kong Chiong Miew	109,715,400	46.90	300,000 ⁽¹⁾	0.13 ⁽¹⁾
Kong Chiong Ung	67,230,600	28.74	60,000 ⁽²⁾	0.03 ⁽²⁾
BSSB	18,994,000	8.12	-	-
<u>Substantial shareholders</u>				
Lee Yew Chen	-	-	18,994,000 ⁽³⁾	8.12 ⁽³⁾
BSB	-	-	18,994,000 ⁽⁴⁾	8.12 ⁽⁴⁾

Notes:

⁽¹⁾ Deemed interest by virtue of his spouse's and children's shareholdings pursuant to Section 59(1)(c) of the Act.

⁽²⁾ Deemed interest by virtue of his spouse's shareholding pursuant to Section 59(1)(c) of the Act.

⁽³⁾ Deemed interest by virtue of his interests in BSSB and BSB pursuant to Section 8 of the Act.

⁽⁴⁾ Deemed interest by virtue of its interest in BSSB pursuant to Section 8 of the Act.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

7.1.2 Profile

(i) **Kong Chiong Miew**

Promoter, substantial shareholder and Executive Chairman

Kong Chiong Miew, a Malaysian, aged 55, is our Promoter and substantial shareholder. He is also our Executive Chairman. He was appointed to our Board on 21 August 2020.

He has more than 39 years of working experience in the construction industry and is responsible for driving and implementing sales and marketing strategies as well as developing business relationships with our customers.

In 1979, he completed his primary school education at SJK (C) Chung Hua, Sibul, Sarawak. He began his career in 1980 until 1985 as a foreman assistant in a shop house construction firm in Bintulu, Sarawak where he started to involve in construction works. In 1985, he continued his career as a foreman assistant in a building construction firm in Brunei until 1987. In 1987 until 1995, he then joined a construction firm in Bintulu as a supervisor where he was responsible for overseeing various construction projects. In 1995, he started a sole proprietorship known as Sunmow Contractor in Bintulu, Sarawak where he was a Director who responsible for managing various construction projects and renovation works for houses, shop houses, offices, warehouses, workshops and factories until 2005. He then incorporated SMC together with his brother, Kong Chiong Ung in 2005 and assumed his role as Director until present where he is responsible for charting its business direction and managing its strategic development.

He is the brother of Kong Chiong Ung.

(ii) **Kong Chiong Ung**

Promoter, substantial shareholder and Group Managing Director

Kong Chiong Ung, a Malaysian, aged 47, is our Promoter and substantial shareholder. He is also our Group Managing Director. He was appointed to our Board on 21 August 2020.

He has more than 25 years of working experience in the construction industry and is responsible for overseeing all aspects of our business functions, particularly the strategic business development activities and growth direction of our businesses including day-to-day operations of our Group.

He graduated from Universiti Teknologi Malaysia, Johor Bahru, Malaysia in 2001 with a Bachelor of Engineering (Civil) with Second Class Honours (Upper Division). He started his career as Project Manager with Crib Block Sdn Bhd in Kajang, Selangor from 1995 until 2001 where he was responsible for site preparation, planning and liaising with main contractor representatives, engineers, quantity surveyors and subcontractors before commencement of construction works. In 2002, he then joined Sunmow Contractor in Bintulu, Sarawak as Project Manager until 2005 where his roles included overseeing various construction projects and co-ordinating closely with main contractor representatives, engineers, quantity surveyors and subcontractors. In 2005, he incorporated SMC together with his brother, Kong Chiong Miew where he served as Director until present and he is responsible for overseeing its daily business operations.

He is a registered Professional Engineer with the Board of Engineers Malaysia since November 2003.

He is the brother of Kong Ching Miew and brother-in-law of Chieng Ching Hong.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(iii) BSSB

Promoter and substantial shareholder

BSSB was incorporated on 7 February 2018 as a private limited company in Malaysia under the Act. As at the LPD, the issued share capital of BSSB is RM10,000 comprising 100,000 ordinary shares. BSSB is principally involved in real estate activities with own or leased property.

The shareholders and directors of BSSB and their shareholdings as at the LPD are as follows:

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<u>Director and shareholder</u>					
Lee Yew Chen	Malaysian	10,000	10.00	90,000 ⁽¹⁾	90.00 ⁽¹⁾
<u>Shareholder</u>					
BSB	Malaysia	90,000	90.00	-	-
<u>Director</u>					
Ng Yee Kim	Malaysian	-	-	-	-

Note:

⁽¹⁾ Deemed interest by virtue of his interest in BSB pursuant to Section 8 of the Act.

(iv) Lee Yew Chen

Substantial shareholder and Non-Independent Non-Executive Director

Lee Yew Chen, a Malaysian, aged 56, is our Non-Independent Non-Executive Director. He was appointed to our Board on 24 September 2020.

He graduated with Bachelor of Electrical Engineering from Royal Melbourne Institute of Technology, Australia in 1990. He has subsequently completed his Master of Business Administration from University of Wales, United Kingdom in year 1997. He has also obtained his Certificate for Chartered Financial Analyst in year 2000.

He began his career as an electrical engineer for building construction with an engineering company located in Singapore from year 1990 to 1993. Thereafter, he joined a local stock broking firm as trainee dealer in 1993. From 1993 to 1994, he left the stock broking firm to pursue his studies in Master of Business Administration. In 1995, he joined a Singapore food manufacturing company based in Johor Bahru as a marketing manager. He was responsible for marketing and importing food products into Malaysia. He subsequently joined a food distribution company based in Johor Bahru as general manager in 1997. In July 1997, he left the food distribution company to become a licensed dealer in Bank Bumiputera Malaysia Berhad. In year 2000, he joined K&N Kenanga Holdings Berhad as a dealer. In 2010, he was employed as senior vice president of Hwang DBS Investment Bank Berhad where he was responsible for the operation of one of the branches of the bank and dealing in securities. He has more than 20 years working experience in capital market.

He later joined SMC as a Director in a non-executive capacity role on 6 September 2018 as a representative from BSSB. He resigned from his position in SMC on 5 January 2021.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(v) BSB Substantial shareholder

BSB was incorporated on 25 February 2014 as a private limited company in Malaysia under the Companies Act 1965 and is deemed registered under the Act. As at the LPD, the issued share capital of BSB is RM4,100,000 comprising 4,100,000 ordinary shares. BSB is principally involved in money lending.

The shareholders and directors of BSB and their shareholdings as at the LPD are as follows:

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
<u>Directors and shareholders</u>					
Lee Yew Chen	Malaysian	3,590,000	87.56	-	-
Cheah Pek Yoke	Malaysian	100,000	2.44	-	-
<u>Shareholders</u>					
Ng Yee Kim	Malaysian	210,000	5.12	-	-
HJSB ⁽¹⁾	Malaysia	200,000	4.88	-	-

Note:

⁽¹⁾ Ar. IDr. Kio Fook Khan, a non-independent non-executive director of SMH is a director and shareholder of HJSB. He holds 50% equity interest in HJSB.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

7.2 Directors

7.2.1 Shareholdings

The shareholdings of our Directors in our Company as at the date of this Information Memorandum and upon our Proposed Listing are as follows:

Name	Designation	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Kong Chiong Miew	Executive Chairman	109,715,400	46.90	300,000 ⁽¹⁾	0.13 ⁽¹⁾
Kong Chiong Ung	Group Managing Director	67,230,600	28.74	60,000 ⁽²⁾	0.03 ⁽²⁾
Lee Yew Chen	Non-Independent Non-Executive Director	-	-	18,994,000 ⁽³⁾	8.12 ⁽³⁾
Kio Fook Khan	Non-Independent Non-Executive Director	-	-	-	-

Notes:

⁽¹⁾ Deemed interest by virtue of his spouse's and children's shareholdings pursuant to Section 59(1)(c) of the Act.

⁽²⁾ Deemed interest by virtue of his spouse's shareholding pursuant to Section 59(1)(c) of the Act.

⁽³⁾ Deemed interest by virtue of his interests in BSSB and BSB pursuant to Section 8 of the Act.

7.2.2 Profile

The profiles of Kong Chiong Miew and Kong Chiong Ung, who are also our Promoters and substantial shareholders are disclosed in Section 7.1.2 of this Information Memorandum.

The profile of Lee Yew Chen, who is also our substantial shareholder is disclosed in Section 7.1.2 of this Information Memorandum.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Ar. IDr. Kio Fook Khan

Non-Independent Non-Executive Director

Ar. IDr. Kio Fook Khan, a Malaysian, aged 48, is our Non-Independent Non-Executive Director. He was appointed to our Board on 24 September 2020.

He graduated with Bachelor of Architecture from Curtin University of Technology, Australia in 1998. He is a registered architect with Lembaga Arkitek Malaysia (LAM) and Malaysia Institute of Interior Designers (MIID) since 2018.

He began his career as a graduate architect with Zaini Dubus Riches Sdn Bhd from 1999 to 2005 where his responsibilities included conceptualisation of designs and implementations of projects. Thereafter, he joined RDO Architects Sdn Bhd as director and shareholder from 2006 until present where he is responsible for wide range of projects locally as well as abroad. He has more than 20 years combined working experience in Architecture, Interior Design and Project Management.

He later joined SMC on 6 September 2018 as a Director in a non-executive capacity where his roles included overseeing the conceptualisation of new potential projects and advising on the design and technical aspects of projects undertaken by SMC. He resigned from his position in SMC on 5 January 2021.

He also provides architectural-related consultancy services to SMD via RDO Architects Sdn Bhd.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

7.3 Key Management Personnel

7.3.1 Shareholdings

The shareholdings of our key management personnel in our Company as at the date of this Information Memorandum and upon our Proposed Listing are as follows:

Name	Designation	Direct No. of Shares	%	Indirect No. of Shares	%
Kong Chiong Miew	Executive Chairman	109,715,400	46.90	300,000 ⁽¹⁾	0.13 ⁽¹⁾
Kong Chiong Ung	Group Managing Director	67,230,600	28.74	60,000 ⁽²⁾	0.03 ⁽²⁾
Ling Nai Ik	General Manager	191,000	0.08	-	-
Chieng Ching Hong	Project Manager	300,000	0.13	-	-
Hee Eng Choo	Accountant	220,000	0.09	-	-
Yong Sze Ling	Contract Manager	440,000	0.19	-	-
Ting Chia Chia	Human Resource Manager	100,000	0.04	-	-

Notes:

⁽¹⁾ Deemed interest by virtue of his spouse's and children's shareholdings pursuant to Section 59(1)(c) of the Act.

⁽²⁾ Deemed interest by virtue of his spouse's shareholding pursuant to Section 59(1)(c) of the Act.

7.3.2 Profile

The profiles of Kong Chiong Miew and Kong Chiong Ung, who are also our Promoters and substantial shareholders are disclosed in Section 7.1.2 of this Information Memorandum.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Ling Nai Ik

General Manager

Ling Nai Ik, a Malaysian, aged 43, is our key management personnel and holds the position as General Manager where he is responsible for overseeing the planning, implementation and monitoring the progress of construction projects.

He graduated with Bachelor of Environmental Design and Bachelor of Architecture from University of Tasmania, Australia in 2001 and 2003, respectively. He is a registered graduate architect with the Board of Architects of Malaysia and registered member of the Malaysian Institute of Architects since 2007 and 2008, respectively.

He began his career as an assistant architect in Akiplus Sdn Bhd from 2004 to 2006. He has subsequently joined Team Consult & Artemas Architect as resident architect, project architect and fit out manager from 2006 to 2011, where his responsibilities included conceptual design, design development, project development, contractual management as well as client management for various construction projects that included residential and commercial buildings. Thereafter, he joined Artemas Architects from 2011 to 2013 as senior architect where he was responsible in overseeing the development projects. In 2013 to 2019, he joined PE Land Sdn Bhd as Senior Manager cum In-House Architect where he was responsible for planning, managing, monitoring and tracking the development of multiple construction projects. Later, from 2019 until 2020, he joined Naim Land Sdn Bhd as Regional General Manager to spearhead the operation and development of projects undertaken in Bintulu, Sarawak. In 2020, he subsequently joined SMC and assumed his present position as our General Manager.

Chiang Ching Hong

Project Manager

Chiang Ching Hong, a Malaysian, aged 40, is our key management personnel and holds the position as Project Manager where he is primarily responsible for the day-to-day operations of our Group's construction projects.

He graduated with Diploma in Quantity Surveying from Kolej Bersatu Sarawak, Malaysia in 2002.

He joined Sunmow Contractor from 2002 to 2005 as Site Engineer where he was responsible for construction site management, managing construction workers, coordinating with nominated subcontractors for numerous construction projects. Thereafter, he joined SMC as Assistant Quantity Surveyor in 2005 and he was promoted in 2018 as Project Manager and assumed his present position as Project Manager for SMC.

He is the brother-in-law of Kong Chiong Ung.

Hee Eng Choo

Accountant

Hee Eng Choo, a Malaysian, aged 39, is our key management personnel and holds the position as Accountant where she is responsible for overseeing our Group's financial functions which include financial planning and review, cash flow management and financial reporting.

She graduated with Bachelor of Accountancy from University Putra Malaysia, Malaysia in 2007. She has been a member of the Malaysian Institute of Accountants since 2011.

She began her career as Associate in Ernst & Young from 2007 to 2012 where she first gained her working experience in the accounting field whereby, she was responsible for undertaking statutory audits of companies in various industries. Thereafter, from 2012 to 2018, she joined Harbour-Link Group Berhad as Accountant where she was responsible for finance and accounting functions and taxation related activities. In 2018, she subsequently joined SMC and assumed her present position as Accountant.

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Yong Sze Ling

Contract Manager

Yong Sze Ling, a Malaysian, aged 42, is our key management personnel and holds the position as Contract Manager where she is primarily responsible for overseeing our Group's pre and post contract works.

She graduated with Diploma in Technology (Building) from Tunku Abdul Rahman University College, Malaysia, in 2000.

She began her career as Quantity Surveyor with Muhibbah Engineering Sdn Bhd from 2001 until 2006 where her responsibilities included review of potential tenders and preparation of tender submissions, awarding of sub-contracts, monitoring delivery schedule and preparing progress claims to clients. Subsequently, from 2006 to 2014, she joined SMC as Quantity Surveyor where she was responsible for pre and post contract works. In 2014, she was promoted to Contract Manager and assumed her present position as Contract Manager for SMC.

Ting Chia Chia

Human Resource Manager

Ting Chia Chia, a Malaysian, aged 38, is our key management personnel and holds the position as Human Resource Manager where she is primarily responsible for overseeing our Group's corporate affairs, administrative and human resource functions.

She graduated with Bachelor of Science (Honors) Construction Management from Universiti Tunku Abdul Rahman, Malaysia in 2008.

She began her career as Administration Clerk with Frontra Enterprise Sdn Bhd from 2008 until 2010 where she was responsible for administrative functions of our company which included maintaining and updating systems for filing, inventory, mailing and databases. Thereafter, from 2010 to 2014, she joined SMC as Administration Executive where she was tasked with administrative roles such as providing office work related support to construction sites as well as assisting in project tendering in the administrative capacity. In 2015, she was promoted to Human Resource Manager and assumed her present position as Human Resource Manager for SMC.

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7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

7.4 Involvement of our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Businesses/Corporations Outside Our Group

Save as disclosed below, our Promoters, substantial shareholders, Directors and key management personnel do not have any other interest and directorship in other Malaysian corporations or any principal business activities performed outside our Group for the past 3 years prior to the LPD:

Name	Company	Involvement (Director / Shareholder)	Principal activities	Shareholdings	
				Direct %	Indirect %
Kong Chiong Miew	<u>Present involvement</u>				
	Great Penta Sdn Bhd	Shareholder	Property investment	17.50	-
	Cornet Group Sdn Bhd	Shareholder	Provision of information technology related services, website development and investment holding	0.50	-
	Capbuild Sdn Bhd	Shareholder	Property investment and investment in corporate securities	18.00	-
	Qualibest Sdn Bhd	Shareholder	Investment holding ⁽¹⁾	10.00	-
	Favor Tech Sdn Bhd	Shareholder	<ul style="list-style-type: none"> Provision of software solution for customer relationship management; membership and event management; and Provision and management of instant messaging application, online marketplace platform 	2.27	-
	Capbuild Development Sdn Bhd	Director / Shareholder	Investment holding ⁽²⁾	50.00	-
	Aquatic Zeal Sdn Bhd	Shareholder	Livestock farming	20.00	-
	Unique Good Sdn Bhd	Director / Shareholder	Property investment	25.00	-
	<u>Past involvement</u>				
	Rich Balances Sdn Bhd	Shareholder	Property development	- ⁽⁴⁾	-
	Sunmow Contractor	Owner	Building construction, renovation, drainage and sewage work, road construction industrial contractor & civil engineering ⁽³⁾	85.00	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Name	Company	Involvement (Director / Shareholder)	Principal activities	Shareholdings	
				Direct %	Indirect %
Kong Chiong Ung	<u>Present involvement</u>				
	Capbuild Development Sdn Bhd	Director / Shareholder	Investment holding ⁽²⁾	50.00	-
	Capbuild Sdn Bhd	Shareholder	Property investment and investment in corporate securities	18.00	-
	Unique Good Sdn Bhd	Director / Shareholder	Property investment	35.00	-
	Qualibest Sdn Bhd	Director / Shareholder	Investment holding ⁽¹⁾	10.00	-
	Cornet Group Sdn Bhd	Shareholder	Provision of information technology related services, website development and investment holding	0.50	-
	Favor Tech Sdn Bhd	Shareholder	<ul style="list-style-type: none"> Provision of software solution for customer relationship management, membership and event management; and Provision and management of instant messaging application, online marketplace platform 	2.27	-
	Evergreen Action Sdn Bhd	Shareholder	Real estate activities with own or leased property N.E.C.	12.50	-
	Great Penta Sdn Bhd	Shareholder	Property investment	17.50	-
	Tadika Gloria	Owner	Kindergarten	30.00	-
	<u>Past involvement</u>				
	TCGW Petroleum Construction Sdn Bhd	Director	Provision of human resources for client businesses construction of other engineering project N.E.C.	-	-
	Shinebuild Sdn Bhd	Director / Shareholder	Property developer ⁽⁵⁾	- ⁽⁴⁾	-
	Capbuild Sdn Bhd	Director	Property investment and investment in corporate securities	18.00	-
	Rich Balances Sdn Bhd	Director / Shareholder	Engage in property development	- ⁽⁴⁾	-
	Sungreen Planet Sdn Bhd	Director / Shareholder	General contract work	- ⁽⁴⁾	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Name	Company	Involvement (Director / Shareholder)	Principal activities	Shareholdings	
				Direct %	Indirect %
Lee Yew Chen	<u>Present involvement</u>				
	Shopsavee Marketing Sdn Bhd	Director / Shareholder	Web portals	20.00	40.00 ⁽⁷⁾
	N Strategy Sdn Bhd	Director / Shareholder	Holding companies ⁽⁶⁾	-	100.00 ⁽⁷⁾
	BSB	Director / Shareholder	Money lending	87.56	-
	Cornet Research Sdn Bhd	Director / Shareholder	Rendering all kinds of services in the field of information technology, commerce and financial technology	-	90.00 ⁽⁷⁾
	Bene Money Sdn Bhd	Director / Shareholder	Investment holding ⁽⁶⁾	50.00	-
	Favor Tech Sdn Bhd	Director / Shareholder	<ul style="list-style-type: none"> Provision of software solution for customer relationship management, membership and event management; and Provision and management of instant messaging application, online marketplace platform 	68.91	-
	BSSB	Director / Shareholder	Real estate activities with own or leased property, activities of holding companies and retail sale of any kind of product over the internet	10.00	90.00 ⁽⁹⁾
	Cornet Group Sdn Bhd	Shareholder	Provision of information technology related services, website development and investment holding	22.00	-
	Cornet Trade Sdn Bhd	Shareholder	Dealing in Securities (Dormant)	-	69.04 ⁽¹⁰⁾
	<u>Past involvement</u>				
	Cornet Group Sdn Bhd	Director	Provision of information technology related services, website development and investment holding	-	-
	Lion Best Shop Sdn Bhd	Director	Manufacture of herbal health products	-	-
	Lion Best Sdn Bhd	Director	Direct selling of a range of health care and consumer products	-	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Name	Company	Involvement (Director / Shareholder)	Principal activities	Shareholdings	
				Direct %	Indirect %
Lee Yew Chen (Cont'd)	M3 Education Sdn Bhd	Director / Shareholder	Dissolved	-	-
	Lien Hoe Corporation Berhad	Substantial Shareholder	Property and investment holdings	-(4)	-
	Borneo SMC Engineering Sdn Bhd	Shareholder	Provision of human resources for client businesses, construction of other engineering projects and construction of buildings	-(4)	-
	Favor Pay Sdn Bhd	Director / Shareholder	Dissolved	-	-
	Favor Biz Sdn Bhd	Director / Shareholder	Dissolved	-	-
Kio Fook Khan	<u>Present involvement</u>				
	RDO Architects Sdn Bhd	Director / Shareholder	Providing professional consultancy and interior design works	35.00	-
	HJSB	Director / Shareholder	Activities of holding companies (11)	50.00	-
	Innobintang Consultants Sdn Bhd	Director / Shareholder	Providing architecture multi-disciplinary consultancy services	-	22.50 (12)
	Redd Development Office Bhd	Director / Shareholder	Investment holding company (13)	100.00	-
	BSB	Shareholder	Money lending	-	4.88 (14)
	<u>Past involvement</u>				
Innobintang Consultants Sdn Bhd	Shareholder	Providing architecture multi disciplinary consultancy services	-(4)	-	
Ting Chia Chia	<u>Present involvement</u>				
	Help & Co Services	Owner	Insurance services	100.00	-

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Name	Company	Involvement (Director / Shareholder)	Principal activities	Shareholdings	
				Direct %	Indirect %
Bene Sky Sdn Bhd	<u>Present Involvement</u>				
	Shopsavee Marketing Sdn Bhd	Shareholder	Web portals	40.00	-
	N Strategy Sdn Bhd	Shareholder	Holding companies ⁽⁶⁾	100.00	-

Notes:

- (1) *Qualibest Sdn Bhd has an investment in associate company which is dormant.*
- (2) *Capbuild Development Sdn Bhd does not have investment in other companies.*
- (3) *The trade license of Sunmow Contractor has been terminated.*
- (4) *Disposed his entire equity interest in the company.*
- (5) *Shinebuild Sdn Bhd does not have any property development and construction activities since year 2019.*
- (6) *As at to date, the application has been submitted to Companies Commission of Malaysia for striking off the company.*
- (7) *Deemed interest by virtue of his interest in BSSB pursuant to Section 8 of the Act.*
- (8) *As at to date, the notice of intention to strike-off the company pursuant to Section 551(1) of the Act dated 31 May 2021 has been issued to the company.*
- (9) *Deemed interest by virtue of his interest in BSB pursuant to Section 8 of the Act.*
- (10) *Deemed interest by virtue of his interest in Cornet Group Sdn Bhd pursuant to Section 8 of the Act.*
- (11) *The company is incorporated to hold 200,000 ordinary shares representing 4.88% in BSB.*
- (12) *Deemed interest by virtue of his interest in RDO Architects Sdn Bhd pursuant to Section 8 of the Act.*
- (13) *The company is incorporated to hold properties as an investment.*
- (14) *Deemed interest by virtue of his interest in HUSB pursuant to Section 8 of the Act.*

7. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

7.5 Moratorium

In compliance with Rule 3.07 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:

- (i) the moratorium applies to our Promoters' entire shareholdings for a period of 12 months from the date of our admission to the Official List; and
- (ii) upon expiry of the 12 months period as stated above, our Promoters' aggregate shareholdings amounting to at least 45% of the total number of issued Shares shall remain under moratorium for another period of 36 months.

Where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their securities in the unlisted corporation for the period stipulated above.

In addition, our shareholders who are also the Eligible Employees as set out in the table below have agreed and will voluntarily place their respective Shares under moratorium for a period of 12 months from the date of our admission to the Official List.

The moratorium shall be imposed according to the following:

	Shares under moratorium from the first 12 months upon Proposed Listing		Shares under moratorium for the subsequent 36 months	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Promoters</u>				
Kong Chiong Miew	109,715,400	46.90	58,947,000	25.20
Kong Chiong Ung	67,230,600	28.74	36,121,100	15.44
BSSB	18,994,000	8.12	10,204,900	4.36
	195,940,000	83.76	105,273,000	45.00
Eligible Employees ⁽²⁾	4,000,000	1.71	-	-
Total	199,940,000	85.47	105,273,000	45.00

Notes:

⁽¹⁾ Based on our entire issued share capital of 233,940,000 Shares upon our Proposed Listing.

⁽²⁾ Including 360,000 Shares representing 0.15% of the entire issued share capital of SMH which are held by spouses, sons and daughters of Kong Chiong Miew and Kong Chiong Ung.

The moratorium, which is fully acknowledged by our Promoters and Eligible Employees in the above table, is specifically endorsed on our share certificates representing their shareholdings to ensure that our Share Registrar will not register any sale, transfer or assignment that is not in compliance with the above moratorium.

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8. HISTORICAL FINANCIAL INFORMATION**8.1 Combined Statements of Profit or Loss and Other Comprehensive Income**

The following table sets out the audited combined statements of profit or loss and other comprehensive income for the FYEs 31 December 2018 and 2019, which has been extracted from the audited combined financial statements as set out in Appendix I of this Information Memorandum and audited combined statements of profit and loss and other comprehensive income for the FYE 31 December 2020, which has been extracted from the audited financial statements as set out in Appendix II. Further, the statements of profit or loss and other comprehensive income for the 7-month FPE 31 July 2020 and 2021 are set out in the table below, which has been extracted from the unaudited condensed combined interim financial statements as set out in Appendix III.

This section should be read in conjunction with the “Management Discussion and Analysis” as set out in Section 9 of this Information Memorandum.

	Audited FYE 31 December 2018 RM	Audited FYE 31 December 2019 RM	Audited FYE 31 December 2020 RM	Unaudited 7-month FPE 31 July 2020 RM	Unaudited 7-month FPE 31 July 2021 RM
Revenue	119,823,540	103,575,891	62,612,557	28,889,071	34,010,473
Cost of sales	(110,781,509)	(95,605,127)	(54,998,061)	(24,655,528)	(27,828,139)
GP	9,042,031	7,970,764	7,614,496	4,233,543	6,182,334
Other income	858,295	672,848	3,295,212	382,519	1,127,632
Administrative expenses	(5,635,473)	(6,243,714)	(6,616,504)	(2,790,194)	(5,274,865)
Finance costs	(567,851)	(580,774)	(488,389)	(292,595)	(362,924)
Net impairment (losses) / gains on financial assets and contract assets	(27,601)	(165,020)	3,010	29,498	17,293
PBT	3,669,401	1,654,104	3,807,825	1,562,771	1,689,470
Income tax expense	(1,178,823)	(544,340)	(1,229,247)	(413,426)	(782,648)
PAT	2,490,578	1,109,764	2,578,578	1,149,345	906,822
EBITDA ⁽ⁱ⁾	6,029,958	3,972,513	6,116,935	2,629,462	3,366,481
No. of Shares upon our Proposed Listing	233,940,000	233,940,000	233,940,000	233,940,000	233,940,000
GP margin (%) ⁽ⁱⁱ⁾	7.55	7.70	12.16	14.65	18.18
EBITDA margin (%) ⁽ⁱⁱⁱ⁾	5.03	3.84	9.77	9.10	9.90
PBT margin (%) ^(iv)	3.06	1.60	6.08	5.41	4.97
PAT margin (%) ^(v)	2.08	1.07	4.12	3.98	2.67
Basic and diluted EPS (sen) ^(vi)	1.06	0.47	1.10	0.49	0.39

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8. HISTORICAL FINANCIAL INFORMATION (CONT'D)

Notes:

(i) EBITDA is computed as follows:

	<i>Audited</i> <i>FYE 31</i> <i>December 2018</i> <i>RM</i>	<i>Audited</i> <i>FYE 31</i> <i>December 2019</i> <i>RM</i>	<i>Audited</i> <i>FYE 31</i> <i>December 2020</i> <i>RM</i>	<i>Unaudited</i> <i>7-month FPE</i> <i>31 July 2020</i> <i>RM</i>	<i>Unaudited</i> <i>7-month FPE</i> <i>31 July 2021</i> <i>RM</i>
PBT	3,669,401	1,654,104	3,807,825	1,562,771	1,689,470
<u>Add:</u>					
Finance costs	567,851	580,774	488,389	292,595	362,924
Depreciation	1,885,445	1,827,897	1,896,532	824,823	1,434,402
<u>Less:</u>					
Interest income	92,739	90,262	75,811	50,727	120,315
EBITDA	6,029,958	3,972,513	6,116,935	2,629,462	3,366,481

(ii) GP margin is computed based on GP over revenue.

(iii) EBITDA margin is computed based on EBITDA over revenue.

(iv) PBT margin is computed based on PBT over revenue.

(v) PAT margin is computed based on PAT over revenue.

(vi) Basic EPS is computed based on PAT divided by our issued share capital of 233,940,000 Shares upon our Proposed Listing. Our Company does not have any outstanding convertible securities.

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8. HISTORICAL FINANCIAL INFORMATION (CONT'D)**8.2 Combined Statements of Financial Position**

The following table sets out the audited combined statements of financial position as at 31 December 2018 and 31 December 2019, which has been extracted from the audited financial statements as set out in Appendix I of this Information Memorandum as well as the audited combined statements of financial position as at 31 December 2020, which has been extracted from the audited financial statements as set out in Appendix II. Further, the statements of financial position as 31 July 2020 and 31 July 2021 is set out in the table below, which has been extracted from the unaudited condensed combined interim financial statements as set out in Appendix III.

This section should be read in conjunction with the 'Management Discussion and Analysis' as set out in Section 9 of this Information Memorandum.

	Audited As at 31 December 2018 RM	Audited As at 31 December 2019 RM	Audited As at 31 December 2020 RM	Unaudited As at 31 July 2020 RM	Unaudited As at 31 July 2021 RM
Assets					
Plant and equipment	3,360,181	3,135,538	6,713,416	3,328,248	6,321,951
Investment properties	23,299,127	24,978,043	23,725,756	25,475,485	22,900,499
Deferred tax assets	-	241,877	251,383	144,789	251,383
Inventories	600,000	619,720	602,250	642,250	620,905
Total non-current assets	27,259,308	28,975,178	31,292,805	29,590,772	30,094,738
Inventories	2,148,008	5,902,402	2,275,080	5,970,580	1,753,210
Trade receivables	18,673,012	12,506,491	20,767,967	9,429,025	24,654,075
Contract assets	41,459,923	39,423,354	28,953,101	41,831,292	32,647,781
Other receivables and deposits	1,254,167	1,137,216	2,844,530	1,271,133	1,882,693
Amount owing by directors	-	-	-	20,473 ⁽ⁱ⁾	-
Fixed deposits with licensed banks	2,846,181	2,931,175	3,362,809	3,336,523	12,526,617
Cash and bank balances	541,122	334,401	792,397	390,797	693,148
Current tax assets	109,855	20,830	32,630	68,839	17,698
Total current assets	67,032,268	62,255,869	59,028,514	62,318,662	74,175,222
Total assets	94,291,576	91,231,047	90,321,319	91,909,434	104,269,960
Equity					
Share capital	2,100,100	2,100,100	1,250,000	-	38,250,000
Share application reserve	-	-	25,000,000	-	-
Merger (deficit) / reserve	-	-	(24,539,800)	2,100,100	(24,539,800)
Equity reserves	-	-	999,500	-	2,000,000
Retained profits	21,908,045	23,017,809	25,596,387	24,658,145	26,503,209
Total equity	24,008,145	25,117,909	28,306,087	26,758,245	42,213,409

8. HISTORICAL FINANCIAL INFORMATION (CONT'D)

	Audited As at 31 December 2018 RM	Audited As at 31 December 2019 RM	Audited As at 31 December 2020 RM	Unaudited As at 31 July 2020 RM	Unaudited As at 31 July 2021 RM
Liabilities					
Lease liabilities	815,698	511,197	2,703,900	532,403	2,287,697
Long term bank borrowings	3,482,139	5,415,938	5,900,767	5,929,901	5,363,721
Deferred tax liabilities	144	109	115	131	93
Total non-current liabilities	4,297,981	5,927,244	8,604,782	6,462,435	7,651,511
Trade payables	55,523,998	47,942,107	40,987,153	44,771,449	36,106,141
Other payables and accruals	3,527,670	4,120,282	2,721,931	7,692,700	4,681,234
Lease liabilities	1,163,543	981,452	1,612,900	631,405	1,846,025
Short term bank borrowings	5,588,697	6,875,623	4,939,807	5,250,161	7,727,499
Amount owing to directors	181,542	239,051	2,692,123	343,039	3,071,919
Current tax liabilities	-	27,379	456,536	-	972,222
Total current liabilities	65,985,450	60,185,894	53,410,450	58,688,754	54,405,040
Total liabilities	70,283,431	66,113,138	62,015,232	65,151,189	62,056,551
Total equity and liabilities	94,291,576	91,231,047	90,321,319	91,909,434	104,269,960
NA per Share (RM) ⁽ⁱ⁾	0.10	0.11	0.12	0.11	0.18
Gearing ratio (times) ⁽ⁱⁱⁱ⁾	0.46	0.55	0.54	0.46	0.41

Notes:

⁽ⁱ⁾ The amount is subsequently has been set off with the amount owing to director in October 2020.

⁽ⁱⁱ⁾ Computed based on our issued share capital of 233,940,000 Shares upon our Proposed Listing.

⁽ⁱⁱⁱ⁾ Gearing is computed based on total borrowings over total equity.

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8. HISTORICAL FINANCIAL INFORMATION (CONT'D)**8.3 Combined Statements of Cash Flows**

The following table sets out the audited combined statements of cash flows for the FYEs 31 December 2018 and 2019, which has been extracted from the audited financial statements as set out in Appendix I of this Information Memorandum and audited combined statements of cash flows for the FYE 31 December 2020, which has been extracted from the audited financial statements as set out in Appendix II. Further, the statements of cash flow for the 7-month FPE 31 July 2020 and 2021 are set out in the table below, which has been extracted from the unaudited condensed combined interim financial statements as set out in Appendix III.

This section should be read in conjunction with the "Management Discussion and Analysis" as set out in Section 9 of this Information Memorandum.

	Audited FYE 31 December 2018 RM	Audited FYE 31 December 2019 RM	Audited FYE 31 December 2020 RM	Unaudited 7-month FPE 31 July 2020 RM	Unaudited 7-month FPE 31 July 2021 RM
Cash flows from / (used in) operating activities					
PBT	3,669,401	1,654,104	3,807,825	1,562,771	1,689,470
Adjustments for:					
Depreciation:					
- plant and equipment	365,903	272,593	213,689	117,671	138,823
- investment properties	253,458	214,588	256,568	170,506	307,280
- right-of-use assets	1,266,084	1,340,716	1,426,275	536,646	988,299
Share gift to employees	-	-	999,500	-	1,000,500
Allowance for / (Reversal of) impairment losses on:					
- contract assets	26,943	43,398	30,280	12,482	-
- trade receivables	658	121,622	46,710	-	-
Impairment losses on trade receivables no longer required	-	-	(80,000)	(41,980)	(17,293)
Interest expense	567,851	580,774	488,389	292,595	362,924
Gain on disposal of:					
- plant and equipment and investment properties	-	-	(118,020)	1,311	(21,129)
Plant and equipment written off	-	-	1	1	-
Property development costs	-	-	17,470	-	-
Inventories written down	-	810,336	-	-	-
Interest income	(92,739)	(90,262)	(75,811)	(50,727)	(120,315)
Operating profit before changes in working capital	6,057,559	4,947,869	7,012,876	2,601,276	4,328,559
Changes in working capital:					
(Increase) / Decrease in inventories	(1,400,031)	(4,019,114)	3,627,322	(90,708)	503,215
(Increase) / Decrease in trade and other receivables	(5,923,661)	8,278,254	(9,941,647)	7,404,540	(2,891,101)
(Increase) / Decrease in contract assets	(3,195,223)	1,993,171	10,439,973	(2,420,419)	(3,694,680)
Increase / (Decrease) in trade and other payables	12,266,378	(9,103,866)	(8,755,123)	(4,022,023)	(2,919,742)
Cash generated from / (used in) operations	7,805,022	2,096,314	2,383,401	3,472,666	(4,673,749)

8. HISTORICAL FINANCIAL INFORMATION (CONT'D)

	Audited FYE 31 December 2018 RM	Audited FYE 31 December 2019 RM	Audited FYE 31 December 2020 RM	Unaudited 7-month FPE 31 July 2020 RM	Unaudited 7-month FPE 31 July 2021 RM
Interest paid	(567,851)	(580,774)	(486,471)	(292,595)	(362,924)
Interest received	52,285	88,445	81,958	55,498	104,438
Income tax paid	(2,048,878)	(718,564)	(821,390)	(391,704)	(492,561)
Income tax refunded	-	48,716	-	-	240,510
Net cash from / (used in) operating activities	5,240,578	934,137	1,157,498	2,843,865	(5,184,286)
Cash flows (used in) / from investing activities					
Purchase of plant and equipment	(77,883)	(118,291)	(352,522)	(343,467)	(103,459)
Purchase of investment properties	(2,338,894)	(1,731,690)	(1,719,102)	(877,378)	(140,971)
Addition to right-of-use assets	(2,041,200)	(1,258,325)	(769,538)	(169,000)	-
Proceeds from disposal of plant and equipment	-	-	60,550	550	750
Proceeds from disposal of investment properties	-	-	2,480,000	700,000	679,328
(Increase) / Decrease in fixed deposits pledged to licensed banks	(115,934)	(84,994)	(431,634)	(405,348)	1,881,911
Net cash (used in) / from investing activities	(4,573,911)	(3,193,300)	(732,246)	(1,094,643)	2,317,559
Cash flows (used in) / from financing activities					
Advance from directors	22,409	57,509	2,453,072	83,515	379,797
Drawdown of term loans	1,466,908	3,160,360	2,965,709	661,466	86,534
Increasing / (Decreasing) in U-factoring facility	-	1,000,000	(1,000,000)	(1,000,000)	700,000
(Decrease) / Increase in bankers' acceptance	(933,000)	546,000	(172,000)	867,000	-
Repayment of lease liabilities	(1,072,716)	(1,225,792)	(979,341)	(664,842)	(815,278)
Repayment of term loans	(545,618)	(969,146)	(2,438,268)	(299,946)	(678,076)
Proceeds from issuance of shares	-	-	10,000	-	12,000,000
Net cash (used in) / from financing activities	(1,062,017)	2,568,931	839,172	(352,807)	11,672,977
Net (decrease) / increase in cash and cash equivalents	(395,350)	309,768	1,264,424	1,396,415	8,806,250
Cash and cash equivalents at the beginning of the financial year / period	(1,885,518)	(2,280,868)	(1,971,100)	(1,971,100)	(706,676)
Cash and cash equivalents at the end of the financial year / period	(2,280,868)	(1,971,100)	(706,676)	(574,685)	8,099,574

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9. MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis of our business, past financial conditions and results of operations should be read in conjunction with our audited combined financial statements for the FYEs 31 December 2018 and 2019, the audited financial statements for the FYE 31 December 2020 and the unaudited interim combined financial statements for the 7-month FPE 31 July 2021 as set out in Section 8, Appendices I, II and III of this Information Memorandum. The management discussion and analysis also contain forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ considerably from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly the risk factors as set out in Section 6 of this Information Memorandum.

9.1 Overview

SMH is an investment holding company. Our Group, through our 3 subsidiaries, is principally involved in the construction contract works and provision of construction support services, property development as well as trading in building materials and tools.

For management purposes, our Group is organised into business units based on products and services which comprises the following main business segments:

Construction Building construction, infrastructure, civil and structural works and purpose-built buildings.

Trading Trading in building materials and tools.

Property development Development of residential and commercial properties.

Our revenue is solely generated from Malaysia.

Please refer to Section 4 of this Information Memorandum for further details of our business overview.

9.2 Overview of Our Operations

9.2.1 Revenue

We recognise our revenue from the construction segment using the input method which is determined based on the proportion of construction costs incurred for the construction work performed up to the end of our reporting period over the total estimated construction costs for each construction contract.

Further, revenue from the trading segment is recognised at the point when the goods have been delivered to and accepted by our customers.

Currently, our revenue is mainly derived from the construction segment, particularly the construction of commercial properties. Please refer to Section 4.4 of this Information Memorandum for details of our on-going and completed construction projects.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The following table set out the breakdown of our Group's revenue by business segment for the Period Under Review.

Business segment	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2020	7-month FPE 31 July 2020	7-month FPE 31 July 2021	RM'000	RM'000	RM'000	%
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction										
Residential	10,542	8.80	11,929	11.52	3,390	5.41	2,261	7.83	922	2.71
Commercial	106,677	89.03	84,955	82.02	40,362	64.47	23,146	80.12	20,478	60.21
Others ⁽¹⁾	2,418	2.02	6,657	6.43	18,852	30.11	3,477	12.03	12,592	37.02
	119,637	99.85	103,541	99.97	62,604	99.99	28,884	99.98	33,992	99.94
Trading	187	0.15	35	0.03	9	0.01	5	0.02	18	0.06
Property development	-	-	-	-	-	-	-	-	-	-
Total	119,824	100.00	103,576	100.00	62,613	100.00	28,889	100.00	34,010	100.00

Note:

⁽¹⁾ Mainly include revenue from sale of contra properties, renovation works and construction of church, weighbridge, store, substructure kernel crushing plant and road infrastructure.

Our Group's revenue for the Period Under Review was substantially generated locally by one of our subsidiaries, namely SMC.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The revenue from our construction segment for the Period Under Review can be categorised as follows:

	Audited			Audited			Unaudited			Unaudited		
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FYE 31 July 2020	FYE 31 July 2021	No. of projects	Revenue derived RM'000	No. of projects	Revenue derived RM'000	No. of projects	Revenue derived RM'000	
Completed during the year	6	7,592	34,040	6	16,762	2	9,390	6	6,788			
Work-in-progress as at end of year / period	13	113,237	68,477	11	41,827	13	19,698	8	27,310			
	19	120,829	102,517	17	58,589	15	29,088	14	34,098			
Completed during the prior financial years / periods	8	(1,192)	(26)	4	(380)	2	(204)	2	(106)			
Sale of contra properties	-	-	1,050	3	4,395	-	-	-	-			
Total	27	119,637	103,541	24	62,604	17	28,884	16	33,992			

Adjustment of revenue recognised for projects completed during the prior financial years and periods was mainly due to the finalisation of the project accounts where the final contract sum arising from variation orders were only approved and certified for payment by the client post completion of the project. Nevertheless, costs for such variation orders were fully recognised in the previous financial years as it is an industrial norm where the contractor commences variation works before finalising the variation order with the client.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019**

Our Group's total revenue decreased by 13.56% or RM16.25 million to RM103.58 million (FYE 31 December 2018: RM119.82 million). The lower revenue for FYE 31 December 2019 was mainly contributed by the following projects:

Revenue by projects	Audited FYE 31 December 2018 RM'000	Audited FYE 31 December 2019 RM'000	Increase / (Decrease) RM'000
<u>Residential</u>			
ECOP2	1,421	5,328	3,907
BDA Staff Quarter	6,682	4,899	(1,783)
Topwish	648	-	(648)
Other projects	1,791	1,702	(89)
Total Revenue	10,542	11,929	1,387
<u>Commercial</u>			
PJM1 ⁽¹⁾	14,620	11,734	(2,886)
Kenyalang Avenue ⁽¹⁾	3,764	1,622	(2,142)
The Peak ⁽¹⁾	29,523	18,716	(10,807)
SK Gold ⁽¹⁾	28,959	23,934	(5,025)
SERIAN1	-	2,500	2,500
The Project / Work	2,024	-	(2,024)
Other projects	27,787	26,449	(1,338)
Total Revenue	106,677	84,955	(21,722)
<u>Others</u>			
BEO4 ⁽¹⁾	2,321	-	(2,321)
BEO5	15	4,990	4,975
Other projects	82	617	535
Sale of contra properties	-	1,050 ⁽²⁾	1,050
Total Revenue	2,418	6,657	4,239

Notes:

⁽¹⁾ These projects commenced prior to FYE 31 December 2018.

⁽²⁾ Sale of one unit of three-storey intermediate shophouse. This property was contra by customer to partially set off the contract sum due to us under the Kenyalang Avenue Project.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As illustrated above, the decrease in total revenue was mainly contributed by the lower revenue from the construction of commercial properties segment. The revenue decreased by 20.36% or RM21.72 million to RM84.96 million (FYE 31 December 2018: RM106.68 million) due to the following reasons:

- PJM1 project was completed on 20 August 2019 and thus, less revenue was recognised in FYE 31 December 2019;
- Due to the delay of payment by the customer for Kenyalang Avenue project, we had temporary ceased the construction works whilst negotiating for the revised payment term with our customer. However, the construction works for the project resumed after we had obtained a mutual agreement on the revised payment term. As more revenue was recognised in the preceding financial year, the project had less construction works done in FYE 31 December 2019. The project was completed on 18 November 2019;
- The Peak project contract's sum was revised lower during FYE 31 December 2019. A partial revenue of the project which was attributed to FYE 31 December 2019 had already been recognised in FYE 31 December 2018;
- Estimated costs and contract sum for SK Gold project were revised higher during FYE 31 December 2019. However, lower revenue was recognised for the project for FYE 31 December 2019 as less construction work of which approximately 20.16% was completed for the financial year (FYE 31 December 2018: 23.72%); and
- SERIAN1 project is a new project which commenced on 7 May 2019. The project was completed approximately 14.85% up to 31 December 2019 as there were only minimal construction works performed such as piling and foundation works. This had led to the lesser revenue recognised in FYE 31 December 2019.

The lower revenue from the construction of commercial properties segment is partially set off by the increase in the construction of others segment (mainly due to the completion of 73.38% of construction works for BEO5 Project in FYE 31 December 2019).

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020**

Our Group's total revenue decreased by 39.55% or RM40.97 million to RM62.61 million (FYE 31 December 2019: RM103.58 million). The lower revenue for FYE 31 December 2020 was mainly contributed by the following projects:

Revenue by projects	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Increase / (Decrease) RM'000
<u>Residential</u>			
ECOP2 ⁽¹⁾	5,328	1,752	(3,576)
BDA Staff Quarter ⁽¹⁾	4,899	(10)	(4,909)
Other projects	1,702	1,648	(54)
Total Revenue	11,929	3,390	(8,539)
<u>Commercial</u>			
PJM1 ⁽¹⁾	11,734	(163)	(11,897)
Kenyalang Avenue ⁽¹⁾	1,622	3,277	1,655
Naim Hotel ⁽¹⁾	16,548	(246)	(16,794)
The Peak ⁽¹⁾	18,716	9,171	(9,545)
SK Gold ⁽¹⁾	23,934	19,477	(4,457)
KKHO ⁽¹⁾	9,326	4,533	(4,793)
FARLEY	406	1,803	1,397
Other projects	2,669	2,510	(159)
Total Revenue	84,955	40,362	(44,593)
<u>Others</u>			
BEO5 ⁽¹⁾	4,990	1,984	(3,006)
BEM	111	4,073	3,962
Lot 1747	-	1,283	1,283
SSGP	-	5,730	5,730
Other projects	506	1,387	881
Sale of contra properties	1,050 ⁽²⁾	4,395 ⁽³⁾	3,345
Total Revenue	6,657	18,852	12,195

Notes:

⁽¹⁾ These projects commenced prior to FYE 31 December 2019.

⁽²⁾ Sale of one unit of three-storey intermediate shophouse. This property was contra by a customer to partially set off the contract sum due to us under the Kenyalang Avenue Project.

⁽³⁾ Sales of four units of properties, comprising three units of three-storey intermediate shophouses and one unit of a condominium. These properties were contra by customers to partially set off the contract sum due to us under the Kenyalang Avenue Project and The Peak Project.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As illustrated above, the decrease in total revenue was mainly attributed to lower revenue from the construction of residential and commercial properties segments. The revenue has decreased by 71.58% or RM8.54 million to RM3.39 million (FYE 31 December 2019: RM11.93 million) and 52.50% or RM44.60 million to RM40.36 million (FYE 31 December 2019: RM84.96 million) respectively. The lower revenue was mainly due to the following reasons:

- PJM1, Naim Hotel and BDA Staff Quarter projects were completed during FYE 31 December 2019. The adjustment of revenue recognised during FYE 31 December 2020 was due to the finalisation of the project accounts post completion date of the projects;
- The Peak and ECOP2 projects were completed at the beginning of the financial year, specifically on 30 January 2020 and 26 February 2020, respectively. Therefore, less revenue was recognised for the projects during FYE 31 December 2020;
- Lower revenue was recognised for SK Gold and KKHO projects in FYE 31 December 2020 as compared to the preceding financial year due to the disruption of construction activities from the policies and procedures enforced by the Government during the COVID-19 pandemic;
- The majority of the Group's construction projects are located in Sarawak. The progress of the projects in Sarawak were disrupted due to the MCO in Sarawak from 18 March 2020 to 4 May 2020 as part of the policies and procedures enforced by the Government during the COVID-19 pandemic. The construction activities were only resumed on 6 May 2020; and
- Further, the supply of new foreign workers to the Group was adversely affected due to the restrictions imposed by the Immigration Department during the MCO and thus, our construction activities were disrupted due to manpower limitation.

The lower revenue from the construction of residential and commercial properties segments are partially set off by the increase in construction of others segment (mainly contributed by the income from SSGP project and increase in sales of contra properties).

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021**

Revenue by projects	Unaudited		Increase / (Decrease)
	7-month FPE 31 July 2020	7-month FPE 31 July 2021	
	RM'000	RM'000	RM'000
<u>Residential</u>			
ECOP2 ⁽¹⁾	1,373	40	(1,333)
Lot 2276	-	381	381
Other projects	888	501	(387)
Total Revenue	2261	922	(1,339)
<u>Commercial</u>			
SERIAN1	1,006	2,566	1,560
The Peak ⁽¹⁾	9,116	-	(9,116)
SK Gold ⁽¹⁾	7,963	16,424	8,461
FARLEY	1,359	-	(1,359)
Kenyalang Avenue ⁽¹⁾	2,001	-	(2,001)
Other projects	1,701	1,488	(213)
Total Revenue	23,146	20,478	(2,668)
<u>Others</u>			
BEM	1,695	3,578	1,883
URDA	333	1,842	1,509
SSGP	-	5,306	5,306
Other projects	1,449	1,866	417
Total Revenue	3,477	12,592	9,115

Note:

⁽¹⁾ These projects commenced prior to FYE 31 December 2019.

As illustrated above, the total revenue increased by 17.72% or RM5.12 million in 7-month FPE 31 July 2021 of RM34.01 million (7-month FPE 31 July 2020: RM28.89 million). The increase in total revenue was mainly attributed to higher revenue from the construction of others segment, which increase by 261.78% or RM9.11 million to RM12.59 million (7-month FPE 31 July 2020: RM3.48 million). The increase in our Group's total revenue was mainly due to the following reasons:

- The BEM and URDA projects recognised higher revenue for the 7-month FPE 31 July 2021 as higher percentages of completion for these projects took place during the financial period of approximately 46.10% and 74.51%, respectively (7-month FPE 31 July 2020: 21.84% and 13.47%);
- The estimated costs and contract sum for SK Gold project were revised lower during 7-month FPE 31 July 2021. As the construction work progressed, higher revenue was recognised for the period. However, such increase was partially set off by the reduction in revenue attributable to The Peak project which was completed on 31 January 2021 and thus, no revenue was recognised during the period for 7-month FPE 31 July 2021; and

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- The letter of award for SSGP project was received on 12 October 2020, subsequent to the 7-month FPE 31 July 2020 and thus, the revenue was recognised in FPE 31 July 2021 only.

The higher revenue from the construction of others segment was partially offset by the decrease in construction of residential properties segment (mainly attributable to the completion of ECOP2 and Kenyalang Avenue projects prior to 7-month FPE 31 July 2021).

9.2.2 Cost of sales**Cost of sales by business segment**

The following table sets out the breakdown of our Group's cost of sales by business segment for the Period Under Review.

Business segment	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31		FYE 31		FYE 31		7-month FPE 31		7-month FPE 31	
	December 2018		December 2019		December 2020		July 2020		July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction										
Residential	9,675	8.73	11,794	12.34	2,990	5.44	2,224	9.02	1,085	3.90
Commercial	99,362	89.70	77,508	81.07	34,810	63.29	19,014	77.12	18,036	64.81
Others	1,663	1.50	6,288	6.57	17,191	31.26	3,415	13.85	8,689	31.22
	110,700	99.93	95,590	99.98	54,991	99.99	24,653	99.99	27,810	99.93
Trading	82	0.07	15	0.02	7	0.01	2	0.01	18	0.07
Property development	-	-	-	-	-	-	-	-	-	-
Total	110,782	100.00	95,605	100.00	54,998	100.00	24,655	100.00	27,828	100.00

Cost of sales by category

The following table sets out the breakdown of SMH's cost of sales by category for the Period Under Review.

Category	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31		FYE 31		FYE 31		7-month FPE 31		7-month FPE 31	
	December 2018		December 2019		December 2020		July 2020		July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractors' costs	47,902	43.24	45,319	47.40	23,729	43.15	11,163	45.28	15,367	55.22
Construction materials	45,140	40.75	32,287	33.77	13,173	23.95	6,975	28.29	6,098	21.91
Preliminaries	5,674	5.12	4,751	4.97	4,416	8.03	1,486	6.03	2,608	9.37
Direct labour cost	12,066	10.89	12,368	12.94	9,685	17.61	5,031	20.40	3,755	13.50
Others ⁽¹⁾	-	-	880	0.92	3,995	7.26	-	-	-	-
Total	110,782	100.00	95,605	100.00	54,998	100.00	24,655	100.00	27,828	100.00

Note:

⁽¹⁾ Includes mainly the cost of selling contra properties.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As illustrated above, our cost of sales was mainly related to the cost of constructing commercial properties, which corresponds to our revenue segmentation.

Our Group's cost of sales comprise subcontractors' costs, construction materials, preliminaries and direct labour costs. Amongst the categories, subcontractors' costs and construction materials are major components that collectively constitute 83.99%, 81.17% and 67.10% for the respective FYE Under Review, as well as 73.57% and 77.13% for the 7-month FPE 31 July in 2020 and 2021, respectively. Please refer to Section 4.5 of this Information Memorandum for further details of our cost of sales.

Material procurement is a crucial aspect of the construction process. We have to order materials that align with both our client's and contractor's objectives. Material procurement and storage on construction sites need to be properly planned and executed to avoid the negative impacts of material shortage or excessive material inventory on-site. Generally, materials required to construct building structures such as deformed bars are procured at the planning stage of a project, taking into consideration the project specification and requirements. Other materials are purchased over the construction period, taking into consideration the construction progress and lead time of delivery.

We engaged subcontractors for certain construction activities throughout different stages of the projects. Various specialist works such as mechanical and electrical works, plumbing, painting, roofing as well as windows, door frame and security equipment installation works were performed by either customers' nominated subcontractors or our subcontractors after the completion of building structures. We also engaged subcontractors for the structure construction services.

Our subcontractors' costs for Period Under Review are mainly attributable to the construction projects as set out below:

Subcontractors' costs	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31		FYE 31		FYE 31		7-month FPE		7-month FPE	
	December 2018		December 2019		December 2020		31 July 2020		31 July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Naim Hotel	13,742	28.69	11,901	26.26	66	0.28	(140)	(1.25)	73	0.48
The Peak	14,447	30.16	11,018	24.31	5,460	23.01	4,810	43.09	(319)	(2.07)
PJM1	8,994	18.77	7,589	16.75	3	0.01	-	-	(1)	(0.01)
Kenyalang Avenue	1,560	3.26	718	1.58	1,794	7.56	1,737	15.56	-	-
KKHO	2,060	4.30	3,429	7.57	1,600	6.74	793	7.10	583	3.79
BEM	-	-	-	-	1,272	5.36	4	0.04	1,542	10.03
ECOP2	-	-	1,240	2.74	1,026	4.32	1,021	9.14	-	-
SK Gold	2,882	6.02	3,494	7.71	9,263	39.04	2,130	19.08	10,102	65.74
Other projects	4,217	8.80	5,930	13.08	3,245	13.68	808	7.24	3,387	22.04
Total	47,902	100.00	45,319	100.00	23,729	100.00	11,163	100.00	15,367	100.00

Note:

⁽¹⁾ The negative balance is due to credit note from subcontractors.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019**

Our Group's cost of sales decreased by 13.69% or RM15.17 million to RM95.61 million (FYE 31 December 2018: RM110.78 million). The decrease in the cost of sales was mainly attributable to the decrease of cost for the construction of commercial properties by 21.99% or RM21.85 million to RM77.51 million (FYE 31 December 2018: RM99.36 million). Generally, the decrease in the cost of sales is in tandem with the decrease in our Group's revenue.

In terms of categories, we recorded a decrease in all categories of cost except for direct labour costs and cost of selling contra property, in which:

- subcontractors' costs decreased by 5.39% or RM2.58 million to RM45.32 million (FYE 31 December 2018: RM47.90 million);
- cost of construction materials decreased by 28.47% or RM12.85 million to RM32.29 million (FYE 31 December 2018: RM45.14 million); and
- cost for preliminaries decreased by 16.23% or RM0.92 million to RM4.75 million (FYE 31 December 2018: RM5.67 million).

The decrease in the cost of construction materials outweighed the decrease in subcontractors' costs and cost for preliminaries mainly due to the following:

- Most of the on-going or completed projects in FYE 31 December 2019 had already commenced in prior years and hence, a substantial amount of construction materials required for the provision of structures construction services were incurred in prior years;
- We incurred subcontractors' costs for structure construction services during FYE 31 December 2018 and subsequently during FYE 31 December 2019, we incurred the same costs for specialist works. The costs were incurred throughout the projects and thus, the decrease in the cost of construction materials outweighed the decrease in the subcontractors' costs; and
- The cost for preliminaries includes general miscellaneous expenses arising from the general conditions and methods to complete the project. These costs are not identifiable to any work stages in the construction contract. The decrease of 16.23% or RM0.92 million is mainly attributable to the following expenses:

Cost of sales - Preliminaries	Audited	Audited	Increase / (Decrease) RM'000
	FYE 31	FYE 31	
	December 2018	December 2019	
	RM'000	RM'000	
CIDB levy	9	118	109
Electricity and water	266	395	129
Freight and transport charges	358	175	(183)
Hiring charges	939	715	(224)
Petrol, oil and lubricants	1,066	781	(285)
Repair and maintenance	1,069	769	(300)
Workers' food ration	527	425	(102)
Other preliminaries	1,440	1,373	(67)
Total	5,674	4,751	(923)

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The direct labour costs increased by 2.49% or RM0.30 million to RM12.37 million (FYE 31 December 2018: RM12.07 million) due to revision of minimum wage from RM920 to RM1,100 per month with effective from 1 January 2019 (applicable in Sarawak and Sabah).

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's cost of sales decreased by 42.47% or RM40.61 million to RM55.00 million (FYE 31 December 2019: RM95.61 million). The decrease in the cost of sales was mainly attributable to the decreased in cost for the construction of commercial properties by 55.09% or RM42.70 million to RM34.81 million (FYE 31 December 2019: RM77.51 million). Overall, the decrease in the cost of sales is in tandem with the decrease in our Group's revenue.

In terms of categories, we recorded a decrease in all components except for the cost for selling contra properties, in which:

- subcontractors' costs decreased by 47.64% or RM21.59 million to RM23.73 million (FYE 31 December 2019: RM45.32 million);
- cost of construction materials decreased by 59.21% or RM19.12 million to RM13.17 million (FYE 31 December 2019: RM32.29 million);
- direct labour cost decreased by 21.67% or RM2.68 million to RM9.69 million (FYE 31 December 2019: RM12.37 million); and
- cost for preliminaries decreased by 6.95% or RM0.33 million to RM4.42 million (FYE 31 December 2019: RM4.75 million).

The decrease in subcontractors' costs and cost of construction materials outweighed the decrease in direct labour cost and cost for preliminaries due mainly to the following:

- Construction activities were disrupted due to the MCO in Sarawak from 18 March 2020 to 4 May 2020 as part of the policies and procedures enforced by the Government during the COVID-19 pandemic where substantial subcontractors' works were delayed until the construction activities were only resumed on 6 May 2020;
- Most of the on-going or completed projects in FYE 31 December 2020 had already commenced in prior years and thus, a substantial amount of construction materials required for the provision of structure construction services were incurred in prior years;
- We still incurred direct labour cost even when our construction activities were disrupted during the MCO period; and
- The decrease in cost for preliminaries of 6.95% or RM0.33 million is mainly attributable to the following expenses:

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Cost of sales - Preliminaries	Audited	Audited	Increase /
	FYE 31	FYE 31	(Decrease)
	December 2019	December 2020	
	RM'000	RM'000	RM'000
CIDB levy	118	31	(87)
Electricity and water	395	161	(234)
Freight and transport charges	175	465	290
Hiring charges	715	574	(141)
Petrol, oil and lubricants	781	572	(209)
Repair and maintenance	769	703	(66)
Workers' food ration	425	381	(44)
Other preliminaries	1,373	1,529	156
Total	4,751	4,416	(335)

The cost for selling contra properties increased by 354.55% or RM3.12 million to RM4.00 million (FYE 31 December 2019: RM0.88 million) in tandem with the increase in the number of contra properties sold.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Our Group's cost of sales increased by 12.85% or RM3.17 million to RM27.83 million (7-month FPE 31 July 2020: RM24.66 million). The increase in the cost of sales was mainly attributable to the increase of cost for the construction of others segment by 154.09% or RM5.27 million to RM8.69 million (7-month FPE 31 July 2020: RM3.42 million). Generally, the increase in the cost of sales is in tandem with the increase in our Group's revenue for such period.

In terms of categories, we recorded an increase in all components except for direct labour cost, in which:

- subcontractors' costs increased by 37.72% or RM4.21 million to RM15.37 million (7-month FPE 31 July 2020: RM11.16 million);
- cost of construction materials decreased by 12.61% or RM0.88 million to RM6.10 million (7-month FPE 31 July 2020: RM6.98 million);
- direct labour cost decreased by 25.25% or RM1.27 million to RM3.76 million (7-month FPE 31 July 2020: RM5.03 million); and
- cost for preliminaries increased by 75.17% or RM1.12 million to RM2.61 million (7-month FPE 31 July 2020: RM1.49 million).

The subcontractors' costs increased while the cost of construction materials decreased as most of the costs incurred are for on-going or completed projects in which a substantial amount of construction materials required for the provision of structure construction services has already been incurred prior to 7-month FPE 31 July 2020.

The direct labour costs decreased by 25.25% or RM1.27 million to RM3.76 million (7-month FPE 31 July 2020: RM5.03 million) mainly attributable to the decrease of foreign workers who were unable to report back to duty after returning to their home countries due to the closing of Sarawak's border.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The increase in cost for preliminaries of 75.17% or RM1.12 million is mainly attributable to the following expenses:

Cost of sales - Preliminaries	Unaudited	Unaudited	Increase /
	7-month FPE 31 July 2020	7-month FPE 31 July 2021	(Decrease)
	RM'000	RM'000	RM'000
CIDB levy	3	1	(2)
Electricity and water	93	77	(16)
Freight and transport charges	91	336	245
Hiring charges	132	291	159
Petrol, oil and lubricants	260	334	74
Repair and maintenance	350	303	(47)
Workers' food ration	109	300	191
Other preliminaries	448	966	518
Total	1,486	2,608	1,122

9.2.3 GP and GP Margin

The following tables set out the breakdown of our Group's GP and GP margin by business segment for Period Under Review.

GP by business segment

Business segment	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31 December 2018		FYE 31 December 2019		FYE 31 December 2020		7-month FPE 31 July 2020		7-month FPE 31 July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction										
Residential	867	9.59	135	1.69	400	5.25	37	0.87	(163)	(2.63)
Commercial	7,315	80.90	7,447	93.43	5,552	72.91	4,132	97.59	2,442	39.50
Others	755	8.35	369	4.63	1,661	21.81	62	1.47	3,903	63.13
	8,937	98.84	7,951	99.75	7,613	99.97	4,231	99.93	6,182	100.00
Trading	105	1.16	20	0.25	2	0.03	3	0.07	-	-
Property development	-	-	-	-	-	-	-	-	-	-
Total	9,042	100.00	7,971	100.00	7,615	100.00	4,234	100.00	6,182	100.00

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**GP margin by business segment**

Business segment	Audited	Audited	Audited	Unaudited	Unaudited
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	7-month FPE 31 July 2020	7-month FPE 31 July 2021
	%	%	%	%	%
Construction contracts					
Residential	8.22	1.13	11.80	1.64	(17.68)
Commercial	6.86	8.77	13.76	17.85	11.92
Others	31.22	5.54	8.81	1.78	31.00
Trading	56.15	57.14	22.22	60.00	-
Property development	-	-	-	-	-
Overall GP margin	7.55	7.70	12.16	14.65	18.18

As illustrated above, our GP is substantially generated from the construction of commercial properties segment, which contributed to 80.90%, 93.43%, 72.91% and 97.59% for the respective FYE Under Review and 7-month FPE 31 July 2020. Whereas for 7-month FPE 31 July 2021, our GP is mainly generated from the construction of others segment which contributed 63.13% and construction of commercial properties segment which contributed 39.52% of total GP.

In this regard, our Group's overall GP margin was largely influenced by GP margin of the construction of commercial properties segment, which is attributable to the pricing and cost estimates of our construction projects that vary from project to project, taking into consideration the complexity and scale of the construction projects, among others.

Further, our GP and GP margin may fluctuate throughout our project period when we revise our cost estimates taking into consideration our progress and the remaining costs to be incurred up to completion. Such fluctuations are typically more significant nearing the completion of our projects where we can estimate our costs more accurately.

We generally review our projects' costs estimates as and when required and thus, may have resulted in volatility in our actual GP margin.

(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019

Our Group's total GP decreased by 11.84% or RM1.07 million to RM7.97 million (FYE 31 December 2018: RM9.04 million). Despite an increase in GP of 1.80% or RM0.13 million to RM7.45 million (FYE 31 December 2018: RM7.32 million) contributed from our construction of commercial properties segment, our GP for residential construction segments were, in aggregate, reduced by 83.91% or RM0.73 million to RM0.14 million (FYE 31 December 2018: RM0.87 million) and we recorded a minimal GP of RM0.02 million for the trading segment in FYE 31 December 2019.

During FYE 31 December 2019, we noticed that Project Lot 3064 is loss-making due to revision of construction costs. Further, the revenue from BDA Staff Quarter project was over-recognised in the preceding years due to the revision of contract sum to a lower amount during the finalisation of the project account. Both projects were completed in FYE 31 December 2019 where consequently, the GP for construction of residential properties segment declined significantly in FYE 31 December 2019.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

On the other hand, our Group's overall GP margin slightly improved by 0.15% to 7.70% (FYE 31 December 2018: 7.55%). The improvement in our GP margin in FYE 31 December 2019 was mainly contributed by our construction of commercial properties segment which recorded a higher GP margin of 8.77% (FYE 31 December 2018: 6.86%), representing an increase of 1.91% mainly attributable to Naim Hotel project. The project was completed on 31 December 2019 where upon the finalisation of the project account, we recorded an actual GP margin of 12.02% as compared to the estimated GP margin of 6.54% which was due to a variation order of RM4.15 million received during FYE 31 December 2019.

However, our GP margin for the construction of residential properties segment had declined by 7.09% to 1.13% (FYE 31 December 2018: 8.22%), mainly attributable to BDA Staff Quarter project as upon its completion on 27 August 2019, the project generated an actual GP margin of 2.40% as compared to the estimated GP margin of 4.76% due to the lower actual contract sum mentioned earlier.

Further, our GP margin for the construction of others segment had significantly declined by 25.68% to 5.54% (FYE 31 December 2018: 31.22%). The high GP margin for the construction of other segment in FYE 31 December 2018 was mainly due to higher profit contribution from a building works project.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's total GP decreased by 4.39% or RM0.35 million to RM7.62 million (FYE 31 December 2019: RM7.97 million). Despite a decrease in GP of 25.50% or RM1.90 million to RM5.55 million (FYE 31 December 2019: RM7.45 million) contributed from our construction of commercial properties segment, we recorded a significant increase in GP for our construction of residential properties segment by 185.71% or RM0.26 million to RM0.40 million (FYE 31 December 2019: RM0.14 million) and increase in GP by 348.65% or RM1.29 million to RM1.66 million (FYE 31 December 2019: RM0.37 million) for the construction of others properties segment.

Further, the increase in GP for our construction of other properties segment was also partly contributed by the SSGP project and sales of contra properties.

On the other hand, our Group's overall GP margin improved by 4.47% to 12.16% (FYE 31 December 2019: 7.70%). The GP margin for all segments improved.

We attributed the increase in GP and improvement in GP margin of our construction of residential properties segment mainly due to the GP margin for ECOP2 project. The project was completed on 26 February 2020 where upon finalisation of the project account, we have recorded a higher GP margin of 6.04% as compared to 2.00% in the preceding year which was due to the lower actual costs and higher revised contract sum pursuant to variation order received for the project.

In addition, the increase in GP and improvement in GP margin of our construction of commercial properties segment was also due to the lower actual construction costs incurred for Kenyalang Avenue Project and The Peak Project where upon finalisation of the project account, the GP margin for Kenyalang Avenue Project was revised to 17.51% from 9.55% whilst The Peak Project was revised to 9.76% from 6.54% during the FYE 31 December 2020.

Our GP margin for the trading segment had declined significantly as our sale of building materials to external parties was reduced.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021**

Our Group's total GP increased by 46.10% or RM1.95 million to RM6.18 million (7-month FPE 31 July 2020: RM4.23 million), mainly due to a significant increase in our construction of others segment by 6,400.0% or RM3.84 million to RM3.90 million (7-month FPE 31 July 2020: RM0.06 million). The increase was mainly contributed by the SSGP, BEO5 and BEM projects.

However, our Group recorded a decrease in GP of 40.92% or RM1.69 million to RM2.44 million (7-month FPE 31 July 2020: RM4.13 million) for the construction of commercial properties segment mainly due to a lower GP from the Peak Project which was completed on 30 January 2020. Further, the lower GP for the construction of residential properties segment was due to the delay in a project where there was a change of design requested by customer. Nevertheless, the decrease was partially offset by higher GP from SK Gold project as a result of revise in estimate of contract sum and contract costs.

On the other hand, our Group's overall GP margin slightly increased by 3.53% to 18.18% (7-month FPE 31 July 2020: 14.65%).

9.2.4 Other income

The following table sets out the breakdown of our other income recorded for the Period Under Review:

	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31		FYE 31		FYE 31		7-month FPE 31		7-month FPE 31	
	December 2018		December 2019		December 2020		July 2020		July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal	-	-	-	-	118	3.58	-	-	21	1.86
Hiring income ⁽¹⁾	66	7.69	55	8.17	2,612	79.27	30	7.83	508	45.08
Interest income	93	10.84	90	13.37	76	2.31	51	13.32	120	10.65
Rental income	99	11.54	94	13.97	60	1.82	26	6.79	42	3.72
Sundry income ⁽²⁾	600	69.93	434	64.49	429	13.02	276	72.06	436	38.69
Discount received	- *	- *	-	-	-	-	-	-	-	-
Total	858	100.00	673	100.00	3,295	100.00	383	100.00	1,127	100.00

Notes:

⁽¹⁾ Hiring income refers to leasing of project machineries such as tower crane, excavators, air compressor, generator set, site use storage containers, motor vehicles and others.

⁽²⁾ Sundry income mainly consists of income from sale of construction materials to subcontractors.

* Negligible.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019

Other income decreased by 22.09% or RM0.19 million to RM0.67 million (FYE 31 December 2018: RM0.86 million) due to a reduction in the sale of construction materials to subcontractors.

The decline in income from other components was mainly due to lower hiring income as we utilised the plant and machineries for our projects resulted in lesser plant and machineries available for leasing purposes. Further, the decrease in sundry income is mainly due to a reduction in the purchase of construction materials by subcontractors as we encouraged the subcontractors to do their own procurement in order to reduce our procurement costs.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Other income increased significantly by 392.54% or RM2.63 million to RM3.30 million (31 December 2019: RM0.67 million). The significant increase in other income was mainly attributable to the following reasons:

- Significant increase in hiring income by 5,120.00% or RM2.56 million to RM2.61 million (FYE 31 December 2019: RM0.05 million) mainly due to the higher contribution from the SSGP Project during FYE 31 December 2020; and
- One-off gain on disposal of a motor vehicle which has been fully depreciated and disposal of three units of double-storey semi-detached houses to our Executive Chairman.

The increase in other income was partially offset by lower interest income, sundry income, rental income and income from labour supply. The rental income had decreased by 33.33% or RM0.03 million as we utilised a workshop during FYE 31 December 2020 which was rented to the subcontractor previously during FYE 31 December 2019. Further, we had provided waiver of three months rental and discount of 50% rental for respective shop lots during the MCO period. In addition, staff quarters that was previously rented to subcontractor was discontinued since 30 September 2019.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Other income increased significantly by 197.37% or RM0.75 million to RM1.13 million (7-month FPE 31 July 2020: RM0.38 million). The significant increase in other income was mainly attributable to the following reasons:

- Significant increase in hiring income by 1,600.0% or RM0.48 million to RM0.51 million (7-month FPE 31 July 2020: RM0.03 million) mainly due to the higher contribution from the SSGP project during 7-month FPE 31 July 2021; and
- Increase in interest income by 140.0% or RM0.07 million to RM0.12 million (7-month FPE 31 July 2020: RM0.05 million) mainly due to the income generated from fixed deposits in licensed bank.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

9.2.5 Administrative expenses and net impairment losses on financial assets

Administrative expenses are costs incurred to maintain our business operations that are not directly allocated to construction projects or sale of building materials.

The net impairment losses on financial assets are in respect of allowance for expected credit loss.

The following table sets out the breakdown of our Group's administrative expenses and net loss on impairment of financial assets for the Period Under Review:

	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2020	7-month FPE 31 July 2020	7-month FPE 31 July 2021	RM'000	%	RM'000	%
Administrative expenses										
Auditors' remuneration	22	56	58	0.90	0.88	-	-	(1)	(0.02)	
Bank charges	139	162	84	2.59	1.27	29	1.04	149	2.82	
Depreciation of fixed assets	1,885	1,828	1,897	29.28	28.67	825	29.57	1,435	27.20	
Directors' non-fee emoluments	1,004	940	904	15.06	13.66	463	16.59	501	9.50	
Inventories written down	-	810	-	12.97	-	-	-	-	-	
Legal and professional charges	163	171	382	2.74	5.77	135	4.84	578	10.96	
Miscellaneous expenses ⁽¹⁾	459	388	370	6.21	5.59	183	6.56	252	4.78	
Rate and assessment	48	49	36	0.79	0.54	18	0.65	17	0.32	
Rental	24	24	25	0.38	0.38	13	0.46	25	0.47	
Share Gift	-	-	1,000	-	15.11	-	-	1,001	18.98	
Staff costs ⁽²⁾	1,563	1,595	1,594	25.54	24.09	981	35.16	1,142	21.65	
Transport and travelling ⁽³⁾	328	221	267	3.54	4.04	143	5.13	176	3.34	
Total	5,635	6,244	6,617	100.00	100.00	2,790	100.00	5,275	100.00	

Net loss / (reversal) of impairment on financial assets

28 100.00 165 (3) 100.00 (29) 100.00 (17) 100.00

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Notes:

- (1) *Miscellaneous expenses comprise of expenses such as advertising charges, annual dinner expenses, commission, donation, entertainment and refreshment, fire insurance, license fee, newspaper and subscription fees, office expenses, printing and stationeries, penalty, postage and courier charges, registration fee, repair and maintenance, software package charges, telephone and fax charges, tender document fee, trade license, training fee, utilities, non-claimable goods and services tax and sundry expenses.*
- (2) *Staff costs comprise of staff salaries, wages, bonuses, allowances, Employee Insurance Scheme contributions, Employee Provident Fund contributions, Social Security Organisation contributions and other workers' benefits.*
- (3) *Transport and travelling expenses consist of expenses such as freight charges, Global Position System fees, parking fee, petrol, oil and lubricants, vehicle insurance and road tax as well as other travelling expenses.*

(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019

Our Group's administrative expenses increased by 10.64% or RM0.60 million to RM6.24 million (FYE 31 December 2018: RM5.64 million).

The increase is mainly attributable to inventory written down amounting to RM0.81 million in FYE 31 December 2019 due to expected loss to be incurred from lower selling price of inventories, i.e. two units of shophouses and one unit of condominium contra by customers.

However, the increase was partially offset by the following reasons:

- Decrease in expenses for vehicle insurance and road tax by RM0.10 million as some of the costs were reclassified as prepayment in FYE 31 December 2019 based on the period covered by the motor vehicle insurance and road tax;
- Decrease in depreciation of fixed assets by RM0.06 million, mainly attributable to decrease in depreciation of motor vehicles by RM0.05 million whereby 11 motor vehicles were fully depreciated in FYE 31 December 2018;
- Decrease in donation by RM0.03 million as our Managing Director made the donation personally; and
- Decrease in non-claimable goods and services tax by RM0.02 million as goods and services tax ("GST") was replaced by sales and services tax ("SST") effective on 1 September 2018. Since the adoption of SST, the SST expenses were included in the material purchase cost.

Net impairment losses on financial assets were recorded at RM0.03 million and RM0.17 million for FYE 31 December 2018 and in FYE 31 December 2019, respectively. The increase of 466.67% or RM0.14 million is attributable to the general allowance provided in respect of expected credit loss on trade receivables and contract assets, in compliance with Malaysian Financial Reporting Standards 9.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's administrative expenses increased by 6.09% or RM0.38 million to RM6.62 million (FYE 31 December 2019: RM6.24 million).

We attributed the increase mainly due to the following reasons:

- The Share Gift of RM1.00 million granted to Eligible Employees (first tranche); and
- Increase in legal and professional charges by RM0.21 million due to expenses incurred for the Proposed Listing.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The increase in the above administrative expenses was partially offset by the decrease in inventories written down expense of RM0.81 million.

We recorded a minimal reversal of impairment loss on financial assets for FYE 31 December 2020.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Our Group's administrative expenses increased by 89.25% or RM2.49 million to RM5.28 million (7-month FPE 31 July 2020: RM2.79 million).

We attributed the increase mainly due to the following reasons:

- The expenses incurred for Share Gift of RM1.00 million granted to Eligible Employees (second tranche);
- Increase in legal and professional charges by RM0.44 million due to expenses incurred for the Proposed Listing;
- Increase in staff costs by RM0.16 million, mainly attributable to increase number of staff for management team; and
- Increase in depreciation of fixed assets by RM0.61 million, mainly attributable to increase in depreciation of right-of-use assets by RM0.45 million whereby our Group has acquired additional equipment, motor vehicles as well as plant and machinery under hire purchase arrangement in the 7-month FPE 31 July 2021.

9.2.6 Finance cost

Our Group's finance costs are mainly interest expenses to licensed banks incurred for our financing facilities. The following table sets out the breakdown for the Period Under Review:

	Audited		Audited		Audited		Unaudited		Unaudited	
	FYE 31		FYE 31		FYE 31		7-month FPE 31		7-month FPE 31	
	December 2018		December 2019		December 2020		July 2020		July 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:										
- Bank overdraft	62	10.92	81	13.94	72	14.75	61	20.82	65	17.91
- Bankers' acceptance	179	31.51	149	25.65	110	22.54	44	15.02	50	13.77
- Lease	145	25.53	94	16.18	77	15.78	33	11.26	144	39.67
- Loan	182	32.04	222	38.21	214	43.85	142	48.46	86	23.69
- U-factoring	-	-	35	6.02	15	3.08	13	4.44	18	4.96
Total	568	100.00	581	100.00	488	100.00	293	100.00	363	100.00

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019

Our Group's total interest expenses recorded a slight increase of RM0.01 million or 1.75% to RM0.58 million (FYE 31 December 2018: RM0.57 million). The increase was mainly attributable to higher interest expenses incurred for bank overdraft and term loan facilities during the FYE 31 December 2019. In view of our needs for working capital in FYE 31 December 2019, we had increased the utilisation of our bank overdraft facility and begin financing our capital through U-factoring facility. This is in view of the potential delay in payment made by our customers.

However, the increase was partially offset by lower interest expenses incurred for bankers' acceptance and settlement of four hire purchase facilities. Further, we had also charged our contra properties received from our customer to obtain additional term loan in order to meet our working capital requirement.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's total interest expenses recorded a decline of RM0.09 million or 15.52% to RM0.49 million (FYE 31 December 2019: RM0.58 million). The decline was due to repayment of bank borrowings. Further, during FYE 31 December 2020, we had better cash flows position whereby we had utilised less bankers' acceptance and U-factoring facilities and managed to further settle six leased facilities. Further, our Group had been enjoying a much more lower interest rate due to the reduced overnight policy rate by BNM to 1.75% due to the COVID-19 pandemic.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Our Group's total interest expenses recorded an increase of RM0.07 million or 24.14% to RM0.36 million (7-month FPE 31 July 2021: RM0.29 million). The increase was mainly attributable to the increase in lease interests, whereby we have entered into additional 10 lease arrangement to finance the acquisition of equipment, motor vehicles as well as plant and machinery during 7-month FPE 31 July 2021. The increase in interest expenses was partially offset by the decrease in bank overdraft and term loan interests due to repayment of borrowings.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**9.2.7 Tax expense**

The breakdown of our tax expense for the Period Under Review is as follows:

	Audited FYE 31 December 2018 RM'000	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited 7-month FPE 31 July 2020 RM'000	Unaudited 7-month FPE 31 July 2021 RM'000
Current tax expense/(income):					
- current year	1,072	784	1,390	316	783
- prior year	107	2	(173)	-	-
	1,179	786	1,217	316	783
Real property gains tax	-	-	22	-	-
	1,179	786	1,239	316	783
Deferred tax expense/(income):					
- current year	Nil	99	(10)	(1)	Nil
- prior year	-	(341)	-	98	-
	Nil	(242)	(10)	97	Nil
Total tax expense	1,179	544	1,229	413	783
Effective tax rate (%)	32.13	32.91	32.28	26.45	46.33
Statutory tax rate ⁽¹⁾					
First RM500,000 of chargeable income (%)	18.00	17.00	24.00	24.00	24.00
Balance of chargeable income (%)	24.00	24.00	24.00	24.00	24.00

Note:

⁽¹⁾ The corporate tax rate for a company incorporated in Malaysia with issued share capital of not more than RM2.50 million and that have gross income from business source of no more than RM50.00 million.

As illustrated above, our Group's effective tax rates for the FYE Under Review were relatively consistent but higher than the statutory tax rate mainly due to the tax impact of the following:

- non-deductible expenses which are mainly contributed by inventory written down, net impairment losses on financial assets, legal fee incurred for loan facilities and depreciation of non-qualifying assets in relation to investment properties; and
- qualifying expenditure for motor vehicles not licensed for business purposes are restricted to RM100,000 for new motor vehicles at cost below RM150,000 or otherwise, restricted to RM50,000. Therefore, the depreciation for the excess non-qualifying portion will become non-deductible expenses.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019**

Our Group's tax expense decreased significantly by 54.24% or RM0.64 million to RM0.54 million (FYE 31 December 2018: RM1.18 million). The lower tax expense was mainly attributable to lower PBT and the recognition of deferred tax assets in relation to temporary differences arising from plant and equipment in preceding year.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's tax expense increased significantly by 127.78% or RM0.69 million to RM1.23 million (FYE 31 December 2019: RM0.54 million). The higher tax expense was mainly attributable to the following reasons:

- we had assumed a tax rate provision at 24% of the chargeable income as we estimated the source of income from business for the year of assessment will be more than RM50.00 million;
- incurred real property gains tax due to the disposal of investment properties; and
- higher PBT amounting to RM3.81 million for FYE 31 December 2020 as compared to RM1.65 million for FYE 31 December 2019.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Our Group's tax expenses increased by 89.59% or RM0.37 million to RM0.78 million (7-month FPE 31 July 2020: RM0.41 million). The higher tax expenses were mainly attributable to higher PBT. The higher effective tax rate of 46.36% (7-month FPE 31 July 2020: 26.44%) was mainly due to Share Gift expenses which is non-deductible.

9.2.8 PAT and PAT margin

The following table sets out our Group's PAT and PAT margin for the Period Under Review:

	Audited FYE 31 December 2018 RM'000	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited 7-month FPE 31 July 2020 RM'000	Unaudited 7-month FPE 31 July 2021 RM'000
PAT	2,491	1,110	2,579	1,149	907
PAT margin (%)	2.08	1.07	4.12	3.98	2.67

(i) Comparison between FYE 31 December 2018 and FYE 31 December 2019

Our Group's PAT decreased significantly by 55.42% or RM1.38 million to RM1.11 million (FYE 31 December 2018: RM2.49 million). The lower PAT was mainly attributable to the decline in total revenue and GP accompanied with higher administrative expenses and net impairment losses on financial assets.

(ii) Comparison between FYE 31 December 2019 and FYE 31 December 2020

Our Group's PAT increased significantly by 132.43% or RM1.47 million to RM2.58 million (FYE 31 December 2019: RM1.11 million). The higher PAT was mainly attributable to higher other income which was mainly due to the higher contribution from the SSGP project during FYE 31 December 2020 and one-off gain on disposal of a motor vehicle.

(iii) Comparison between 7-month FPE 31 July 2020 and 7-month FPE 31 July 2021

Our Group's PAT decreased by 20.87% or RM0.24 million to RM0.91 million (7-month FPE 31 July 2020: RM1.15 million). The lower PAT was mainly attributable to higher administrative expenses on the one-off Share Gift expense of RM1.00 million.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**9.3 Key Financial Ratios**

	Audited As at 31 December 2018	Audited As at 31 December 2019	Audited As at 31 December 2020	Unaudited As at 31 July 2020	Unaudited As at 31 July 2021
Trade receivables turnover period (days) ⁽¹⁾	57	28	121	57	143
Trade payables turnover period (days) ⁽²⁾	171	161	272	337	223
Current ratio (times) ⁽³⁾	1.02	1.03	1.11	1.06	1.36
Gearing ratio (times) ⁽⁴⁾	0.46	0.55	0.54	0.46	0.41

Notes:

- ⁽¹⁾ Computed based on trade receivables (exclude retention sum) closing balance over our Group's revenue for the respective financial year, multiplied by number of days in the financial year.
- ⁽²⁾ Computed based on trade payables (exclude retention sum) closing balance over our Group's cost of sales for the respective financial year, multiplied by number of days in the financial year.
- ⁽³⁾ Computed based on current assets over current liabilities as at the respective financial year end.
- ⁽⁴⁾ Computed based on the total borrowings (include lease liabilities) over total equity as at the respective financial year end.

(i) Trade receivables turnover period

In construction industry, our customers are entitled to retain 10.00% of each progress billing as retention sum, up to a maximum of 5.00% of the contract sum awarded, which is set out in the contract with our customer. Depending on the construction contract, generally, our customer will retain the entire retention sum throughout the contract period until the issuance of CPC, of which 2.50% of the retention sum will be released to us upon the issuance of CPC, whilst the remaining 2.50% of the retention sum will be retained up to the end of the defect liability period and upon the issuance of CMGD. Hence, retention sums are excluded in arriving at our trade receivables turnover period in order to present a more realistic measure of the number of days that our Group requires for the collection of debts.

The normal trade credit terms granted to our customers generally range from 30 to 90 days. Our credit terms are based on terms stipulated in the contract. The trade receivables turnover period is dependent on the mix of clients and projects undertaken by us during the financial year or period under review.

We assessed our customers taking into consideration our relationship with customers, customers' payment history, credit worthiness and quantum of amount outstanding, before granting approval for the credit terms. We have a credit policy in place and the exposure to credit risk is managed through credit limit and credit monitoring procedures. We will write off the trade receivables when there is no realistic prospect of recovery and the debtor is in severe financial difficulties. For the outstanding significant balances past due more than 120 days of credit term, we will monitor them individually as to their aging condition and collectability. We will also assess whether there is on-going construction works, subsequent collections, any past provisions or impairments and the industry and economic conditions. Further, we will also take necessary actions which include entering negotiations and settlement arrangements with the relevant parties to recover the amounts outstanding as well as commence a legal proceeding against the debtor.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our trade receivables turnover period stood at 28 days as at 31 December 2019, as compared to 57 days as at 31 December 2018 and 57 days as at 31 July 2020, of which both fall within the normal credit terms granted to our customers. We attribute the decrease in trade receivables turnover period as at 31 December 2019 mainly due to the collection from major projects.

Nevertheless, our trade receivables turnover period as at 31 December 2020 and 31 July 2021 were above the normal credit terms, which stood at 121 days and 143 days, respectively. We attribute the increase in trade receivables turnover period as at 31 December 2020 and 31 July 2021 mainly due to the adverse impact of COVID-19 pandemic whereby both our billing and customers' payment processes to a certain extent were delayed due to movement restrictions under the policies imposed by the Government in response to the COVID-19.

Our trade receivables outstanding (before impairment) as at the Period Under Review were mainly attributable to projects set out below:

Project	Audited	Audited	Audited	Unaudited	Unaudited
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 July 2020	As at 31 July 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Kenyalang Avenue	2,213	895	1,580	1,961	1,080
KKHO	7	232	1,232	773	358
The Peak	4,851	-	-	-	-
PJM1	6,203	4,093	999	962	962
SK Gold	3,450	3,491	3,978	2,023	5,221
Topwish	1,967	1,157	800	957	350
BEO4	5	1,385	435	703	160
Naim Hotel	-	411	1,946	-	952
SERIAN1	-	200	1,721	248	1,428
SSGP	-	-	6,152	-	10,642
Other projects	345	1,132	2,382	2,250	3,940
Gross receivables	19,041	12,996	21,225	9,877	25,093
Less impairments	(368)	(490)	(457)	(448)	(439)
Total	18,673	12,506	20,768	9,429	24,654

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The aging analysis of our trade receivables as at 31 December 2020 is as follows:

	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	More than 120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables as at 31 December 2020	6,216	6,975	2,437	1,043	4,554	21,225
Less: Retention sum	-	-	-	-	(1,678)	(1,678)
Net trade receivables	6,215	6,975	2,437	1,043	2,876	19,546
% of total net trade receivables (%)	31.80	35.68	12.47	5.34	14.71	100.00
Subsequent collections up to 28 September 2021	4,336	5,652	1,485	1,043	1,393	13,909
Outstanding net trade receivables	1,879	1,323	952	0	1,483	5,637

As at 31 December 2020, the total outstanding net trade receivables was RM19.55 million, of which RM13.91 million or 71.15% of the total net trade receivables have been collected while RM5.64 million or 28.85% of the total net trade receivables remain uncollected as at 28 September 2021. RM3.04 million of the uncollected net trade receivables of RM5.64 million is mainly due by a customer in relation to works done on the SSGP project. Most of the customers have a long-term relationship with us and we had not encountered any default in payment from them in the past.

We are of the view that the outstanding net trade receivables is recoverable as the delay in collection is caused by slow in certification by independent consultants on the works done due to implementation of MCO and slower in processing payment by main contractors.

We had carried out an appropriate debt recovery process such as sending overdue payment reminders and agreed to scheduled collection terms to minimise the likelihood of these outstanding receivables turning into bad debts. Further, as at 28 September 2021, we had recovered approximately RM10.29 million or 41.74% from the outstanding net trade receivables as at 31 July 2021.

Notwithstanding the above, we are of the view that the collections for receivables are manageable and we will constantly review our receivables aging and remind our customers on the amount due.

(ii) Trade payables turnover period

The normal credit terms granted by our suppliers and subcontractors range from 30 to 90 days. Retention sums are excluded in arriving at our trade payables turnover period. In general, we will release the retention sum to our subcontractors, of which 2.50% of the retention sum will be released upon the issuance of the CPC, whilst the remaining 2.50% of the retention sum will be released at the end of the defect liability period and upon the issuance of CMGD.

Our trade payables turnover period stood at 161 days as at 31 December 2019 as compared to 171 days as at 31 December 2018. The decrease in trade payables turnover period is in tandem with the decrease in trade receivables turnover period. The collection of trade receivables had inevitably affected our cash flows in making payments to suppliers or subcontractors.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our trade payables turnover period stood at 272 days as at 31 December 2020. The increase in trade payables turnover period is in tandem with the increase in trade receivables turnover period.

As compared to 337 days as at 31 July 2020, our trade payables turnover period as at 31 July 2021 stood at 223 days. We attributed the decrease due mainly to repayment made to some of our trade creditors via advances from directors.

Overall, our trade payables turnover periods were higher than the normal credit terms granted by our suppliers and subcontractors. Therefore, we have to improve our cash flow management to avoid the initiation of legal action and demand for payment by our suppliers and subcontractors. One of the approaches adopted by us is by way of selling contra properties to our suppliers or subcontractors. Further, we also had a staggered payment arrangement with a few of our suppliers.

The selling of contra properties to our suppliers or subcontractors is subject to the agreement between both parties. The selling price was determined based on amongst others, the market prices of the properties and the net book value of the property. The transaction was undertaken as part of our measures to reduce our trade payables and to reserve our cash flow. After the contra properties have been sold to our suppliers or subcontractors, the remaining outstanding balance of trade payables, will be paid by us.

The aging analysis of our trade payables as at 31 December 2020 is as follows:

	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	More than 120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables as at 31 December 2020	6,516	3,863	1,369	2,326	26,913	40,987
Less: Retention sum	-	-	-	-	(5,350)	(5,350)
Less: Accrued subcontractor fees	-	-	-	-	(3,179)	(3,179)
Net trade payables	6,516	3,863	1,369	2,326	18,384	32,458
% of total net trade payables (%)	20.07	11.90	4.22	7.17	56.64	100.00
Subsequent payments up to 28 September 2021	4,282	3,002	1,224	1,352	12,309	22,169
Outstanding net trade payables	2,234	861	145	974	6,075	10,289

As at 31 December 2020, the total outstanding net trade payables was RM32.46 million, of which RM22.17 million or 68.30% of the total outstanding net trade payables have been paid while RM10.29 million or 31.70% of the total net trade payables remain outstanding as at 28 September 2021. The outstanding net trade payables of RM10.29 million is in relation to both ongoing and completed projects.

We have not experienced any disruptions in supplies from our construction materials suppliers and subcontractors. Further, there was no matter in dispute with respect to trade payables and no legal action was initiated by any of our suppliers to demand for payment for the Period Under Review.

Further, as at 28 September 2021, we had paid our suppliers and subcontractors approximately RM8.06 million or 22.34% from the outstanding net trade payables amount as at 31 July 2021 of approximately RM36.11 million.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(iii) Current ratio

We recorded current ratio of 1.03 times as at 31 December 2019 and 1.02 as at 31 December 2018, which was relatively consistent year-on-year. As at 31 December 2020, our current ratio was 1.11 times, which was slightly higher than 1.03 times as at 31 December 2019. This was mainly due to higher fixed deposits with licensed bank, receivables and decrease in payables and short-term borrowings.

Our current ratio as at 31 July 2021 further increased to 1.36 times mainly due to the increase in fixed deposits with licensed bank of RM9.19 million arising from the proceeds that were raised from the Private Investors and one of our Minority Shareholders.

Our Board will endeavour to maintain the current ratio of our Company at a healthy level while carrying our expansion plans as set out in Section 4.24 of this Information Memorandum.

(iv) Gearing ratio

We recorded a gearing ratio of 0.55 times as at 31 December 2019, as compared to 0.46 times as at 31 December 2018. Despite increase in total equity due to increase in our retained earnings, the increase in gearing ratio of 0.09 times was mainly attributable to the additions in our total borrowings by RM2.73 million to RM13.78 million (31 December 2018: RM11.05 million) as a result of new term loan acquired, utilisation of U-factoring facility and increase in utilisation of bankers' acceptance in order to meet our needs for working capital.

As at 31 December 2020, our gearing ratio was 0.54 times, which was lower than 0.55 times in 31 December 2019. This was mainly due to the increase in total equity pursuant to PAT that results in increase in retained profits and recognition of equity reserves arising from the Share Gift (first tranche) granted to the Eligible Employees.

Our gearing ratio was 0.41 as at 31 July 2021 as compared to 0.46 as at 31 July 2020, which the improvement is due to the increase in total equity pursuant to increase in share capital as a result of shares issuance of RM12 million during the 7-month FPE 31 July 2021.

Our Board will, from time to time, review our Group's gearing ratio and make adjustment to our Group's capital structure, where appropriate.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

9.4 Cash Flows

The following table sets out our Group's cash flow positions as at Period Under Review.

	Audited As at 31 December 2018 RM'000	Audited As at 31 December 2019 RM'000	Audited As at 31 December 2020 RM'000	Unaudited As at 31 July 2020 RM'000	Unaudited As at 31 July 2021 RM'000
Net cash from / (used in) operating activities	5,240	934	1,157	2,844	(5,184)
Net cash (used in) / from investing activities	(4,574)	(3,193)	(732)	(1,095)	2,317
Net cash (used in) / from financing activities	(1,062)	2,569	839	(353)	11,673
Net (decrease) / increase in cash and cash equivalents	(396)	310	1,264	1,396	8,806
Cash and cash equivalents at the beginning of years	(1,885)	(2,281)	(1,971)	(1,971)	(706)
Cash and cash equivalents at the end of the financial years ⁽¹⁾	(2,281)	(1,971)	(707)	(575)	8,100

Please refer to Section 8.3 of this Information Memorandum for our detailed combined statements of cash flows for the Period Under Review.

Note:

⁽¹⁾ Components of cash and cash equivalents are set out below:

	Audited As at 31 December 2018 RM'000	Audited As at 31 December 2019 RM'000	Audited As at 31 December 2020 RM'000	Unaudited As at 31 July 2020 RM'000	Unaudited As at 31 July 2021 RM'000
Fixed deposits with licensed banks	2,846	2,931	3,363	3,336	12,527
Cash and bank balances	541	334	792	391	693
Bank overdrafts	(2,822)	(2,305)	(1,499)	(965)	(3,639)
	565	960	2,656	2,762	9,581
<u>Less:</u>					
Fixed deposits pledged to licensed banks	(2,846)	(2,931)	(3,363)	(3,337)	(1,481)
Cash and cash equivalents at the end of the financial years	(2,281)	(1,971)	(707)	(575)	8,100

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Net cash from operating activities

- (i) As at 31 December 2018, we generated RM6.06 million net cash from operating activities before changes in working capital after the adjustments for depreciation of RM1.89 million, impairment losses on financial assets of RM0.03 million, interest expense of RM0.57 million and interest income of RM0.09 million from PBT of our Group.

Our Group's net cash from operating activities was RM5.24 million after the adjustments for working capital changes and further cash outflow of income tax paid of RM2.05 million and net interest paid of RM0.52 million from operating activities before changes in working capital.

The changes in working capital as at 31 December 2018 arose from the following:

- Increase in inventories by RM1.40 million due to capitalisation of additional work-in-progress for contra properties received from customers for the purpose of setting off their amount due to us under the Kenyalang Avenue project;
 - Increase in trade and other receivables by RM5.92 million due to increase in trade receivables which is in line with higher revenue generated in FYE 31 December 2018 whilst other receivables decreased due to reduction in GST claimable;
 - Increase in contract assets by RM3.20 million was due to decrease in progress billing issued to our customers for works completed. In aggregate, the increase in contract assets amounting to RM11.30 million for Naim Hotel, The Peak and BDA Staff Quarter projects was partially offset by the aggregated decrease in contract assets of RM8.16 million for Topwish, PJM1 and SK Gold projects; and
 - Increase in trade and other payable of RM12.27 million was mainly due to the increase in trade payables which is in line with higher cost of sales, particularly, the accrued construction costs for The Peak and Naim Hotel projects of which had increased by RM8.16 million and other payables of which the increase was due to higher amount in advance payment from customers amounting to RM1.90 million.
- (ii) As at 31 December 2019, we generated RM4.95 million net cash from operating activities before changes in working capital after the adjustments for depreciation of RM1.83 million, impairment losses on financial assets of RM0.17 million, interest expense of RM0.58 million, inventories written down of RM0.81 million and interest income of RM0.09 million from PBT of our Group.

Our Group's net cash from operating activities was RM0.93 million after the adjustments for changes in working capital and further cash outflow of net income tax paid of RM0.67 million and net interest paid of RM0.49 million from operating activities before changes in working capital.

The changes in working capital as at 31 December 2019 arose from the following:

- Increase in inventories by RM4.02 million as capitalisation of additional seven units of contra properties and additional work-in-progress for contra properties received from customers for the purpose of setting off their amount due to us;
- Decrease in trade and other receivables by RM8.28 million mainly due to decrease in trade receivables which is in line with lower revenue generated in FYE 31 December 2019. Other receivables decreased by RM0.17 million and was partially offset by the increase in deposits paid by RM0.05 million;

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- Decrease in contract assets by RM1.99 million due to increase in progress billing issued to our customers for works completed, particularly contract assets for The Peak Project of which had caused the significant declined by RM1.85 million; and
 - Decrease in trade and other payable by RM9.10 million mainly due to decrease in trade payables which is in line with lower cost of sales and in particular, accrued subcontractors' fee had decreased by RM5.33 million to RM3.77 million (FYE 31 December 2018: RM9.10 million). Other payables and accruals had decreased which mainly due to decrease in amount due to customer by RM0.65 million in relation to work-in-progress contra property by customer under the project of construction and completion of external infrastructure works and structures on Samalaju Substation and decreased in advance payment from customers by RM0.45 million.
- (iii) As at 31 December 2020, we generated RM7.01 million net cash from operating activities before changes in working capital after the adjustments for depreciation of RM1.90 million, interest expense of RM0.49 million, share gift to employees of RM1.00 million, gain on disposal of plant and equipment and investment properties of RM0.12 million and interest income of RM0.08 million from PBT of the Group.

Our Group's net cash from operating activities was RM1.16 million after the adjustments for changes in working capital and further cash outflow of income tax paid of RM0.82 million and net interest paid of RM0.41 million from operating activities before changes in working capital.

The changes in working capital as at 31 December 2020 arose from the following:

- Decrease in inventories by RM3.63 million due to sale of contra properties;
 - Increase in trade and other receivables by RM9.94 million due to increase in trade receivables by RM8.23 million due to slower collection during COVID-19 pandemic. Other receivables increased by RM1.71 million as a result of SSGP project and amount receivables from disposal of investment properties and inventories;
 - Decrease in contract assets by RM10.44 million was mainly due to increase in progress billing issued to our customers for works completed, particularly for contract assets in Naim Hotel project declined by RM5.03 million, BDA Staff Quarter Project declined by RM1.06 million, SERIAN1 Project declined by RM2.37 million and ECOP2 Project declined by RM1.54 million; and
 - Decrease in trade and other payable by RM8.76 million mainly due to decrease in trade payables by RM6.95 million which is in line with decline in cost of sales. Other payables and accruals decreased by RM1.40 million mainly due to the decrease of advance payment from customers.
- (iv) As at 31 July 2021, we generated RM4.33 million net cash from operating activities before changes in working capital after the adjustments for depreciation of RM1.43 million, interest expense of RM0.36 million, share gift to employees of RM1.00 million, reversal of impairment loss on trade receivables of RM0.02 million, gain on disposal of RM0.02 million and interest income of RM0.12 million from PBT of the Group.

Our Group's net cash used in operating activities was RM5.18 million after the adjustments for changes in working capital and further cash outflow of net income tax paid of RM0.25 million and net interest paid of RM0.26 million from operating activities before changes in working capital.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The changes in working capital as at 31 July 2021 arose from the following:

- Decrease in inventories by RM0.50 million;
- Increase in trade and other receivables by RM2.89 million due to increase in trade receivables by RM3.89 million as a result of slower collection during COVID-19 pandemic. Notwithstanding this, as at 28 September 2021, we have recovered approximately RM10.29 million from the outstanding trade receivables as at 31 July 2021 of RM24.65 million. Other receivables decreased by RM1.00 million mainly due to the decrease in accrued sales of RM1.11 million for the SSGP project;
- Increase in contract assets by RM3.69 million was mainly due to decrease in progress billing issued to our customers for works completed, particularly attributable to contract assets of URDA Project and SK Gold Project, which have been increased by RM1.13 million and RM1.78 million respectively; and
- Decrease in trade and other payable by RM2.92 million mainly due to decrease in trade payables by RM4.88 million as we repay our trade creditors. Other payables and accruals increased by RM1.96 million mainly due to the increase in advance payment from customers.

Our Group believes that it has sufficient funds, arising from the total proceeds of RM12,000,000 that were raised from the Private Investors and one of our Minority Shareholders and the subsequent collections received from its trade receivables as mentioned in Section 9.3(i) of this Information Memorandum in meeting the working capital requirements of the Group for the FYE 31 December 2021.

Net cash from / (used in) investing activities

- (i) As at 31 December 2018, we recorded a net cash used in investing activities of RM4.57 million which comprised cash outflows due to additions of investment properties work-in-progress of RM2.34 million, purchase of plant and equipment of RM0.08 million and addition of right-of-use assets of RM2.04 million for own use in construction activities and leasing purposes as well as increase in fixed deposits pledged to licensed banks of RM0.12 million.
- (ii) As at 31 December 2019, we recorded a net cash used in investing activities of RM3.19 million which comprised cash outflows due to additions of investment properties work-in-progress of RM1.73 million, purchase of plant and equipment of RM0.12 million and addition of right-of-use assets of RM1.26 million for own use in construction activities and increase in fixed deposits pledged to licensed banks of RM0.08 million.
- (iii) As at 31 December 2020, we recorded a net cash used in investing activities of RM0.73 million which comprised proceeds of RM2.54 million from the disposal of investment properties as well as plant and equipment. Such inflows were offset by cash outflows due to the additions of investment properties work-in-progress of RM1.72 million, purchase of plant and equipment of RM0.35 million and addition of right-of-use assets of RM0.77 million for own use in construction activities and leasing purposes as well as increase in fixed deposits pledged to licensed banks of RM0.43 million.
- (iv) As at 31 July 2021, we recorded a net cash used from investing activities of RM2.32 million which comprised cash outflows due to the additions of investment properties work-in-progress of RM0.14 million and purchase of plant and equipment of RM0.10 million, whereby such outflows were offset by the cash inflows from the proceeds from disposal of plant and equipment of RM0.68 million and decrease in fixed deposits pledged to licensed banks of RM1.88 million.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Net cash from / (used in) financing activities

- (i) As at 31 December 2018, we recorded a net cash used in financing activities of RM1.06 million which comprised cash inflows from drawdown of term loan amounting to RM1.47 million and advance from directors of RM0.02 million. Such inflows were however, offset by cash outflows due to repayment of lease liabilities of RM1.07 million, decrease in bankers' acceptance of RM0.93 million and repayment of term loans of RM0.55 million.

The cash inflows from term loan and directors were for the purpose of meeting our working capital requirement.

- (ii) As at 31 December 2019, we recorded a net cash from financing activities of RM2.57 million which comprised cash inflows from drawdown of term loans of RM3.16 million, advance from directors of RM0.06 million, increase in U-factoring facility of RM1.00 million and increase in bankers' acceptance of RM0.55 million. Such inflows were however, offset by cash outflows due to repayment of lease liabilities and term loans of RM1.23 million and RM0.97 million respectively.

The cash inflows from term loan, directors, U-factoring facility and bankers' acceptance were for the purpose of meeting our working capital requirement.

- (iii) As at 31 December 2020, we recorded a net cash from financing activities of RM0.84 million which comprised cash inflows from proceeds of share issuance of RM0.01 million, drawdown of term loans of RM2.97 million and advance from directors of RM2.45 million. The cash outflows comprise of repayment of bankers' acceptance of RM0.17 million, repayment of U-factoring facility of RM1.00 million, repayment of lease liabilities and term loans of RM0.98 million and RM2.44 million respectively.

The cash inflows from term loan and advance from directors were for the purpose of meeting our working capital requirement.

- (iv) As at 31 July 2021, we recorded a net cash from financing activities of RM11.67 million which comprised cash inflows from proceeds of share issuance of RM12.00 million, drawdown of term loans of RM0.09 million, increase in U-factoring facility of RM0.70 million and advance from directors of RM0.38 million. Such inflows were offset by the cash outflows comprise of repayment of lease liabilities and term loans of RM0.82 million and RM0.68 million respectively.

The cash inflows from term loan and advance from directors were for the purpose of meeting our working capital requirement.

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9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

9.5 Significant Factors Affecting Our Financial Position and Results of Operations

Our financial condition and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:

(i) Impact of government, economic, fiscal or monetary policies or factors

Like all other business entities, adverse developments in political, economic, regulatory and social conditions in Malaysia, directly or indirectly, could materially and adversely affect the financial prospects of our Group. Amongst the political, economic and regulatory uncertainties are changes in the risks of economic downturn, unfavourable monetary and fiscal policy changes, exchange control regulations or introduction of new rules and regulation, changes in interest rates, inflation and taxation and political leadership.

For the FYE Under Review, our historical financial results were not materially affected by any government, economic, fiscal or monetary policies or factors. However, for the FYE 31 December 2020, the Government had on 16 March 2020 implemented a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020 due to the COVID-19 pandemic. During the MCO period, all government and private premises except those involved in essential services are required to be closed and to cease operations during the period that the MCO takes effect unless exempted. This was followed by a conditional MCO on 4 May 2020 which allowed selected business sectors to resume operations and recovery MCO from 10 June 2020 to 31 August 2020 but was subsequently extended to 31 March 2021. However, given the recent significant rise in COVID-19 cases seen throughout Malaysia, MCO was re-imposed nationwide effective from 12 May 2021 until 7 June 2021.

Subsequently, on 28 May 2021, the Government had announced the imposition of a nationwide lockdown started from 1 June 2021 to 14 June 2021, and further extended to 14 July 2021. All sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural and recreational activities.

Under the full lockdown, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities were suspended, save for the infrastructure project for the proposed upgrading of existing village road in Jelalong, Tubau, Bintulu, Sarawak, where SMC was appointed as the subcontractor for the project.

As part of a four-phase NRP, on 4 August 2021, the Government announced Sarawak's transition to the third phase of NRP, however, the SDMC decided to postpone its implementation due to the high number of COVID-19 cases. During the second phase of NRP, our Company is allowed to operate up to 50% capacity. On 27 September 2021, the SDMC announced that Sarawak is due for transition into the third phase of NRP on 1 October 2021 onwards, whereby companies will be allowed to operate at maximum capacity, if 80% of the employees are fully vaccinated with COVID-19 vaccines. As at the LPD, except for one staff who is on maternity leave, all our employees are fully vaccinated with COVID-19 vaccines.

Therefore, any disruption to our construction progress may have a negative impact on our Group's financial performance.

9. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(ii) **Fluctuations in the prices of building materials and parts for our construction and property development activities**

Construction contracts are generally awarded on a fixed price basis and the contracts awarded normally do not contain price variation clauses which enable our Group to get reimbursement or vary the contract price with customers if there is any increase in the prices of building materials and parts. Any fluctuation on the prices may in turn adversely impact our financial performance as construction materials cost is a major component of our cost of sales.

Deformed bar, concrete, cement and plywood are some of the materials and parts used in our construction and property development activities. In particular, the price of building materials such as cement, concrete, copper, iron and steel are subjected to fluctuations in global market prices which are not able to predict at the point when we submit tenders for projects.

Although there are ample sources of local and foreign supply of these materials and parts, we may face the risk of inability to obtain quality materials and parts at competitive prices. If construction materials are source from foreign supply, our Company will also face the risk of fluctuation in foreign currency.

Therefore, we need to make efforts to source for competitive prices through our pool of suppliers prior to procuring the required materials and parts.

(iii) **Ability to continuously maintain quality to effectively meet customers' expectations**

Our ability to secure orders in the future is mainly dependent on our competitiveness in terms of quality of our product and services. We need to constantly ensure that the quality of our construction meeting project specifications and customer expectations. Failure to do so, there will be defect liability claims and additional rectification work need to be done that may resulting in cost overruns and bad publicity. In this regard, our profitability may also be adversely affected.

(iv) **Performance of the property market**

Our future profitability is mainly dependent on the number of orders to be secured by us and their corresponding value. As our Group's revenue is mainly contributed by construction of commercial and residential properties, any adverse developments affecting the property market may indirectly impact on the availability of new order from property developer.

Such adverse developments affecting the property market are, inter alia, deterioration in property demand, introduction of cooling down measures or more stringent regulations and stricter lending by bank(s) and financial institution(s) which inhibit prospective end purchasers of the properties to obtain financing from the bank(s) or financial institution(s).

(v) **Labour supply**

The construction industry is a labour-intensive industry. Our construction operations depend on stable labour supply, either through engaging subcontractors or employing foreign workers, to meet our project requirements.

In the event that Government impose stricter policy on foreign labour intake, our Group may face difficulty in maintaining sufficient workforce for our construction operations and thus, increase the risk of delay in project completion and failure to meet the delivery schedules which could subject to liquidated ascertained damages imposed by customers. Any increase in minimum wage or foreign worker levies or any additional costs imposed by the Government will also result in increased costs and overheads which will adversely impact our Group's profitability.

10. OTHER INFORMATION

10.1 Directors' Responsibility Statements

This Information Memorandum has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information and statements contained in this Information Memorandum. After having made all reasonable enquiries, and to the best of their knowledge, information and belief, they confirm that there are no false or misleading statements or other material facts, which, if omitted, would make any statement in this Information Memorandum false or misleading.

10.2 Consents

The written consents of the Approved Adviser and Continuing Adviser, Financial Adviser, Company Secretary, Independent Internal Controls and Risk Management Systems Consultant, Auditors and Reporting Accountants, Due Diligence Solicitors for our Proposed Listing, Due Diligence Solicitors for Sarawak's laws and Share Registrar to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

10.3 Material Contracts

Save as disclosed below, there are no other contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company and/or our subsidiaries within the 2 years immediately preceding the date of this Information Memorandum:

- (i) Sale and purchase agreement dated 14 October 2019 entered between Kenyalang Avenue Sdn Bhd (as vendor) and SMC (as purchaser) for the purchase of all that piece of land with vacant possession which is part of the parcel of land situated at Sibiyu Road, Bintulu containing an area of 1.426 hectares, more or less and described as Lot 1692 Block 32, Kemena Land District described as Sublot 21 measuring approximately 136.0 sqm, more or less in area together with 1 unit of three-storey corner shophouse to be erected thereon at the purchase price of RM930,000.00. The purchase price was arrived based on the contra arrangement and the net book value of such property. SMC has thereafter disposed off the abovesaid property pursuant to the sale and purchase agreement as prescribed in item (iii) below;
- (ii) Sale and purchase agreement dated 9 July 2020 entered between SMC (as vendor) and Wong Soon Hua and Tang Siew Ing (as purchasers) for the disposal of all that parcel of land together with 1 unit of double storey semi-detached dwelling house, thereon and appurtenances thereof situated at Capbuild Height, Jalan Tun Hussein Onn, Bintulu containing an area of 567.30 sqm, more or less described as Lot 14658 Block 32 Kemena Land District at a purchase price of RM700,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transaction of the similar type of property in nearby area and net book value of the property. The property has been transferred to the purchasers on 27 October 2020;
- (iii) Sale and purchase agreement dated 10 August 2020 entered between SMC (as vendor) and Ling Kiong Hua and Chiong Chung Ching (as purchasers) for the disposal of all that parcel of land described as Sublot 21 comprised in Parent Lot 1692 Block 32, Kemena Land District measuring approximately 136.0 sqm, more or less together with 1 unit of three-storey corner shophouse erected thereon at the purchase price of RM1,200,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area, location of the property and net book value of the property. The property has been assigned to the purchasers on 4 December 2020;

10. OTHER INFORMATION (CONT'D)

- (iv) Sale and purchase agreement dated 10 August 2020 entered between SMC (as vendor) and Ling Kiong Hua and Chiong Chung Ching (as purchasers) for the disposal of all that parcel of land described as Sublot 22 comprised in Parent Lot 1692 Block 32 Kemena Land District, measuring approximately 122.0 sqm, more or less together with 1 of unit three-storey intermediate shophouse erected thereon at the purchase price of RM800,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area, location of the property and net book value of the property. The property has been assigned to the purchasers on 4 December 2020;
- (v) Sale and purchase agreement dated 10 August 2020 entered between SMC (as vendor) and Ling Kiong Hua and Chiong Chung Ching (as purchasers) for the disposal of all that parcel of land described as Sublot 23 comprised in Parent Lot 1692 Block 32, Kemena Land District measuring approximately 122.0 sqm, more or less together with 1 unit three-storey intermediate shophouse erected thereon at the purchase price of RM800,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area, location of the property and net book value of the property. The property has been assigned to the purchasers on 4 December 2020;
- (vi) Sale and purchase agreement dated 14 August 2020 entered between SMC (as vendor) and Kong Chiong Miew and Kong Leong Moy (as purchasers) for the disposal of all that parcel of land together with 1 unit of double storey semi-detached dwelling house thereon and appurtenances thereof situated at My Residence, Jalan Bintulu-Sibiyu, Bintulu containing an area of 429.20 sqm, more or less described as Lot 15982 Block 32 Kemena Land District at the purchase price of RM680,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in the same area and net book value of the property. The property has been transferred to the purchasers on 16 December 2020;
- (vii) Sale and purchase agreement dated 17 August 2020 entered between SMC (as vendor) and Kong Chiong Miew (as purchaser) for the disposal of all that parcel of land together with 1 unit of double storey semi-detached house thereon and appurtenance thereof situated at Lorong Salim 21 B1, Sibu containing an area of 336.4 sqm, more or less described as Lot 1934 Block 18 Seduan Land District at the purchase price of RM420,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area and net book value of the property. The property has been transferred to the purchasers on 17 August 2021;
- (viii) Sale and purchase agreement dated 17 August 2020 entered between SMC (as vendor) and Kong Chiong Miew and Kong Leong Moy (as purchasers) for the disposal of all that parcel of land together with 1 unit of double storey semi-detached dwelling house thereon and appurtenances thereof situated at My Residence, Jalan Bintulu-Sibiyu, Bintulu containing an area of 350.90 sqm, more or less described as Lot 15981 Block 32 Kemena Land District at the purchase price of RM680,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in the same area and net book value of the property. The property has been transferred to the purchasers on 16 December 2020;
- (ix) Sale and purchase agreement dated 27 August 2020 entered between SMC (as vendor) and Kenygold Sdn Bhd (as purchaser) for the disposal of 1 unit of three-storey terrace intermediate shophouse erected thereon and distinguished as Sublot 25 of Lot 5804 (Parent Lot 1692), Block 32 Kemena Land District, containing an area of 122.0 sqm, more or less at the purchase price of RM1,080,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area and location of the property and net book value of the property. The property has been assigned to the purchasers on 16 November 2020;

10. OTHER INFORMATION (CONT'D)

- (x) Sale and purchase agreement (1st sub-sale) dated 29 September 2020 entered between SMC (as vendor) and Phang Liong Hui (as purchaser) for the disposal of all that 1 parcel to be subdivided under the Strata Title Ordinance 1995, measuring approximately 930.0 square feet more or less distinguished as Parcel No. 08 (Type C, Phase 1) within Floor No. 21 of The Peak Condominium to be erected on Parent Lots 4532 and 4533 both of Bintulu Town District at the purchase price of RM515,000.00 which is settled by way of combination of contra of timber materials supplied by the purchaser and cash. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of other types of units in the similar property and net book value of the property. The property has been assigned to the purchasers on 29 September 2020;
- (xi) Share sale agreement dated 15 December 2020 entered between Kong Chiong Miew, Kong Chiong Ung, BSSB, Ngu Dien Huat, Lin Kim Ping, Wong Bak Kiong, Dato' Sri Tie Teck Hung, Datin Sri Chai Choon Moi and Kelvin Tie Kai Len (as vendors) and SMH (as purchaser) for the purchase of the entirety of 2,000,000 ordinary shares in SMC at the purchase price of RM25,000,000 which was satisfied by the allotment and issuance of 200,000,000 new ordinary shares in SMH at the issue price of RM0.125 each. The agreement has been completed on 14 January 2021;
- (xii) Share sale agreement dated 15 December 2020 entered between Kong Chiong Miew, Kong Chiong Ung and BSSB (as vendors) and SMH (as purchaser) for the purchase of the entirety of 700,000 ordinary shares in SMD at the purchase price of RM640,000.00 which was satisfied by the allotment and issuance of 5,120,000 new ordinary shares in SMH at the issue price of RM0.125 each. The agreement has been completed on 30 December 2020;
- (xiii) Share sale agreement dated 15 December 2020 entered between Kong Chiong Miew, Kong Chiong Ung and BSSB (as vendors) and SMH (as purchaser) for the purchase of the entirety of 200 ordinary shares in SMT at the purchase price of RM600,000.00 which was satisfied by the allotment and issuance of 4,800,000 new ordinary shares in SMH at the issue price of RM0.125 each. The agreement has been completed on 30 December 2020;
- (xiv) Sale and purchase agreement dated 28 May 2021 entered between SMC (as vendor) and Jeffery Wong Chin Teck and Hong Ngit Fung (as purchasers) for the disposal of a reinforced concrete double-storey semi-detached dwelling house erected on all that parcel of land situated at Signature Park, Jalan Tun Hussein Onn, Bintulu containing an area of 481.7 sqm, more or less described as Lot 16471 Block 32 Kemena Land District at the purchase price of RM1,120,000.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transaction of the similar type of property nearby the area and net book value of the property. The transaction is currently pending completion; and
- (xv) Sale and purchase agreement dated 17 September 2021 entered between SMC (as vendor) and Sheng Huat Aluminium Works Sdn Bhd (as purchaser) to dispose all piece of land measuring approximately 122.0 sqm together with an intermediate 3-storey shophouse constructed and completed thereon described as Sublot 24 of Parent Lot 1692 Block 32 Kemena Land District at the purchase price of RM1,232,800.00. The purchase price was arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area and location of the property and net book value of the property. The transaction is currently pending completion.

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10. OTHER INFORMATION (CONT'D)

10.4 Material Litigation and Contingent Liabilities

As at the LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

10.5 Existing and Proposed Related Party Transactions

Under the Listing Requirements, a 'related party transaction' is a transaction entered between the listed corporation or its subsidiaries and a related party, other than a transaction of a revenue nature in the ordinary course of business. A 'related party' of a listed corporation is:

- (i) A director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation; or
- (ii) A major shareholder, a person who has an interest of 10.0% or more of the total number of all voting shares in a corporation within the preceding 6 months of the date on which the terms of the transaction were agreed upon; or
- (iii) A person connected with such director or major shareholder.

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10. OTHER INFORMATION (CONT'D)

10.5.1 Related party transactions

Save as disclosed below, our Board confirms that there are no other existing and/or potential related party transactions entered or to be entered into between our Group and our Directors, major shareholders and/or persons connected with them for the FYE 31 December 2019, FYE 31 December 2020 and subsequent period up to the LPD:

Transacting parties	Nature of relationship	Details of transaction	Audited		Unaudited Subsequent period up to LPD RM'000
			FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000	
(1) SMC and Kong Chiong Miew and Kong Leong Moy	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Kong Leong Moy is the spouse of Kong Chiong Miew. 	SMC has entered into a sale and purchase agreement dated 17 August 2020 for the disposal of a land together with 1 unit of double storey semi-detached dwelling house and appurtenances situated at My Residence, Jalan Bintulu-Sibiyu, Bintulu containing an area of approximately 350.90 sqm described as Lot 15981 Block 32 Kemena Land District at the purchase price of RM680,000. The property has been transferred to the purchasers on 16 December 2020.	-	680.00	-
(2) SMC and Kong Chiong Miew	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. 	SMC has entered into a sale and purchase agreement dated 17 August 2020 to sell a land together with 1 unit of double storey semi-detached house and appurtenances situated at Lorong Salim 21 B1, Sibiu containing an area of approximately 336.4 sqm described as Lot 1934 Block 18 Seduan Land District at consideration of RM420,000 to Kong Chiong Miew. The property has been transferred to the purchasers on 17 August 2021.	-	420.00	-

10. OTHER INFORMATION (CONT'D)

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
(3) SMC and Kong Chiong Miew and Kong Leong Moy	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Kong Leong Moy is the spouse of Kong Chiong Miew. 	<p>SMC has entered into a sale and purchase agreement dated 14 August 2020 for the disposal of a land together with 1 unit of double storey semi-detached dwelling house and appurtenances situated at My Residence, Jalan Bintulu-Sibiyu, Bintulu containing an area of approximately 429.20 sqm described as Lot 15982 Block 32 Kemena Land District at the purchase price of RM680,000.</p> <p>The property has been transferred to the purchasers on 16 December 2020.</p>	-	680.00	-
(4) SMC and Planet Sungreen Sdn Bhd	<ul style="list-style-type: none"> Kong Chiong Ung is a director, promoter, substantial shareholder and key management of our Group. Kong Chiong Ung was a director and a shareholder of Planet Sdn Bhd. 	<p>SMC has disposed surplus of the plywood in the inventories to Sungreen Planet Sdn Bhd in contra to the credit sum owed to Sungreen Planet Sdn Bhd.</p> <p>This is a one-off transaction.</p>	69.30	-	-

The above transactions were carried out on arm's length basis and were on normal commercial terms which are not favourable to the related parties than those generally available to third parties in view that:

- (i) the purchase price for transactions (1), (2) and (3) were arrived at on negotiated basis after taking into consideration the precedent transactions of the similar type of property in nearby area and net book value of respective properties; and
- (ii) the transaction price for transaction (4) was arrived at mutually agreed based on prevailing market rates.

10. OTHER INFORMATION (CONT'D)

10.5.2 Recurrent related party transactions

Save as disclosed below, our Board confirms that there are no other recurrent related party transactions entered or to be entered into between our Group and the Directors, major shareholders and/or persons connected with them for the FYE 31 December 2019, FYE 31 December 2020 and subsequent period up to the LPD:

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
(1) SMC and Kong & Wong Enterprise Sdn Bhd	<ul style="list-style-type: none"> Kong Chiong Miew and Kong Chiong Ung are the directors, promoters, substantial shareholders and key management of our Group. Kong Chiong Piew is the brother of Kong Chiong Miew and Kong Chiong Ung. Kong Chiong Piew is a director and shareholder of Kong & Wong Enterprise Sdn Bhd. 	<p>Kong & Wong Enterprise Sdn Bhd has provided subcontractor services to SMC for the project known as "Proposed 15 Storey Hotel (cum with Service Apartment and Hotel) on Lot 1 of Lot 7 and 10 at Alamesra, Kota Kinabalu" since the year 2017.</p> <p>Kong & Wong Enterprise Sdn Bhd have been released from this project on 13 June 2020 via a letter dated 15 June 2020 upon completion of work order.</p>	2,417.98	493.88	-
(2) SMC and Alam Maju Konsultant	<ul style="list-style-type: none"> Kong Chiong Miew and Kong Chiong Ung are the directors, promoters, substantial shareholders and key management of our Group. Kong Kie Ling is the sister of Kong Chiong Miew and Kong Chiong Ung. Kong Kie Ling is the owner of Alam Maju Konsultant. 	<p>Alam Maju Konsultant has provided service to SMC on the application and renewal of CIDB Green Card of its employee since the year 2013.</p> <p>The service has ceased since December 2020.</p>	11.31	41.05	-

10. OTHER INFORMATION (CONT'D)

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
(3) SMC and Sunmow Contractor	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Kong Chiong Miew is the owner of Sunmow Contractor. 	<p>Sunmow Contractor provide the service of rental of vehicle and machinery to SMC since the year 2008.</p> <p>The service has ceased since July 2020.</p>	312.00	76.00	-
(4) SMC and Sunmow Contractor	<ul style="list-style-type: none"> Kong Chiong Ung is a director, promoter, substantial shareholder and key management of our Group. Kong Chiong Ung was a director and a shareholder of Sunmow Contractor. 	<p>SMC has engaged Sunmow Contractor Sdn Bhd as subcontractor for supply and installation of Aluminium Formwork System to Reinforced Concrete Work for its construction project.</p> <p>As at the LPD, the subcontractor arrangement is still subsisting.</p>	1,332.24	94.95	-
(5) SMC and Delish Food Trading	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Karin Kong Sing Hie is the daughter of Kong Chiong Miew. Karin Kong Sing Hie is the owner of Delish Food Trading. 	<p>Delish Food Trading has provided food supply services to SMC for the workers at the working sites since the year ended 2018.</p> <p>As at the LPD, the service is still recurring.</p>	377.27	224.67	98.10

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10. OTHER INFORMATION (CONT'D)

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
(6) SMC and Kong Leong Moy	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Kong Leong Moy is the spouse of Kong Chiong Miew. 	<p>Kong Leong Moy has entered into a tenancy agreement dated 1 August 2015 with SMC for the rental of 1 unit of apartment building located at 3rd Floor Flat 109-4-3 Taman Millennium Apartment, Jalan Sultan Iskandar, 97000 Bintulu Sarawak at the rental rate of RM1,600 per month.</p> <p>As at the LPD, the tenancy agreement has been terminated since 1 July 2021.</p>	19.20	19.20	9.60
(7) SMC and Sunmow Contractor	<ul style="list-style-type: none"> Kong Chiong Miew is a director, promoter, substantial shareholder and key management of our Group. Kong Chiong Miew was the owner of Sunmow Contractor. 	<p>Sunmow Contractor has entered into a Tenancy Agreement dated 1 November 2019 with SMC where SMC is the sub-tenant of Sunmow Contractor for the rental of the property located at 1st Floor, No.142, Parkcity Commerce Square, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak from 1 November 2019 to 31 October 2021.</p> <p>No rental was charged against SMC for the rental of the property.</p> <p>This tenancy agreement has ceased since 31 October 2020.</p>	-	-	-

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10. OTHER INFORMATION (CONT'D)

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
(8) SMC and Borneo SMC Engineering Sdn Bhd	<ul style="list-style-type: none"> Lee Yew Chen is the director and substantial shareholder of our Group. Lee Yew Chen was the shareholder of Borneo SMC Engineering Sdn Bhd. 	<p>SMC has sublet the property known as Lot 2969, Block 6, Lawas Land District, Sarawak to Borneo SMC Engineering Sdn Bhd for the latter to use as temporary workers accommodation and site office at a monthly sublet rental rate of RM15,000.00.</p> <p>This sublet arrangement forms part of the services provided by SMC under the provision of construction support services to Borneo SMC Engineering Sdn Bhd for the SSGP vide its letter of award dated 9 October 2020. No separate agreement was entered between SMC and Borneo SMC Engineering Sdn Bhd for the sublet arrangement.</p> <p>As at the LPD, the sublet arrangement is still effective.</p>	-	45.00	135.00
(9) SMC and Borneo SMC Engineering Sdn Bhd	<ul style="list-style-type: none"> Lee Yew Chen is the director and substantial shareholder of our Group. Lee Yew Chen was the shareholder of Borneo SMC Engineering Sdn Bhd. 	<p>SMC has entered into a tenancy agreement dated 30 October 2020 with Borneo SMC Engineering Sdn Bhd for the rental of the property known as Lot 2203, 4172 & 4173 2F, E-2-03 Jalan Abang Galau, Bintulu Old Airport (Bintulu Paragon), 97000 Bintulu, Sarawak, Malaysia for the period of 1 year commencing on 8 October 2020 and expiring on 30 September 2021 at a monthly rental of RM1,500.00.</p> <p>As at the LPD, the tenancy agreement is still effective.</p>	-	4.50	13.50

10. OTHER INFORMATION (CONT'D)

Transacting parties	Nature of relationship	Details of transaction	Audited FYE 31 December 2019 RM'000	Audited FYE 31 December 2020 RM'000	Unaudited Subsequent period up to LPD RM'000
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|---|---|--|---|----------|----------|
| (10) SMC and Borneo SMC Engineering Sdn Bhd | <ul style="list-style-type: none"> Lee Yew Chen is the director and substantial shareholder of our Group. Lee Yew Chen was the shareholder of Borneo SMC Engineering Sdn Bhd. | <p>Borneo SMC Engineering Sdn Bhd has vide its letter of award dated 9 October 2020 engaged SMC for the provision of construction support services (manpower, heavy machineries, tools & equipment, safety equipment, consumables, etc) for a provisional sum of RM35,500,000 for a duration of 4 years from 15 October 2020 or the completion of the work at site, whichever earlier.</p> <p>As at the LPD, the letter of award is still effective.</p> | - | 7,106.47 | 7,034.64 |
|---|---|--|---|----------|----------|

Save as disclosed below, all other transactions as listed above are no longer subsisting as at the LPD. In respect of the transactions disclosed below, the terms were on arm's length basis and on normal commercial terms, which are not detrimental to our Group and in our best interests, in view of the following:

- (i) for transaction (4), we are not dependent on Sungreen Planet Sdn Bhd as the subcontractor for supply and installation of Aluminum Formwork System. The transaction is primarily due to good quality of service provided by the company;
- (ii) for transaction (5), the service fee and the terms were benchmarked against quotations from third parties;
- (iii) the rental rate for the tenancy agreement as per transaction (9) was arrived based on prevailing market rates; and
- (iv) for transactions (8) and (10), the rates charged by SMC are favourable to the Company and based on actual work done by SMC for the construction support services which is within the provisional sum, as per the letter of award by Borneo SMC Engineering Sdn Bhd.

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10. OTHER INFORMATION (CONT'D)

The above transactions were carried out on arm's length basis. Our Board, having considered all aspects of the related party transaction, is of the opinion that the related party transactions were not detrimental to our Group.

Upon our Proposed Listing, our Board will ensure that any related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not detrimental to our minority shareholders. In the event there are any proposed related party transactions that require the prior approval of our shareholders, our Directors and/or major shareholders who have any interest, direct or indirect, in the proposed related party transaction will abstain and also undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution pertaining to the proposed related party transaction at a general meeting.

10.6 Interests in Similar Businesses and in Businesses of Our Customers and/or Suppliers

As at the LPD, none of our Promoters, substantial shareholders, Directors and/or key management personnel has any interest, direct or indirect, in other businesses or corporations which are:

- (a) carrying on a similar or related trade as our Group; or
- (b) customers and/or suppliers of our Group.

Notwithstanding the above, in the event of a potential conflict of interest situation, such Promoters, substantial shareholders, Directors and/or persons connected to them are obliged, if required by law or regulations, to abstain from voting on the resolutions relating to such matters or transactions that require the approval of our shareholders in respect of their direct and indirect interests.

10.7 Other Transactions

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 31 December 2019, FYE 31 December 2020 and up to the LPD.

Save as disclosed in Section 10.5 of this Information Memorandum, there are no other transactions entered by our Group to or for the benefit of related parties during the FYE 31 December 2019, FYE 31 December 2020 and up to the LPD.

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10. OTHER INFORMATION (CONT'D)

10.8 Declaration by Our Advisers

10.8.1 DWA Advisory

DWA Advisory confirms that there is no existing or potential conflict of interest in relation to its capacity as the Approved Adviser and Continuing for our Proposed Listing.

10.8.2 SCA

SCA confirms that there is no existing or potential conflict of interest in relation to its capacity as the Financial Adviser for our Proposed Listing.

10.8.3 Olivia Lim & Co.

Olivia Lim & Co. confirms that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors for our Proposed Listing.

10.8.4 David Allan Sagah & Teng Advocates

David Allan Sagah & Teng Advocates confirms that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors in respect of Sarawak's laws for our Proposed Listing.

10.8.5 Crowe Malaysia PLT

Crowe Malaysia PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our Proposed Listing.

10.8.6 CAS Consulting Services Sdn Bhd

CAS Consulting Services Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Internal Controls and Risk Management Systems Consultant for our Proposed Listing.

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