

7. BUSINESS OVERVIEW (cont'd)**7.6 MAJOR CUSTOMERS**

The major customers who contributed to 10% or more of our Company's revenue for the past 3 financial years as well as FPE 2017 and their corresponding contributions are as follows:-

Major customers	Length of business relationship (years)	FYE 2014		FYE 2015		FYE 2016		FPE 2017	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Total revenue	-	56,954	100	87,098	100	93,124	100	43,809	100
Rexallent Construction Sdn Bhd	2	-	-	170	0.2	6,540	7.0	6,535	17.0
Eng Han Group	5	10,577	18.6	14,827	17.0	23,501	25.2	6,086	15.8
Pembinaan Bintang Baru Sdn Bhd	5	4,260	7.5	13,941	16.0	18,541	19.9	5,228	13.6
Demi Murni Holdings Sdn Bhd	5	13,587	23.8	16,017	18.4	582	0.6	184	0.3
Awangsa Bina Sdn Bhd	4	12,359	21.7	1,052	1.2	347	0.4	-	-

Our major customers are main contractors, project owners and property developers. The percentages of revenue contribution amongst our customers vary from year to year as a result of the nature of our business being conducted on a project and purchase order basis. We may not generate similar projects in terms of size and scope with the same customer every year. Further, as the number and size of projects vary each year as well, this can cause a fluctuation in a customer's revenue contribution in terms of percentage in relation to our Company's total revenue even if the absolute value of that customer's contribution remains more or less the same. As such, we are not dependent on any one of our major customers.

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7. BUSINESS OVERVIEW (cont'd)**7.7 MAJOR SUPPLIERS/SUBCONTRACTORS**

The major suppliers who contributed to 10% or more of our Company's purchases for FYEs 2014 to 2016 as well as FPE 2017 are as follows:-

Major suppliers	Length of business relationship (years)	FYE 2014		FYE 2015		FYE 2016		FPE 2017	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Total purchases	-	23,218	100	38,217	100	36,531	100	16,742	100.0
Gentlelite Electrical Trading Sdn Bhd	2	-	-	-	-	1,334	1.8	6,740	40.3
See Wide Letrik (Sel) Sdn Bhd	15	2,045	4.4	1,935	2.7	3,430	4.6	2,425	14.5
Oon Brothers Electrical Trading Co Sdn Bhd	10	1,685	7.3	2,445	6.4	4,721	12.9	626	3.7
Tonn Cable Sdn Bhd	6	3,808	16.4	2,752	7.2	1,817	5.0	531	3.2
Sun Power System Sdn Bhd	2	-	-	4,271	11.2	400	1.1	-	-

We also outsource our projects to our subcontractors who are responsible to assist us in implementing our projects as stipulated in the subcontracting agreements. The major subcontractors who contributed to 10% of our subcontracting costs for FYEs 2014 to 2016 as well as FPE 2017 are as follows:

Major subcontractors	Length of business relationship (years)	FYE 2014		FYE 2015		FYE 2016		FPE 2017	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Total subcontracting costs	-	22,836	100	33,345	100	37,947	100	18,109	100
Abdul Halim	15	3,390	14.9	3,887	11.7	2,288	6.0	3,154	17.4
AESB	4	108	0.5	7,159	21.5	3,737	9.8	1,775	9.8
E-Team Electrical Sdn Bhd	3	-	-	317	1.0	4,243	11.2	1,442	8.0
Teccent Engineering Sdn Bhd	4	145	0.6	4,804	14.4	5,015	13.2	839	4.6

7. BUSINESS OVERVIEW (cont'd)

Major subcontractors	Length of business relationship (years)	FYE 2014		FYE 2015		FYE 2016		FYE 2017	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lian Cheong Electrical Engineering	3	1,191	5.2	3,574	10.7	995	2.6	182	1.0
X&M Trading	5	2,988	13.1	-	-	-	-	-	-
Lai Yeong Shenq	4	2,623	11.5	-	-	-	-	-	-
Paradigma Harmoni Sdn Bhd	4	2,594	11.4	-	-	-	-	-	-
Hectaunik Sdn Bhd	4	2,505	11.0	-	-	-	-	-	-

During the past 3 financial years as well as FPE 2017, purchases and subcontracting costs from our major suppliers/subcontractors, as a percentage of our total purchases and subcontracting costs, varied primarily due to the fact that our purchases of labour and supplies from such major suppliers/subcontractors were largely dependent on the specific requirements of projects and purchase orders which we have secured.

Our Company's practice is to obtain quotes and tenders from several suppliers and subcontractors. We will then proceed to engage the services of suppliers and subcontractors who are able to meet the project time schedule and can consistently provide favourable terms with regards to the quality of materials/services provided, timeliness in meeting project schedule, reliability and supply terms and conditions. Our Company is not dependent on any one of our major suppliers and/or subcontractors for the 3 financial years as well as FPE 2017 under review.

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7. BUSINESS OVERVIEW (cont'd)**7.8 PRINCIPAL MARKETS**

Our Company is principally involved in the provision of electrical and mechanical engineering services in Malaysia. Electrical engineering constitutes a significant portion of our business in the last 3 financial years as well as FPE 2017.

The breakdown of our revenue for the past financial years/periods are as follows:-

Segmentation by business activities

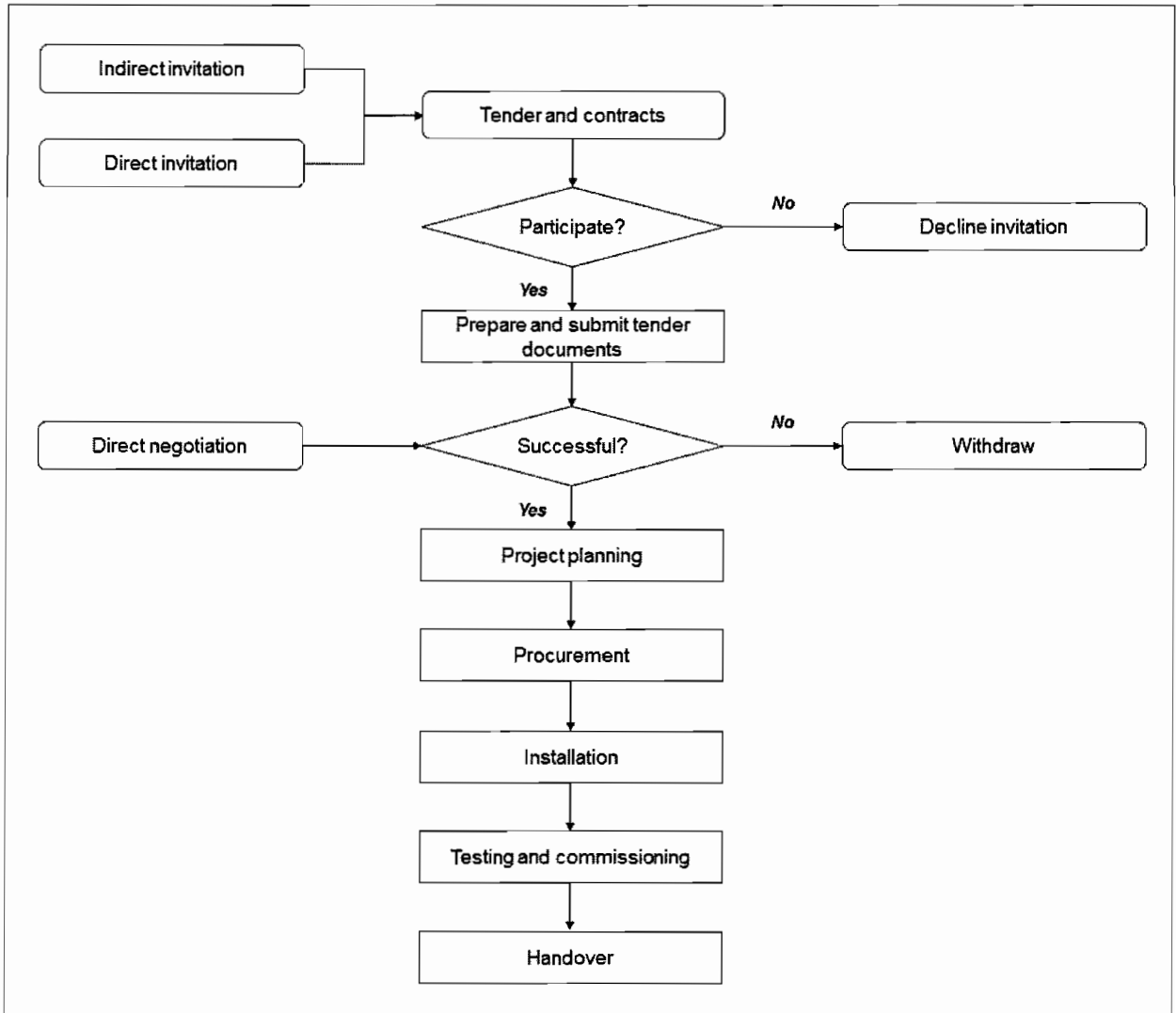
	FYE 2014		Audited FYE 2015		FYE 2016		Unaudited FPE 2016		Audited FPE 2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Electrical	48,126	84.5	71,139	81.7	80,753	86.7	32,161	85.5	34,759
FTTH	1,592	2.8	2,452	2.8	2,822	3.0	1,208	3.2	1,505	3.4
ELV	114	0.2	6,979	8.0	2,959	3.2	1,748	4.7	1,915	4.4
Mechanical	-	-	-	-	-	-	-	-	360	0.8
Contract revenue	49,832	87.5	80,570	92.5	86,534	92.9	35,117	93.4	38,539	88.0
Sale of goods	7,122	12.5	6,528	7.5	6,590	7.1	2,498	6.6	5,270	12.0
Total revenue	56,954	100.0	87,098	100.0	93,124	100.0	37,615	100.0	43,809	100.0

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7. BUSINESS OVERVIEW (cont'd)

7.9 PROCESS FLOW

We adopt the following process flow in the provision of electrical and mechanical engineering services:-



(a) Tenders and contracts

We participate in tenders either via direct or indirect invitations. Direct invitations refer to tender invitations extended to us directly by the main contractors, project owners and/or property developers. Indirect invitations refer to tender postings in the media. In selected cases, we are required to complete a pre-qualification exercise before participating in the tender exercise. Our Contract Manager is responsible for preparing the proposal and project costing details for the tender, and will collaborate with the technical team in our Company to complete the tender documents.

We usually submit a tender bond as part of the tender documents. A tender bond provides assurance to our customer that we will proceed with the contract upon acceptance of the tender by our customer. The tender bond amount is usually specified in the tender document as determined by the customer and the validity of the tender bond is typically 6 months. The completed proposal and tender documents will be approved by our Managing Director before submission to the customer.

7. BUSINESS OVERVIEW (cont'd)

We may be invited by the customer to present our proposal, or provide clarification on technical details or commercial terms. If we are successful and our proposal is accepted, the customer will typically present us with a letter of award prior to the signing of a contract.

The letter of award issued by our customers for electrical and mechanical engineering services will typically include the following terms which are common in the electrical and mechanical engineering industry:-

- Project details - The details of the project including the location, the type of building, number of units, the type of infrastructure and facilities.
- Contract period - The contract period to complete the scope of works as specified in the letter of award or such extension as agreed by our customers.
- Contract sum - The contract amount for completing the scope of works in compliance with the timeline as specified in the letter of award.
- Scope of work - The general scope of work as stipulated in the contract which includes preliminary works, installation, testing and commissioning of the electrical and mechanical works or any other details as may be specified in the tender documents.
- Retention sum - A portion of progress payment to be withheld by the customer for securing the due performance of the subcontractor. The total retention sum is usually limited to 5% of the contract sum.

Release of the retention sum is normally done in two portions. The first half of the retention sum is usually released with the issuance of the Certificate of Practical Completion⁽¹⁾ by the project architect engaged separately by the building owner/operator/consultant, as the case may be. The remainder of the retention sum is usually released after expiry of the defect liability period.
- Defect liability period - The defect liability period provided by our Company, are based on the terms of the contracts that we enter into and they typically ranges from 12 months to 28 months. The liability period commences from the issuance of Certificate of Practical Completion. During this period, our Company will rectify defects in the works that we performed.
- Liquidated damages - The amount of liquidated damages will be specified and will typically be between 0.5% to 1.0% of the contract sum. The customer will have a right to claim liquidated damages if we are in breach of contract terms, i.e. late performance in accordance to the contract.
- Performance bond - The main contractor may request for a performance bond issued by a bank in favour of the customer. The performance bond typically amounts to 5% of the contract sum. The performance bond acts as a security for the due performance by our Company of our obligations under the relevant

7. BUSINESS OVERVIEW (cont'd)

contracts and will expire upon the issuance of Certificate of Practical Completion.

Variation order : An alteration to the scope of works in a contract in the form of an addition, substitution or omission from the original scope of contracted works.

Extension of time : Many construction contracts allow the construction period to be extended where the project experiences delay that is not within the control of the contractor.

Note:-

(1) *Our works are practically completed when:-*

(i) *In the opinion of the project architect as appointed by the project owner or as otherwise stipulated in the letter of award, our customer can have full use of the works for their intended purposes, notwithstanding that there may be works and defects of a minor nature still to be executed and as the contractor for our works, we endeavour to make good and to complete such works and defects within a reasonable time specified by the project consultant/architect; and*

(ii) *Other requirements expressly stated in the contract as a pre-requisite for the issuance of the Certificate of Practical Completion have been complied with.*

Our Project Manager will ensure strict adherence to the project timeline and key milestones as stipulated in the contracts to ensure timely delivery of our services and in accordance with the contract specifications and liaise with our customers on contract management matters (including regular reporting on work done and where applicable, obtaining the requisite extensions of time) in order to obtain the full and timely release of retention sums, to reduce incidents of defects, to avoid incurring any liquidated damages and/or calling of the performance bond by the customer.

(b) Project planning

A Project Manager is assigned to each project, and will be responsible for assembling a project team comprising employees from the technical division. The Project Manager acts to oversee the management and implementation of all aspects of the project, ranging from solution development and installation, quality control, time management, contract management and project costing.

The project planning phase involves the preparation of a detailed master project development plan which covers factors such as project resources (i.e. project costing and resource allocation), roles and responsibilities of project team members, work schedules, project deliverables, control and monitoring mechanisms and quality requirements.

A project kickoff meeting will be held to establish a common understanding of project requirements among the project team members, consultant and customer. Our customers are typically either the building contractors or building owners.

(c) Procurement

Our procurement activities mainly involve the sourcing of quotations from our pre-approved suppliers or manufacturers. Upon identification of the manufacturer(s) that meets our cost and quality requirements, we will issue purchasing documents for items such as cables, switchgears, transformers, generator sets and electrical accessories for use in our projects.

7. BUSINESS OVERVIEW *(cont'd)*

We also source and appoint subcontractors who are able to meet the project time schedule and can consistently provide favourable terms with regards to the quality of materials/services provided, timeliness in meeting project schedule, reliability and supply terms and conditions. These subcontractors provide services such as the supply of labour for the installation of electrical and mechanical systems. We also identify pre-approved suppliers and subcontractors based on their track record of supplying materials/implementation of projects that meet our quality requirements, financial strength, pricing and ability to meet timely delivery.

(d) Installation

Our project management team is responsible for supervising the installation works carried out by our subcontractors and monitoring project progress. Regular meetings among the project team members and subcontractors are held to review the work-in-progress and to ensure effective control of a project and efficient information flow. Frequent meetings with related project parties, such as the main contractor, project consultant, other trade contractors and the customer representative are also held to keep them informed of the progress of the project, to identify any actual or potential problems and to take corrective action (including obtaining any extensions of time, if required) promptly in order to ensure that the customer's requirements are satisfied.

(e) Testing and commissioning

Before completion of a project, the Project Manager will ensure that all specified inspections, testing and commissioning have been carried out and that the works meets the specified requirements under the contract. We will also conduct relevant quality and safety tests during the testing and commissioning stage in accordance with our ISO 9001:2008 manual before completion and handover to our customer. In the event that the test results do not meet the requirements specified in the contract or regulatory standards, rectification works and/or re-commissioning works will be carried out in order that the requirements are met. Inspections and testing by an independent party may sometimes be required under the relevant regulatory or contractual requirements.

(f) Handover

Project implementation is deemed completed upon issuance of the Certificate of Practical Completion by the project architect engaged separately by the building owner/operator/consultant as the case may be. This also signifies the commencement of the defect liability period for the electrical and mechanical systems that we have installed.

7.10 BUSINESS DEVELOPMENT AND MARKETING

We believe that our ability to procure new projects is dependent on various factors, including the timely delivery of our services, the quality of our workmanship and our track record, which we have established over the years in the electrical and mechanical engineering services industry.

We have managed to build a good relationship with our customers as a result of our Company's track record as a reliable services provider. The goodwill from satisfied customers is expected to continue to contribute to new business opportunities either through recurring business or recommendations to other prospective customers.

7. BUSINESS OVERVIEW (cont'd)

Our projects are secured through open tenders as well as through invited tenders from repeat customers, past customer referrals and new customer referrals from consultants/architects. Further, we are a nominated subcontractor in the majority of our projects as further discussed in Section 7.2 (i). This demonstrates that our services/work is recognised by our customers.

Our executive directors and designated key management personnel also actively engage in the sourcing for new customers to generate new business opportunities. Upon sourcing of any potential leads, our Contract Department will then follow up and engage with these potential customers.

7.11 QUALITY PROCEDURES

In order to achieve a consistent standard in our performance, we have adopted a stringent control and assurance system for monitoring the quality of materials used and the project implementation process.

Our quality management system is established in accordance with the requirements of ISO 9001: 2008. To ensure that our works are completed to the required standards and satisfaction of our customers, we normally assign at least one project management staff to each project as the first line of monitoring of the quality of installation works. Our Project Managers are responsible for the overall monitoring of the work quality and project progress and ensuring that engineering works are completed according to schedule.

The major equipment, materials and parts used by us are generally purchased by us from suppliers which are on the approved suppliers list of the customer or its consultant. We select such items based on the applicable regulatory requirements, industry standards or other requirements specified under the relevant contract, if any. Where there is any applicable regulatory or contractual requirement for certification of the items, we will require the supplier to provide the relevant certificates issued by the relevant testing laboratory, authority or the approval issued by local government authority, which will be provided to the main contractors and/or its consultant for approval. Once the equipment, material or part is approved, we will place the relevant purchase orders.

The incoming equipment, materials or parts delivered to the site, including those brought on site by our subcontractors, are inspected by the site engineer or another personnel appointed by the Project Manager as well as the consultant or personnel appointed by the customer. The site engineer is responsible for ensuring that the items meet the specified requirements in the contract, and if such items fail to pass the inspection, they will be returned to the suppliers or the subcontractors.

On-site inspections are conducted from time to time by our engineer and the customer's consultant during the work period for quality assurance. We carry out construction audit on each of the project sites to ensure that the quality of works satisfies contract requirements and our standards. These construction audits aim to remind all project teams to maintain quality works standard, and allow our senior management to have an independent and second opinion on the work quality performed on the project site in addition to the reports made by the relevant project team.

We were further certified compliant to ISO9001:2008, details of which are included below:-

Standard	Certification body	Year first awarded	Current certification period	Scope of certification
BS EN ISO 9001:2008	NQA Certification Services (M) Sdn Bhd	2008	14 December 2014 to 14 December 2017	Mechanical and electrical engineering installation and maintenance services

7. BUSINESS OVERVIEW (cont'd)

We have adopted a set of quality assurance measures which comprise monitoring, verifying and validating the works and materials to ensure that high quality works and services are delivered to our customers.

Our Quality Management Department is responsible for ensuring that our Company's quality procedures are adopted and adhered to across the projects that we participate in. They undertake internal quality audits, monitoring and measurement of processes, monitoring and measurement of project performance, analysis and preventive action where applicable, for improvement of our internal processed work quality. The Quality Management Department is led by our Executive Director.

In recognition of the quality assurance procedures in place, our quality management system was accredited with the BS EN ISO 9001:2008 certificate by NQA Certification Services (M) Sdn Bhd. Further, we received the Silver award in occupational safety and health (OSH) implementation from MSOSH in 2012. This award is an acknowledgement for companies that have achieved commendable safety and health records and / or have shown improvement in occupational safety and health processes through sound safety and health management systems.

7.12 KEY EQUIPMENT AND MACHINERY

Due to the nature of our business, we primarily utilise small tools and equipment for the delivery of electrical and engineering services, where these tools and equipment comprise testers, hand pumps, indent tools, hydraulic bottle jacks, laser levellers and digital meters.

7.13 TECHNOLOGY USED

The technological tools that are used by our project management team comprise:-

- Microsoft Project

Microsoft Project is a project management software developed by Microsoft for developing plans, assigning resources to tasks, tracking progress, managing project budget, and analysing workloads. We use Microsoft Project as a project management tool to plan, assign resources and monitor progress of our projects.

- AutoCAD

AutoCAD is a computer-aided design and drafting software developed by Autodesk to prepare blueprints and engineering plans in architecture, construction, and manufacturing. We use AutoCAD to develop blueprints for electrical and mechanical systems in some of our projects.

7.14 RESEARCH AND DEVELOPMENT

Due to the nature of our principal business activities, we do not undertake research and development.

7.15 PRODUCTION CAPACITY AND UTILISATION RATES

Measures of operating capacity and output are not relevant to the provision of electrical and mechanical engineering services offered by our Company.

7. BUSINESS OVERVIEW *(cont'd)*

7.16 TYPES, SOURCES AND AVAILABILITY OF KEY SUPPLIES

The key materials that we purchase include, but are not limited to cables, switchgears, transformers, generator sets and electrical accessories. The key materials we purchase include contract materials as well as the purchases made for sale of goods to our subcontractors which are also used for our projects.

These materials are sourced from local and overseas suppliers. Thus far, we have not experienced any significant shortages in sourcing the abovementioned key materials for our operations as they are readily available from many suppliers in Malaysia as well as overseas. The prices of our key materials are subject to price fluctuations as a result of demand and supply conditions. We generally purchase these materials on a project basis or on a purchase order basis.

We have developed policies and procedures that guide our selection of suppliers. Prior to selection, evaluation criterion of suppliers include, where applicable, financial performance, production capacities, ability to deliver products that meet our quality requirement, and ability to deliver in a timely manner.

Our Company is responsible to purchase materials and equipment which are required for use in the projects as specified in the contracts other than those which are the responsibility of our subcontractors as stipulated in the agreement between us and our subcontractor.

Our Company does sell materials which are required by the subcontractors for our projects if they so desire to purchase them from us.

The key materials purchased by our Company, which contributed more than 10% of our Company's total purchases for the FYE 2014 to FYE 2016 and FPE 2017 respectively, are as follows:-

Type of key materials and supplies purchased	FYE 2014		FYE 2015		FYE 2016		FPE 2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cables and electrical accessories	11,136	48.0	9,496	24.9	14,371	39.3	11,544	69.0
Electrical switchboard and related accessories	3,906	16.8	7,027	18.4	6,328	17.3	2,147	12.8
Switchgear and transformer	1,192	5.1	4,179	10.9	4,146	11.3	309	1.9
Total purchases	23,218	100.0	38,217	100.0	36,531	100.0	16,742	100.0

We also outsource our projects to our subcontractors who are responsible to assist us in implementing our projects as stipulated in the subcontracting agreements.

7.17 CYCLICALITY AND SEASONALITY

The demand for electrical and mechanical engineering services is dependent on developments in the construction sector in Malaysia. The construction sector is cyclical in nature and dependent on a nation's general economic conditions. The construction sector typically moves in tandem with the economy, where strong economic growth coupled with fiscal stimulus by the Government of Malaysia spurs the growth of the construction sector.

7. BUSINESS OVERVIEW (cont'd)**7.18 INTERRUPTIONS TO BUSINESS**

We did not experience any interruptions to our business which had significant impact on the operations of our Company over the past 12 months prior to the LPD.

7.19 APPROVALS, MAJOR LICENSES AND PERMITS

Details of the approvals, major licenses and permits obtained by our Company for our business operations and the status of compliance are set out below:-

Company	Approving authority / issuer	Type of approvals / licenses / permits	License / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
KAB	CIDB	CIDB License	1990526-WP052358	24 July 2017 – 22 September 2020	The registration of KAB shall be cancelled, suspended or revoked if, among others:-	Complied
					(a) KAB fails to comply with the requirement of any other written law;	
					(b) A winding-up petition in relation to KAB has been presented;	
					(c) KAB contravenes or fails to comply with any provision of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994;	
					(d) KAB has abandoned any construction works undertaken without any good reason;	
					(e) KAB is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken.	

7. BUSINESS OVERVIEW (cont'd)

Company	Approving authority / issuer	Type of approvals / licenses / permits	License / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
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KAB	Energy Commission, Malaysia	Electrical Contractor License	(TKL)KE/420505 H/2014	22 May 2014 – 21 May 2019	-	-
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7.20 MATERIAL PROPERTIES, PLANT, MACHINERY AND EQUIPMENT

7.20.1 Material property owned by our Company

The material properties owned by our Company are as follows:-

No.	Title / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land area/ Built-up area (approximately)	Tenure	Date of issuance of certificate of fitness for occupation / certificate of completion and compliance	Certificate of completion and compliance:	Audited as at	NBV (RM)
1.	PM 8456, Lot 101280, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur / No.18, Jalan Radin Bagus 9, Bandar Baru Seri Petaling, 57000 Kuala Lumpur.	KAB	Three-storey shop office currently used as our Company's headquarters	This land shall be used for commercial buildings for the purpose of office shop only.	Charged to United Overseas Bank (Malaysia) Berhad	Land area: 190 square metres Built-up area: 523.97 square metres	99-year leasehold, expiring on 5 April 2110 (i.e. remaining tenure of approximately 93 years as at the LPD)	29 May 2014	31.5.2017:	4,169,385	

7. BUSINESS OVERVIEW (cont'd)

No.	Title / Postal address	Registered / Beneficial owner	Description / Existing use	Express conditions of land use / Category of land use	Encumbrances	Land area/ Built-up area (approximately)	Tenure	Date of issuance of certificate of fitness for occupation / certificate of completion and compliance	NBV (RM)
2.	HSD 13198, PT 8891, Mukim Kajang, Daerah Ulu Langat, Negeri Selangor Darul Ehsan / No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan.	KAB	One and half storey terrace factory	Express conditions: Industry Category of land use: Industry	Charged to Al Rajhi Banking & Investment Corporation (Malaysia) Bhd	Land area: 222.96 square metres	Freehold	Certificate of fitness for occupation: 21 September 1995	Audited as at 31.5.2017: 1,297,833

The property owned by our Company above has not breached any of the land use conditions / permissible land use; and where buildings are involved, we are in compliance with applicable laws, rules and building regulations.

7.20.2 Material properties rented by our Company

The material properties rented by our Company are as follows:-

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximately)	Date of issuance of certificate of completion and compliance	Rental per annum (RM)
KAB	CKY Venture (M) Sdn Bhd	No. 16-2, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Top floor of three-storey shoplot used as part of our Company's headquarters	15 April 2015 – 15 October 2017 ⁽¹⁾	Land area: 189.52 square metres Built-up area: 190 square metres	3 March 2011	33,600

7. BUSINESS OVERVIEW (cont'd)

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximately)	Date of issuance of certificate of completion and compliance	Rental per annum (RM)
KAB	Cheong Soek Chen and Cheong Soek Fong	No. 20-3, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Top floor of four-storey shoplot used as part of our Company's office	1 August 2017 – 31 July 2019	Land area: 473.81 square metres Built-up area: 473.81 square metres	3 March 2011	76,560

Note:-

(1) *The tenancy agreement has been terminated on 15 September 2017 and KAB shall cease rental of the office space on 15 October 2017.*

There is no breach of any land use conditions / permissible land use and/or non-compliance with any applicable laws, rules and building regulations which may materially affect our Company's operations and utilisation of our assets in respect of the above properties rented by our Company.

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7. BUSINESS OVERVIEW (cont'd)

7.21 BRAND NAMES, TRADEMARKS, PATENTS, LICENSE AGREEMENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS.

Our Company does not have any brand names, trademarks, patents, license agreements and intellectual property rights.

7.22 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

Save as disclosed in Section 7.19, as at the LPD, our Company is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licenses, industrial, commercial or financial contracts which are material to our Company's business or profitability.

7.23 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The electrical and mechanical engineering services industry generally has little impact on the environment. The performance in our services may result in some noise pollution. In this regard, we endeavour to undertake works during permitted working hours as specified by authorities and to utilise low-noise tools and equipment that are properly maintained to ensure minimal noise impact to the environment.

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8. INDUSTRY OVERVIEW

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
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T +603 6211 2121
www.smith-zander.com

SMITH ZANDER

10 OCT 2017

The Board of Directors
KEJURUTERAAN ASASTERA BERHAD
18, Jalan Radin Bagus 9
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Malaysia

Dear Sirs,

Executive Summary of the Independent Market Research Report on the Mechanical and Electrical Engineering Services Industry and Construction Sector in Malaysia in relation to the Initial Public Offering and Listing of KEJURUTERAAN ASASTERA BERHAD on the ACE Market of Bursa Malaysia Securities Berhad

This Executive Summary of the Independent Market Research Report on the Mechanical and Electrical Engineering Services Industry and Construction Sector in Malaysia is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus of KEJURUTERAAN ASASTERA BERHAD.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

1 DEFINITION AND SEGMENTATION

Mechanical and Electrical Engineering

Engineering is the field or discipline, practice, profession and art that relates to the development, acquisition and application of technical, scientific and mathematical knowledge about the understanding, design, development, invention, innovation and use of materials, machines, structures, systems and processes for specific purposes.

- **Electrical engineering relates to the theory and application of electrical systems**

Electrical engineering is the field of engineering that focuses on the study and application of electricity and electromagnetism. The discipline of electrical engineering includes the subjects of power generation and distribution, electric circuits, transformers, motors, electromagnetic and associated devices. In a broad perspective, electrical engineering deals with larger scale systems of electricity, power transmission and energy. The field of electrical engineering has expanded to the development and application of electronics and electronic engineering, where it finds its application in telephone, radio, television, telecommunication and information transmission devices and systems.

In the construction sector, electrical engineering services involve electrical wiring and fitting for electricity transmission and distribution, communication and information technology networks and extra low voltage systems. Electrical engineering services may be employed in the installation of new electrical components and systems, or the maintenance and repair of existing electrical systems.

Communication and information technology networks focus on unified communications and the integration of telecommunications (i.e. telephones lines and wireless signals) with computers, enterprise software, middleware, storage as well as audio-visual systems that allow users to access, store and transmit information. Structured cabling infrastructure using fibre optic cables is used as a conduit to connect telecommunications devices to computers and associated peripherals for the purposes of voice, data and video communication. Fibre-to-the-home cabling (FTTH) is a form of structured cabling infrastructure used in communication and information technology networks.

Extra low voltage systems refer to systems that operate on voltages that do not exceed 50 alternating current (AC) voltages. Extra low voltage systems include among others, security and surveillance systems comprising closed-circuit television (CCTV) systems and alarm systems, public address systems as well as video, voice and data communication.

- **Mechanical engineering relates to the theory and application of physical or mechanical systems such as engines**

Mechanical engineering comprises the design, manufacture, and operation of a wide range of mechanical components, devices, and systems. Many mechanical engineers are involved in the design and production of machines to lighten the burden of human work while others practice in the areas of heating and air-conditioning, automotive, manufacturing, and refrigeration engineering.

In the construction sector, mechanical engineering services involve the deployment of heating, ventilation and air conditioning systems, water supply and sanitation systems, fire protection systems as well as escalators and lifts. Mechanical engineering services may be employed in the installation of new mechanical components and systems or the maintenance and repair of existing mechanical systems.

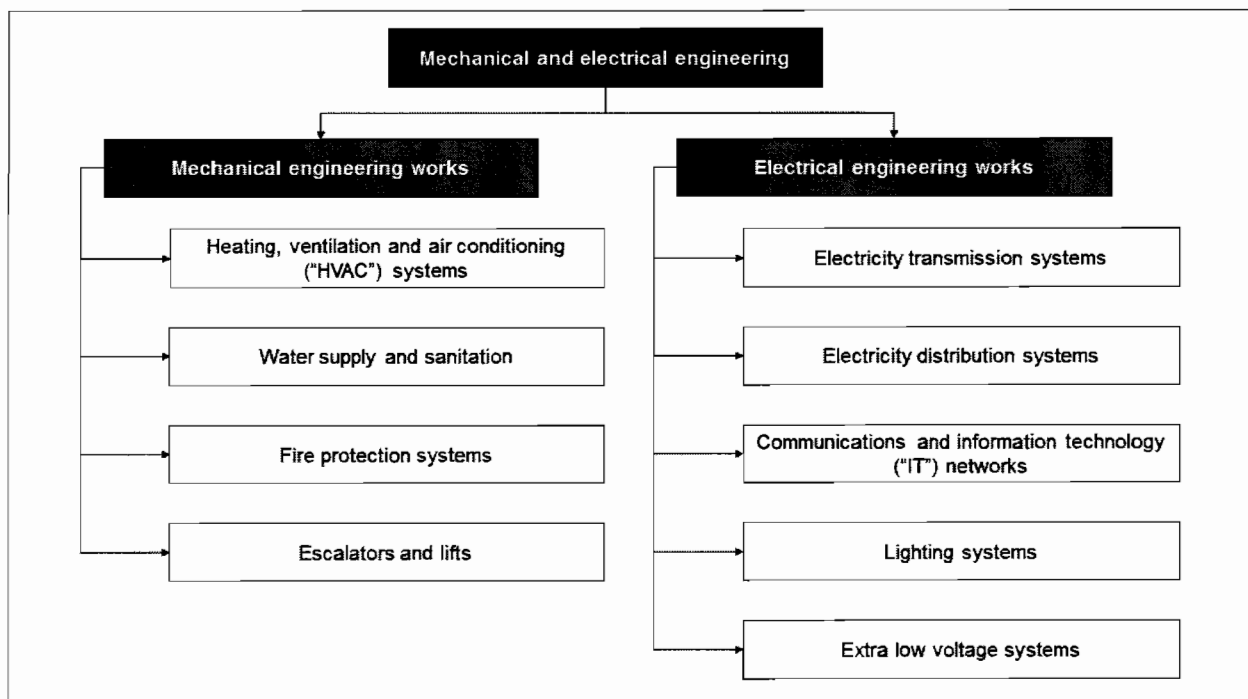
8. INDUSTRY OVERVIEW (cont'd)

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Mechanical and electrical engineering services providers are responsible for the implementation of systems that make properties function. This includes the implementation of mechanical systems such as heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; and escalators and lifts, as well as electrical systems such as electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems.

These mechanical and electrical systems are vital, as they allow properties to perform its intended function in a safe and efficient manner while providing comfort to users. When due consideration is placed on the design of these mechanical and electrical systems, this creates attractive, environmentally responsible, high-performance properties that are safe, healthy and comfortable for occupants, easy to maintain, and cost less to run. Mechanical and electrical systems in properties can be designed to meet its current intended purposes and requirements while having the flexibility to adapt to future needs.

Segmentation of the mechanical and electrical engineering services industry for the construction sector ^a



^a The examples above are not exhaustive

Main contractors are engaged by project owners or property developers for construction works contracts, which are typically referred to as main contracts. These main contractors may enter into contracts to appoint sub-contractors to complete certain portions of the main contract. Sub-contractors will usually have the same rights and responsibilities as the main contractor, but since sub-contractors contract with the main contractor, these rights and responsibilities will be exercised by and between the sub-contractor and the main contractor.

The practice of subcontracting portions of a construction works contract, including mechanical and electrical engineering services contract, to other contractors is prevalent in the construction sector in Malaysia. Through subcontracting, small and medium enterprises are able to participate in the property development and construction sector. The reasons for subcontracting vary between the different types of construction

8. INDUSTRY OVERVIEW *(cont'd)*

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works contracts. In some contracts, there may be a need to acquire specialist capabilities to perform certain aspects of the work such as mechanical and electrical engineering services. In others, there may be a need to subcontract portions of the work to increase the contracting capacity of the contractor in order to meet the project completion timeline.

There are primarily two (2) types of sub-contractors in the property development and construction sector, namely domestic sub-contractors and nominated sub-contractors. Domestic sub-contractors are appointed at the discretion of the main contractor. In contrast, nominated sub-contractors are nominated by the project owner, which the main contractor is obliged to appoint as a sub-contractor.

Construction Sector

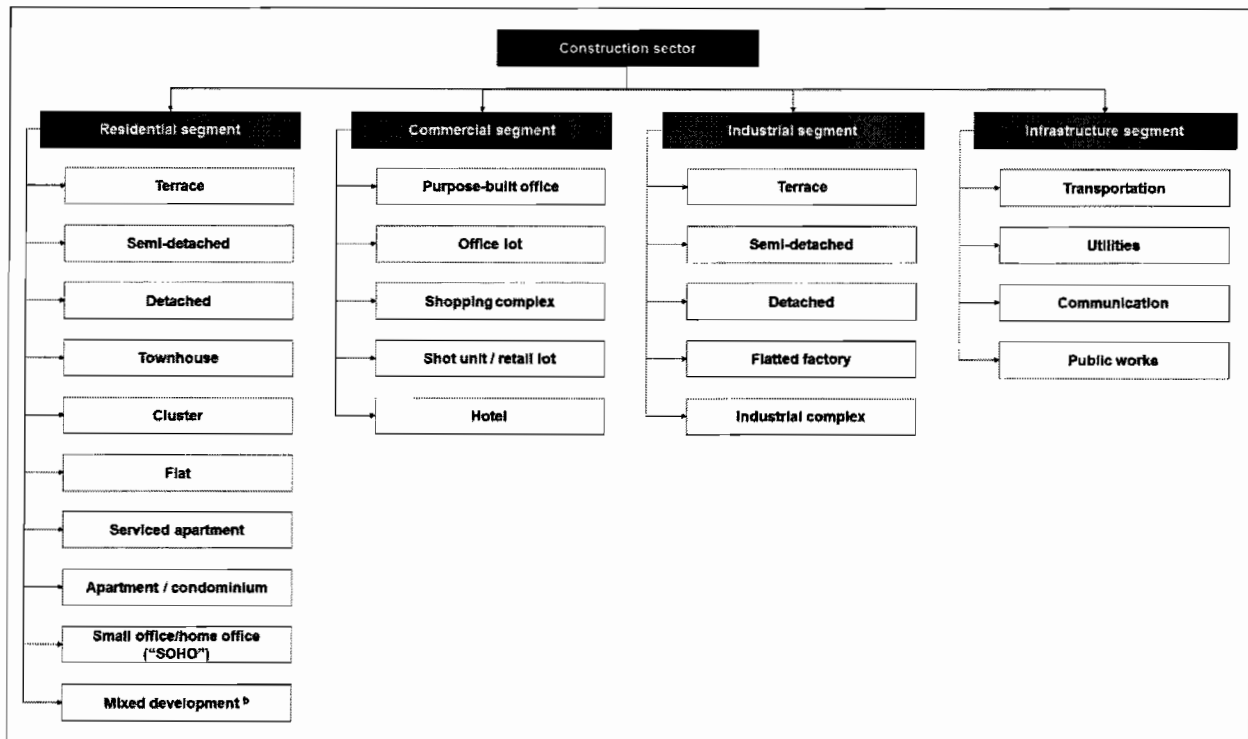
The construction sector is largely influenced by the nation's economic development as the construction of buildings and infrastructure are essential for national development and progress. The construction sector, can be divided into four (4) property segments, namely the residential, commercial, industrial and infrastructure property segments, whereby:

- The residential segment consists of properties intended for dwelling purposes, and include landed as well as non-landed or multi-storey buildings;
- The commercial segment consists of properties which are used for profit-driven business purposes and includes office buildings, warehouses, hotels and retail outlets;
- The industrial segment consists of buildings or structures where industrial activities are carried out, and includes factories and production plants; and
- The infrastructure segment refers to public assets which are vital to a country's economic development, and are used for purposes such as transportation, utilities management and communication, recreation and community use. This includes airports, power plants, roads, highways, street lighting and dams.

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8. INDUSTRY OVERVIEW (cont'd)

Segmentation of the construction sector in Malaysia ^a



^a The examples above are not exhaustive

^b Mixed development is classified under the residential segment as typically, the construction of shop houses and shop offices is to complement the intended residential project

Kejuruteraan Asastera Berhad is principally involved in the provision of electrical and mechanical engineering services in Malaysia comprising:

- electrical engineering services relating to the installation, testing and commissioning of electrical systems comprising electrical distribution systems, communications and information technology networks and ELV systems; and
- mechanical engineering services where this involves the installation, testing and commissioning of air-conditioning and mechanical ventilation systems.

The property and construction sectors are the end user markets for Kejuruteraan Asastera Berhad's electrical and mechanical engineering services, where these services serve the residential, commercial, industrial and infrastructure segments.

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2 ANALYSIS OF THE MECHANICAL AND ELECTRICAL ENGINEERING SERVICES INDUSTRY IN MALAYSIA

Industry Performance, Outlook and Prospects

Mechanical and electrical engineering services in Malaysia, measured in terms of total value of awarded mechanical and electrical projects, increased from RM3.5 billion in 2006 to RM62.5 billion in 2016 at a compound annual growth rate ("CAGR") of 33.4%. During this period, the value of awarded mechanical engineering services projects increased from RM1.6 billion to RM54.2 billion at a CAGR of 42.1%, while the value of awarded electrical engineering services projects increased from RM1.9 billion to RM8.4 billion at a CAGR of 16.0%. The total value of awarded mechanical and electrical projects comprises the value of awarded mechanical and electrical projects for new development projects as well as refurbishment and maintenance projects.

Between 2006 and 2015, the total value of awarded mechanical and electrical projects for new development projects as well as refurbishment and maintenance projects peaked at RM34.6 billion in 2014. Subsequently in 2015, mechanical and electrical engineering services for new development projects as well as refurbishment and maintenance projects dipped by 45.6% year-on-year to RM18.8 billion in terms of value of projects awarded, mirroring the construction sector that was affected by the slowdown in demand in the property market. Overall, from 2006 to 2015, the total value of awarded mechanical and electrical projects grew at a CAGR of 20.6%. Nonetheless in 2016, the total value of awarded mechanical and electrical projects for new development projects as well as refurbishment and maintenance projects rebounded to RM62.5 billion as the construction industry began depicting signs of recovery.

During the period between 2006 and 2016, mechanical and electrical engineering services for new development projects increased from RM3.2 billion to RM61.4 billion at a CAGR of 34.2%. New development projects formed approximately 92.5% of mechanical and electrical engineering services in 2006 and gradually increased to 98.2% in 2016, signifying that new development projects, based on the value of awarded projects, comprised a significant percentage of awarded mechanical and electrical engineering services projects.

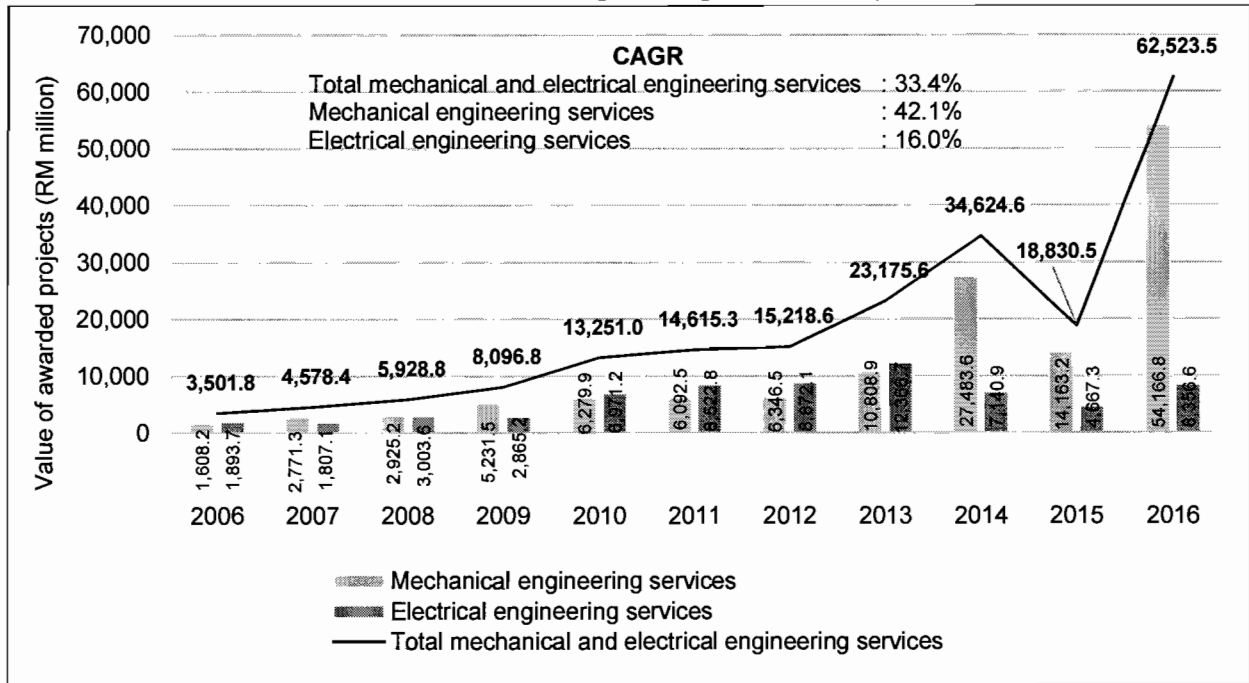
Refurbishment refers to the upgrading, expansion, renovation and repair works of existing buildings, but excludes routine maintenance services. Between 2006 and 2016, mechanical and electrical engineering services for refurbishment and maintenance projects increased from RM261.6 million to RM1.1 billion at a CAGR of 15.6%, indicating a growing demand for mechanical and electrical engineering services for refurbishment and maintenance works. Growth opportunities for refurbishment and maintenance projects are present in Malaysia's property and construction sector as existing buildings are getting old, and require refurbishment and maintenance to prolong the life of the property.

SMITH ZANDER projects the mechanical and electrical engineering services industry to further grow from RM62.5 billion in 2016 to RM93.8 billion in 2019, based on awarded project value, at a CAGR of 14.5%. Growth in mechanical and electrical engineering services is anticipated to be driven by recovery in construction activities as a result of private investments and Government policies to spur growth in the construction sector and socio-economic development.

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8. INDUSTRY OVERVIEW (cont'd)

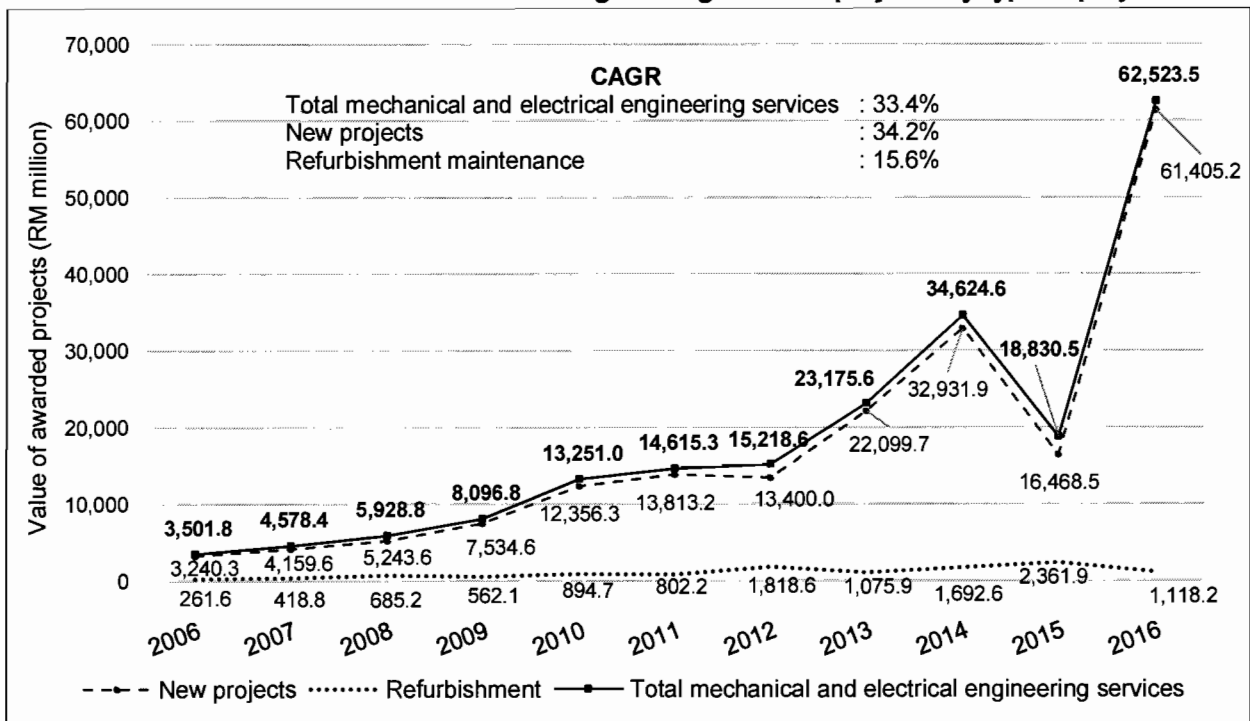
Value of awarded mechanical and electrical engineering services projects by type of service ^{a, b}



^a Figures may not add up due to rounding
^b Latest available as at 23 September 2017s

Source: Construction Industry Development Board ("CIDB")

Value of awarded mechanical and electrical engineering services projects by type of project ^{a, b}



^a Figures may not add up due to rounding
^b Latest available as at 23 September 2017

Source: CIDB

8. INDUSTRY OVERVIEW (cont'd)

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Mechanical and electrical engineering services is specialised services performed during the erection or reconstruction of buildings or structures, and entails the design, installation, commissioning and maintenance of mechanical systems such as heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; and escalators and lifts, as well as electrical systems such as electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems. The growth in mechanical and electrical engineering services correlate closely to the growth of residential, commercial, industrial and infrastructure construction activities, where residential, commercial, industrial and infrastructure property segments serve as end-users of mechanical and electrical systems.

Demand Conditions – Key Demand Drivers**Greater demand for residential, commercial and industrial properties creates demand for mechanical and electrical engineering services**

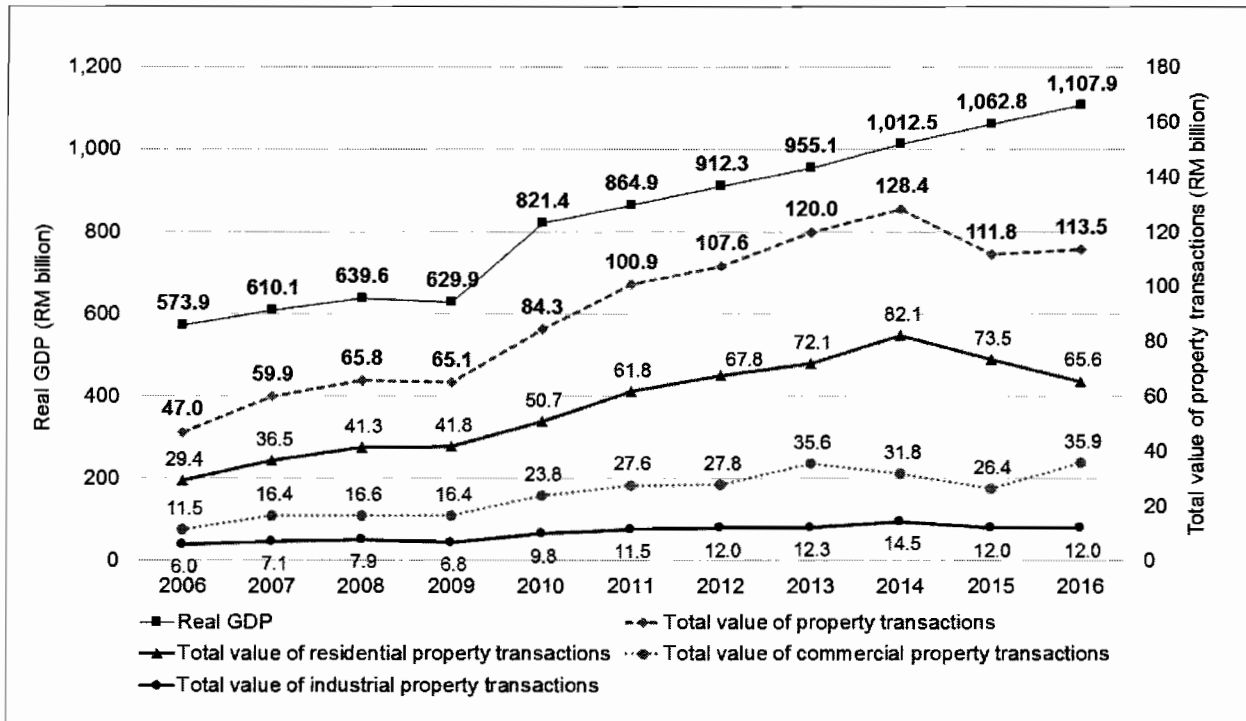
The demand for mechanical and electrical engineering services, particularly that in new development projects, is dependent on construction activities undertaken to erect residential, commercial and industrial properties. Construction activities are largely economic-driven, whereby economic growth has the potential to contribute to increased disposable incomes among the population arising from higher employment and increased earnings for businesses and companies due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties, which in turn leads to higher demand for mechanical and electrical engineering services.

Economic growth is a catalyst for development and growth in construction activities. Between 2006 and 2016, Malaysia's wealth, as depicted by its real GDP, increased from RM573.9 billion to RM1,107.9 billion. Total property transaction value increased from RM47.0 billion to RM113.5 billion between 2006 and 2016, where the residential, commercial and industrial property segments achieved CAGRs of 8.3%, 12.1% and 7.1% respectively. Between the period of 2006 and 2016, transactions in the residential property segment increased from RM29.4 billion to RM65.6 billion while transactions in the commercial and industrial property segments increased from RM11.5 billion to RM35.9 billion, and RM6.0 billion to RM12.0 billion respectively. In 2016, Malaysia's real GDP rose to RM1,107.9 billion.

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8. INDUSTRY OVERVIEW (cont'd)

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Economic impact on property transactions in Malaysia ^a^a Figures may not add up due to rounding

Source: Department of Statistics Malaysia, Ministry of Finance Malaysia, National Property Information Centre ("NAPIC")

Commercial property supply is expected to witness growth over the period of 2017 and 2018, thereby indicating growth opportunities for mechanical and electrical engineering services. Ongoing decentralisation of office developments, scarcity of land and plans to improve the public transportation system in Malaysia via the construction of the Klang Valley MRT System will be among the key factors that are expected to lead to a reduction in the share of office space in major city centres as new townships and business centres emerge outside these areas. Commercial retail space is expected to witness growth in the next three (3) to five (5) years as several mixed development projects that are expected to come onstream by 2017 have incorporated retail centres as key components. Mixed development projects refer to development projects that serve more than one (1) purpose, such as mixed development projects that have residential and commercial property components to serve both residential and commercial purposes.

From a geographical perspective, the property market in the Central region, and specifically Kuala Lumpur, is expected to be rejuvenated following the Government's move to construct the Klang Valley MRT System which will have structural impact on Kuala Lumpur's property market. The high multiplier impact from the RM43.0 billion investment in the Klang Valley MRT project to improve the city rail network for better connectivity and integration, as well as sustained demand will drive opportunities in high density mixed developments and new suburban townships. Among the major upcoming commercial and mixed development projects that have been announced are the Tun Razak Exchange, MATRADE, redevelopment of Rubber Research Institute Malaysia ("RRIM") Sungai Buloh, Bandar Malaysia Sungai Besi and Kampung Baru.

8. INDUSTRY OVERVIEW (cont'd)

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Selected upcoming major property developments in the Central region of Malaysia

Project	Type of development	Estimated land area (acres)	Estimated gross development value (RM billion)	Expected completion date
Tun Razak Exchange	Mixed Development	80.0	26.0	2028 (Phase 1 by 2017)
KLCC development - Lots 167, 176 and 185	Mixed development (including a 64-storey office tower)	4.0	5.0	2017
MATRADE, Hartamas	Mixed development surrounding a convention centre	62.0	15.0	2020
Redevelopment of the Cochrane / Cheras area	Mixed development (mainly residential and retail)	50.0	10.0	Not available
Warisan Merdeka	Commercial (100-storey office tower)	19.0	5.0	2020
Bukit Bintang Commercial Centre	Mixed development	22.0	5.0	2020
Redevelopment of RRIM Sungai Buloh	Mixed development (mainly residential)	2,330.0	10.0	2025
Bandar Malaysia Sungai Besi	Mixed development (mainly residential)	460.0	15.0	Not available
Kampung Baru	Mixed development (Malay reserve land)	375.0	20.0	Not available

Source: 10MP, Economic Transformation Programme ("ETP"), Budget 2015

The nationwide growth of affordable housing programmes creates demand for mechanical and electrical engineering services

The Government of Malaysia provides financial assistance and enhanced regulatory framework to facilitate homeownership in an effort to meet the affordable housing needs of the low-income and middle-income society. Housing programmes for poor and low-income households in urban and rural areas are implemented nationwide through *Program Bantuan Rumah* ("PBR"), *Program Perumahan Rakyat* ("PPR") and *Rumah Mesra Rakyat 1Malaysia* ("RMR1M"), as well as housing for second-generation Federal Land Development Authority ("FELDA") and FELCRA Berhad ("FELCRA") settlers. Affordable housing for middle-income households is also provided through programmes such as the *Perumahan Rakyat 1Malaysia* ("PR1MA"), 1Malaysia Civil Servants Housing ("PPA1M") and *Rumah Wilayah Persekutuan* ("RUMAWIP").

The Government further launched supporting programmes to ensure that all affordable houses were adequately maintained, through the *Program Penyelenggaraan Perumahan* for public low-cost housing and *Tabung Perumahan 1Malaysia* for private low-cost and medium-cost housing. In 2014, the MyBeautiful Malaysia programme was implemented under the National Blue Ocean Strategy to enhance the maintenance of Government quarters. Several guidelines, including the Green Neighbourhood Planning Guideline, Open Space and Recreation Guideline, and Physical Planning Guideline for Senior Citizens, were formulated by the Government to ensure a more conducive and liveable environment. These initiatives were aimed at improving the surrounding quality and living conditions of the population.

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8. INDUSTRY OVERVIEW (cont'd)

Public affordable housing programmes nationwide developed under the Tenth Malaysia Plan (10MP)

Programme	Target population monthly household income (RM)	Ministry / Agency	Number of housing units		
			Completed	Under construction	Total
Program Bantuan Rumah (PBR)	Below poverty line income ^b	Ministry of Rural and Regional Development	56,668	8,298	64,966
Program Perumahan Rakyat (PPR)	2,500 and below	Ministry of Urban Wellbeing, Housing and Local Government	12,025	27,087	39,112
Rumah Mesra Rakyat 1Malaysia (RMR1M)	750 to 3,000	Syarikat Perumahan Negara Berhad	32,948	2,803	35,751
Perumahan Rakyat 1Malaysia (PR1MA) ^a	2,500 to 10,000	Perbadanan PR1MA Malaysia	560	18,400	18,960
1Malaysia Civil Servants Housing (PPA1M) ^a	2,500 to 10,000	Prime Minister's Department	0	13,539	13,539
Rumah Wilayah Persekutuan (RUMAWIP) ^a	6,000 and below	Ministry of Federal Territories	0	9,309	9,309

^a PR1MA, PPA1M and RUMAWIP commenced in year 2013; figures as of March 2015

^b Poverty line income is a measure of absolute poverty based on the minimum requirement of food and non-food items for household members to live healthily and actively in society. In 2014, the average monthly poverty line income was RM930 for Peninsular Malaysia, RM1,170 for Sabah and RM990 for Sarawak

Source: Eleventh Malaysia Plan (11MP)

The Government has committed to play a major role in meeting the housing needs for targeted groups in urban and rural areas by continuing successful existing programmes. This includes programmes under the PBR for the poor, and programmes for low-income and middle-income households such as the RMR1M, PPR, PR1MA, and PPA1M, as well as programmes for second-generation FELDA and FELCRA settlers. Financing schemes such as My First Home Scheme, Youth Housing Scheme and MyHome will also be enhanced to improve access and affordability for low-income and middle-income households.

In the urban areas, transit houses will be built for youth and young married couples, including those proposed under the 1Malaysia Youth City programme. These transit houses provide such families with short-term residence while they save to purchase their first home. The private sector will be encouraged to develop public housing, which can be done through public-private partnerships.

The Government announced its intention to advocate all new affordable housing developments to adopt sustainable practices, and provide liveable and environment-friendly facilities and infrastructure for the population, including population with special needs and senior citizens. A review of public housing rental rates will be conducted to ensure that sufficient funds are available to cover the cost of management and regular standard maintenance of public housing.

In 2017, the state Government of Johor announced the expansion of the Johor Affordable Housing programme to rural areas to allow more citizens to own their own homes. Affordable homes were initially built within Johor Bahru and its surrounding areas due to the high demand in these areas. Nonetheless, several other areas have since been identified including Lenga, Segamat, Tanjong Piai, Yong Peng and Labis. Further in 2017, the Sultan of Johor announced the launch of the "Rumah Impian Sultan Ibrahim" comprising an initial 1,840 homes, including bungalows and semi-detached houses that would be built in

8. INDUSTRY OVERVIEW (cont'd)

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phases at three (3) locations in Johor. Launched under the Sultan Ibrahim Foundation, the project will involve building houses priced under RM100,000 for Johor citizens who are unable to afford to buy a house, those who do not own a house and those from the low – income population.

The Government's efforts to launch and promote affordable housing programmes nationwide is expected to bode well for the mechanical and electrical engineering services industry, creating demand for mechanical and electrical engineering services in affordable housing projects.

Refurbishment of properties creates demand for mechanical and electrical engineering services

Between 2006 and 2016, mechanical and electrical engineering services for refurbishment and maintenance projects increased from RM261.6 million to RM1.1 billion at a CAGR of 15.6%, indicating a growing demand for mechanical and electrical engineering services for refurbishment and maintenance works. Growth opportunities for refurbishment and maintenance projects are present in Malaysia's property and construction sector as existing buildings are getting old, and require refurbishment and maintenance to prolong the life of the property.

Among the factors that influence growth in property refurbishment are the increasing number of ageing buildings, limited vacant land for new development and technological changes, especially the use of information communication technology. Collectively, these factors create demand for mechanical and electrical engineering services for refurbishment and maintenance projects.

The underuse or misuse of properties can lead to dilapidation, while the lack of maintenance increases the wear and tear of buildings. Property owners have the option of building a new property at the same or different site for relocation, or refurbishing the existing property. This decision is often influenced by factors such as economic conditions that may influence capital expenditure spending. Deterioration and obsolescence are also major factors that drive the refurbishment of existing properties. Obsolescence is the process of an asset going out of use, which indicates the tendency for the devices, equipment, machinery and systems to become out-of-date or old-fashioned. The pace of technological change impacts the rate of obsolescence of mechanical and electrical systems.

The need for properties to accommodate the latest automation and control systems require property owners to refurbish their properties. This allows property owners to provide better mechanical and electrical systems, quality workspace and maintain the standards of the property's physical appearance and functionality. Furthermore, information technology has changed the demand on properties and working environments. The integration of communication and information technology networks in properties allow for voice, data and video communication across long distance.

The Government allocated RM18.0 million to Bank Rakyat as a credit fund for the Small Retailer Transformation Programme (TUKAR) and Automotive Workshop Modernisation Programme (ATOM), for the renovation of premises to upgrade and modernise retail outlets and small automotive workshops. In 2015, a total of 302 retail stores and 188 automotive workshops were renovated. These programmes targets 300 retail stores and 180 workshops to be renovated annually in 2016 and 2017 respectively. Under Budget 2016, the Government allocated RM500.0 million for the development and preservation of educational facilities; RM155.0 million for the maintenance of public low-cost housing; and RM333.3 million for the maintenance of ministries and government departments properties.

The prospects for property refurbishment and maintenance is positive, supported by the demand for secondhand residential and commercial properties, and the need to upgrade electrical and mechanical systems during the lifespan of buildings. The growth prospects for property refurbishment and maintenance is anticipated to create demand for mechanical and electrical engineering services.

8. INDUSTRY OVERVIEW (cont'd)

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Growth prospects of end-user sectors drive demand for mechanical and electrical engineering services

Malaysia's economy registered a 4.2% growth in 2016 supported by the continued expansion of domestic demand, which was primarily driven by the private sector. Private consumption year-on-year growth moderated to 6.1% in 2016 as households adjusted their spending due to the increasing cost of living, arising from fiscal reform measures such as the implementation of Goods and Services Tax (GST) and administrative price adjustments, and the depreciation of the Ringgit against the United States Dollar. Private investment registered a growth of 4.4% in 2016.

The services sector remains the driver of growth, contributing 54.2% to GDP in 2016. Given its importance, the Government formulated the Services Sector Blueprint 2014 to further develop the sector and strengthen its competitiveness. In this respect, the Services Sector Blueprint 2014 focuses on four (4) areas, namely internationalisation which includes liberalisation and services exports; providing efficient tax and non-tax incentives; developing human capital; and implementing regulatory reform in the services sector. With the implementation of the Services Sector Blueprint 2014, the services sector is targeted to achieve 56.5% share of GDP by 2020, on par with that of developed economies.

A positive growth is also expected for the outlook for the manufacturing sector led by the export-oriented industries, which are expected to record higher growth in line with the improvement in external demand. The continued implementation of various construction projects in Malaysia will support growth in the construction-related cluster.

The positive growth recorded in Malaysia's economy and the manufacturing sector would lead to an increase in the demand for commercial and industrial properties, and subsequently, the demand for mechanical and electrical engineering services. The Economic Transformation Programme ("ETP") (2011 – 2020) was launched in 2010 with a goal to promote Malaysia into an inclusive and sustainable high-income country by the year 2020. To achieve this, rapid urbanisation is required, and subsequently, the demand for supporting infrastructure is expected to increase in tandem to support economic growth targets.

Businesses and companies in the end-user sectors such as services and manufacturing will need to grow in terms of current business practices and infrastructure in order to expand in scale and reach. This signifies positively for the growth of commercial and industrial properties in Malaysia, resulting in increased investments in business facilities. Growth in demand for commercial and industrial properties indicate potential growth opportunities for mechanical and electrical engineering services, where mechanical and electrical systems will be required by these commercial and industrial properties.

Economic growth of end-user sectors in Malaysia

	2016p % of GDP ^a	2015 Annual change (%)	2016p Annual change (%)
Services	54.2	5.1	5.6
Manufacturing	23.0	4.9	4.4
Mining and quarrying	8.8	4.7	2.7
Agriculture	8.1	1.2	-5.1
Construction	4.5	8.2	7.4
Real GDP	100.0	5.0	4.2

^a Figures may not necessarily add up due to rounding and exclusion of import duties component

p Preliminary

Source: Ministry of Finance Malaysia

8. INDUSTRY OVERVIEW (cont'd)

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Availability of investments drive overall economic growth, and subsequently, demand for mechanical and electrical engineering services

Malaysia witnessed two (2)-way capital flows, where foreign inflows were strong as a result of resilient growth prospects. In 2016, Malaysia attracted RM207.9 billion in approved direct investments in mostly high quality private investments, bearing testament to the resilience of Malaysia's economy amid external challenges, the plunge in demand and prices for hydrocarbons and other commodities, as well as the weakening Ringgit against the United States Dollar. Of the total investments approved in 2016, domestic investments accounted for RM148.9 billion or 71.6%, while foreign direct investments ("FDI") accounted for the remaining RM59.0 billion or 28.4%. Between 2006 and 2016, FDI inflows into Malaysia increased from RM26.2 billion to RM59.0 billion at a CAGR of 8.5%.

The ETP has a defined structure for the manufacturing and services sectors to contribute to Malaysia's continued growth through high impact projects and business opportunities across the economy. Malaysia's investment performance in 2015 supports the nation's goal in fulfilling the objectives of the ETP where it attracted a total of RM186.7 billion worth of investments, with RM113.8 billion under ETP projects (60.9% of total investments in 2015) and the remaining RM72.9 billion under non-ETP related projects.

The services sector received investments of RM141.2 billion or 67.9% of total investments in 2016 from 4,199 projects, of which domestic investments accounted for RM112.9 billion (80.0%) and foreign investments accounted for RM28.3 billion (20.0%). The real estate segment was the main contributor of approved investments worth RM64.1 billion, followed by the global establishment segment (RM14.1 billion), financial services segment (RM13.7 billion), utilities (RM10.6 billion) and distributive trade segment (RM9.7 billion). The manufacturing sector attracted RM58.5 billion of investments in the same period from 733 projects, of which RM27.4 billion was foreign investments compared to RM31.1 billion worth of domestic investments. In 2016, the primary sector received RM8.2 billion of investments where foreign investments comprised RM3.3 billion and domestic investments comprised the remaining RM4.9 billion. The mining segment, plantation and commodities segment and agriculture segment received RM7.6 billion, RM0.5 billion and RM0.1 billion respectively in 2016.

As the nation strives to position itself as an ideal destination for investments into high value-added, high technology, knowledge-intensive and innovation-based industries, businesses and companies will need to grow in terms of current business practices and infrastructure in order to expand in scale and reach. This signifies positively for the commercial and industrial property segments, and the infrastructure and social amenities development segments in Malaysia, where increased investments in business facilities are expected to witness growth resulting from increased total investments. Growth in commercial, industrial as well as infrastructure development indicate potential growth opportunities for mechanical and electrical engineering services.

Government expenditure to drive infrastructure development generates demand for construction services, and consequently mechanical and electrical engineering services

The Government of Malaysia in the Budget 2015 announced the launch of the 11MP commencing May 2015, and the formulation of the Malaysian National Development Strategy ("MyNDS"). MyNDS will be the vehicle for planning and preparation of programmes and projects under 11MP, with an emphasis on using limited resources optimally, with focus on high impact projects and programmes at low cost as well as efficient and rapid implementation. Budget 2016 was announced in the second half of 2015 and marked the start of the final five (5) years of Malaysia's progression towards achieving high-income advanced economy status by 2020.

8. INDUSTRY OVERVIEW (cont'd)

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In May 2015, the Government tabled the 11MP which outlined the nation's development expenditure until 2020. The 11MP is significant as it is the final five (5)-year phase before Vision 2020 is achieved, and it provides a crucial platform to ensure that Malaysia transitions into an advanced economy and inclusive nation.

Initiatives announced under 11MP, specific to the construction sector in Malaysia

Focus area	Description
Accelerating regional growth for better geographic balance	<ul style="list-style-type: none"> ▪ Revisiting regional economic corridor priorities and industry-focus The Border Economic Transformation Programme will enhance outcomes from regional economic development by bringing inclusive development and prosperity to the border regions of Malaysia. A range of large-scale economic growth projects and local income-generating opportunities will be developed including the development of Lembah Chuping and Perlis Inland Port in Perlis, rubber-based downstream processing in Rubber City in Kedah, the construction of Plaza IMT-GT which is a retail plaza in Bukit Bunga, as well as the redevelopment of Kampung Laut in Tumpat, Kelantan. ▪ Improving connectivity and mobility Transportation networks will be improved to enhance connectivity and mobility in regional economic corridors. This includes the construction and upgrading of roads and highways such as the Pan Borneo Highway to link Sarawak Corridor of Renewable Energy ("SCORE") and Sabah Development Corridor ("SDC"); Central Spine Road and Kota Bharu – Kuala Krai Highway to increase connectivity in East Coast Economic Region ("ECER"). The completion of Mukah Airport is expected to accelerate development in Mukah and the surrounding areas within SCORE, with Mukah to be developed as a smart city as well as one of the growth nodes in SCORE.
Adopting the sustainable consumption and production concept	<ul style="list-style-type: none"> ▪ Encouraging widespread adoption of green buildings criteria New government buildings will adopt green features and designs, and use green building materials as per the Skim Penarafan Hijau Jabatan Kerja Raya Malaysia. Existing government buildings will be gradually retrofitted. Industry players will also be encouraged to obtain green certification for private buildings such as GreenPASS and the Green Building Index.
Building an integrated need-based transport system	<ul style="list-style-type: none"> ▪ Prioritising regional connectivity for new highways To achieve a balanced economic development, highway development will be focused outside the Klang Valley and other urban areas. The 11MP will therefore focus on rural and rural-urban connectivity. The Pan Borneo Highway will promote better connectivity in Sabah and Sarawak. Further development of the Central Spine Road, Kota Bharu – Kuala Krai Highway, and the East Coast Expressway will improve connectivity in Peninsular Malaysia and catalyse growth in the east coast region. The completion of the West Coast Expressway in 2019 will also provide better access to the west coast of Perak and Selangor. ▪ Increasing public transport modal share in cities Improving urban public transport remains critical for Malaysia as 75% of its population will be living in cities by 2020. The Klang Valley MRT system will become operational during the 11MP. The Klang Valley MRT Line 1 will traverse 51 km between Sungai Buloh and Kajang, through 31 stations serving about 1.2 million people with a daily expected ridership of 400,000. Construction on the Klang Valley MRT Line 2 will also start in 2016 and is estimated to become operational by 2022. Additionally, construction on a LRT Line 3 connecting Bandar Utama to Klang, running over 36 km and serving 25 stations will start in 2016 with expected completion in 2020.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Focus area	Description
	<ul style="list-style-type: none"> <li data-bbox="486 376 1428 560"> <p>▪ Deploying roads and public transport to increase rural and rural-urban connectivity Rural roads linking the main road networks will continue to be given focus. These roads provide access to basic social amenities such as health, education, and other public services. Rural roads will also create economic opportunities for the residents and further alleviate poverty among the rural households.</p> <p>The Government will continue to enhance connectivity and safety of rural air services by improving short take-off and landing airstrips (“STOL ports”). The construction of a new airport in Mukah will be completed in 2018 and the relocation of Lawas STOL port in Sarawak to a suitable site will be carried out.</p> <li data-bbox="486 712 1428 967"> <p>▪ Upgrading air navigation system and airport infrastructure A new Kuala Lumpur Air Traffic Control Centre will be built at Kuala Lumpur International Airport (“KLIA”) to replace the National Control Centre at Subang, Selangor to improve aircraft movement capacity. In addition, the Communication, Navigation and Surveillance as well as the Air Traffic Management systems will be upgraded to improve efficiency of air navigation services. The Langkawi International Airport, Kedah and the Sultan Ismail Petra Airport, Kelantan will be upgraded to cater for the expected increase in passengers.</p>
Encouraging sustainable energy use to support growth	<ul style="list-style-type: none"> <li data-bbox="486 985 1428 1393"> <p>▪ Supporting the development of Pengerang Integrated Petroleum Complex (“PIPC”) The RAPID within PIPC is a major development that will add 300,000 barrels per day of oil refining capacity in Malaysia during the 11MP. The facility will be able to produce EURO 4M and EURO 5 grade petrol, in addition to 7.7 metric tonnes per annum of various grades of specialised products such as synthetic rubber and high grade polymer by 2020. In addition, the complex will have a 1,220 megawatt (“MW”) co-generation power plant of which 620 MW will be utilised by RAPID and the remaining 600 MW exported to the grid. The Government will provide support to construct essential infrastructure such as roads, drainage, and utilities for this development. Another investment in PIPC will be secured by the Johor Petroleum Development Corporation during the 11MP to complement existing investments by DIALOG-Vopak and PETRONAS.</p>
Transforming construction	<ul style="list-style-type: none"> <li data-bbox="486 1411 1428 1877"> <p>▪ Enhancing knowledge content The strategies to enhance knowledge content in the construction industry include increasing the quality of human capital, accelerating capacity and capability building of small and medium enterprises (“SMEs”) and Bumiputera contractors, and reducing the mismatch between labour demand and supply. Key initiatives include fostering greater collaboration between CIDB, the respective professional boards, and training institutions to develop industry-relevant training modules. A structured skilled trade apprenticeship programme for specific courses such as safety supervisors, crane operators, and rotary drill operators will also be introduced to produce a highly skilled workforce. SME capabilities will be enhanced, particularly Bumiputera contractors, with the support of key partners and the establishment of productivity centres of excellence for sharing of best practices. Regular manpower planning will be undertaken to reduce the mismatch between labour demand and supply. The proportion of skilled foreign labour will be increased by streamlining entry requirements and introducing a new levy system.</p> <li data-bbox="486 1886 1428 2004"> <p>▪ Driving productivity The strategies to increase productivity in the construction sector will focus on increasing technology adoption and modernisation of construction methods as well as reducing dependency on low-skilled labour. The labour productivity of the sector</p>

8. INDUSTRY OVERVIEW (cont'd)

Focus area	Description
	<p>is targeted to increase by about 1.6 times, from RM39,116 per worker in 2015 to RM61,939 per worker by 2020. A number of initiatives will be introduced to drive productivity, including expediting the adoption of the industrial building systems by the industry through the revision of the public procurement policy and Uniform Building By-Laws and improving existing regulations to ease construction-related business processes. This effort, which started with Kuala Lumpur City Hall, will be expanded to other local authorities. The use of ICT will be enhanced by providing a common platform to use building information modeling ("BIM") on a pay-per-use basis.</p> <ul style="list-style-type: none"> ▪ Fostering sustainable practices In line with the growing need for green construction practices, strategies will be geared towards increasing the sustainability of built infrastructure. This will include inculcating green practices in the construction value chain and developing legislation that supports sustainable construction activities. Three (3) initiatives to foster environmental sustainability in the sector are: mandating compliance to sustainable waste management practices through the environment management system ("EMS") ISO 14001 certification; enhancing the current rating systems for buildings and developing new standards for infrastructure to promote sustainability; and enhancing the awareness and accountability of health, safety and environment ("HSE"), where HSE good practices will be made obligatory. The minimum level of construction workers' amenities will be raised in the code of practice and further mandated within standard contracts. ▪ Increasing the internationalisation of construction firms The strategies to increase the internationalisation of firms will focus on building capability and scale of firms by encouraging high performing SMEs to forge partnerships with larger corporations or form multidisciplinary consortia when bidding for international projects. The public procurement policy will be reviewed to facilitate the formation of such consortia. In addition, firms will be encouraged to leverage free trade agreements and mutual recognition agreements, and provide feedback to the Government on challenges faced when venturing abroad to enable issues to be addressed at government-to-government level. The Services Export Fund ("SEF"), which covers activities such as tendering, negotiating, and conducting feasibility studies for international projects as well as export promotion activities, will assist construction firms to secure opportunities abroad.

Source: Economic Planning Unit Malaysia

In October 2016, the Government of Malaysia announced the Budget 2017, whereby the Government will take measures to ensure that the country will achieve sustainable economic growth. Upon the conclusion of the Budget 2017, the Government will launch the 2050 National Transformation which will be branded as TN50. TN50 will chart the nation's development and will be spearheaded by the Ministry of Youth and Sports. Under Budget 2017, the Government announced several residential, social amenities and infrastructure projects that will result in greater demand for construction services, and consequently, mechanical and electrical engineering services.

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8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Construction projects announced under Budget 2017 in Malaysia, specific to residential, social amenities and infrastructure

Measure	Project	Committed investment (RM billion)
Appreciate civil servants	Completion of 30,000 units of 1Malaysia Civil Servants Housing	Not available
Implementation of <i>rakyat</i> -centric projects and programmes	Building and refurbishment of 17,000 units of destitute and dilapidated houses in remote villages and Orang Asli settlements	0.35
	Allocation of RM300 million under the 1Malaysia Maintenance Fund to repair facilities at flats and	0.3
	Installation of 97,000 street lights and 3,000 light emitting diode lights at crossroads	Not available
	Building and upgrading 616 km of village roads and bridges	1.2
	Maintenance of state roads under the Malaysian Road Records Information System	4.6
	Increase of clean water supply to 5,200 houses, including the upgrade of FELDA water supply system	0.732
	Establishment of a Water Supply Fund to address water supply issues throughout Malaysia	0.5
	Provision of electricity supply to 10,000 houses in rural areas	0.46
	Implementation of People-Friendly Projects, which includes upgrading and building <i>surau</i> , small bridges, drainages, community halls, markets and kiosks	0.8
	Continuation of a total of 69 flood mitigation plans nationwide	0.495
Increase home ownership	Implementation of a new National Blue Ocean Strategy initiative, namely MyBeautiful New Home, where a total of 5,000 units will be built	0.2
	Building 9,850 houses under People's Housing Programme by the Ministry of Urban Wellbeing, Housing and Local Government	0.134
	Building a total of 11,250 houses under People's Housing Programme	0.576
	Provision of Government's vacant lands at strategic locations to government linked corporations and Perumahan Rakyat 1Malaysia to build more than 30,000 houses	Not available
	Building 10,000 houses in urban areas for rental to eligible youths	Not available
	Building 5,000 units of People's Friendly Home	0.2
	Provision of allocation for Second Generation House Infrastructure development, with RM200 million allocated to FELDA and RM100 million allocated to FELCRA and RISDA each	0.4
Sports development	Construction of Football Academy Phase II in Gambang, Pahang	0.05
	Construction and upgrading of sports facilities including States Youth and Sports Complex, 1Malaysia Futsal Complex and Community Sports Complex	0.122
Improve healthcare	Building and upgrading new hospitals and clinic in Perlis, Kuching, Mukah, Jempol, Muar and Johor Bahru	Not available
	Upgrading hospital facilities	0.536
	Allocation for the operations of 340 1Malaysia clinics, 11 1Malaysia mobile clinics, 959 health clinics and more than 1,800 existing rural clinics	4.5

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Measure	Project	Committed investment (RM billion)
Increase food production with competitive prices	Development of agricultural infrastructure such as drainage and irrigation, farm roads and marketing of agricultural products	1.3
Flood mitigation	Upgrading drainage system and construction of two (2) Overhead Motorcycle Ramps at the Federal Highway in Selangor	0.029
Stimulate private investment	Implementation of major infrastructure projects which includes the upgrade of Jalan Lok Kawi – Pengalat – Papar, Sabah; upgrade of Jalan Kampung Keruak – Gua Musang – Kuala Berang; construction of batang Lupar Bridge, Sri Aman; and the reconstruction of Sandakan Power Station Project	Not available
	Infrastructure and socioeconomic development of the five (5) economic corridors, namely Iskandar Malaysia, Northern Corridor Economic Region (“NCER”), ECER, SDC and SCORE	2.1
Increase exports	Upgrading estate roads	0.02
Primary and secondary education	Reconstruction of 120 destitute schools, comprising 60 in Peninsular Malaysia, 30 in Sabah and 30 in Sarawak using industrial building systems as well as upgrade of 1,800 science laboratories	0.57
	Completion of the construction of 227 primary and secondary schools throughout Malaysia, including eight (8) new schools	0.478
	Allocation to Special Fund for Improvement and Maintenance of Schools	0.6
Public transport	Implementation of the new East Coast Rail Line (600 km) project connecting Klang Valley to the East Coast	55.0
	Restoration of the East Coast railway line along Gua Musang – Tumpat	0.1
Welfare of Orang Asli	Implementation of treated water supply projects at 42 Orang Asli villages, entrepreneurship and economic development programmes, village resettlement, among others at Sungai Ruli, Cameron Highlands	0.222
Security and public order	Building and upgrading roads under the Jiwa Murni Programme in the interiors of Sarawak	0.114

Source: Ministry of Finance Malaysia

The Government approved five (5) toll highways for Selangor, namely EKVE, SUKE, Damansara – Shah Alam Highway, SKIP and LPB, which collectively will require an investment of RM18.1 billion. In East Malaysia, the Government has committed RM27.0 billion for the construction of the Pan – Borneo Expressway that will benefit residents in Sabah and Sarawak.

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8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Selected on-going and upcoming major infrastructure development projects in Malaysia

Location	Project	Type of infrastructure development	Estimated project value (RM billion)
Selangor	EKVE	Transportation	1.6
	SUKE	Transportation	5.3
	Damansara – Shah Alam Highway	Transportation	4.2
	SKIP	Transportation	2.0
Selangor and Perak	LPB	Transportation	5.0
Klang Valley	LRT 3 Extension Project	Transportation	10.0
	Klang Valley Mass Rapid Transit 2 and remaining construction of the Klang Valley Mass Rapid Transit Line 1	Transportation	25.0
	Rapid Transit Bus project	Transportation	1.5
Kuala Lumpur	Duta-Ulu Klang Expressway Phase 2	Transportation	1.2
	Jalan Tun Razak Traffic Dispersal Project	Transportation	0.9
Kuala Lumpur, Selangor, Negeri Sembilan, Melaka and Johor	Kuala Lumpur – Singapore High Speed Rail project	Transportation	38.4
Negeri Sembilan and Kuala Lumpur	Paroi-Senawang-Kuala Lumpur International Airport Expressway	Transportation	2.2
Pahang	Ulu Jelai Hydropower Project	Utility	0.5
Perak	Manjung Extension Development	Utility	
Terengganu	Hulu Terengganu Hydroelectric Project	Utility	
Pahang and Selangor	Pahang – Selangor Raw Water Transfer Project	Utility	9.0
Pahang and Kelantan	Central Spine Road	Transportation	6.6
	Kota Bharu-Kuala Krai Expressway	Transportation	2.0
Pahang, Kelantan and Kuala Lumpur	East Cost Rail Line (Tumpat–Kuantan Port)	Transportation	30.0
Johor	Johor Bahru-Pasir Gudang Elevated Expressway	Transportation	0.5
Sabah	Kota Kinabalu Rapid Transit Bus	Transportation	1.0
Sarawak	Samalaju Port	Utility	1.8
Sabah and Sarawak	Pan-Borneo Expressway	Transportation	27.0

Source: 10MP, 11MP, ETP, Budget 2015, Budget 2016, various sources

The implementation of these residential, social amenities and infrastructure projects will benefit the mechanical and electrical engineering services industry, as these residential, social amenities and infrastructure projects will require mechanical and electrical engineering systems, thereby benefitting industry players offering mechanical and electrical engineering services.

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8. INDUSTRY OVERVIEW (cont'd)**Key Supply Conditions****Availability of skilled technical professionals to deliver mechanical and electrical engineering services**

Skilled technical professionals are involved in the design and/or installation and/or commissioning and/or repair and maintenance of mechanical and electrical systems that comprise, among others, electricity transmission and distribution systems, communications and information technology networks, heating, ventilation and air conditioning systems, fire protection systems and lighting systems.

Skilled personnel are also required for the design of electrical and mechanical systems. An integrated approach to design, installation and maintenance can:

- enhance the inherent relationship between electrical and mechanical systems;
- prevent mistakes from the lack of understanding and communication;
- facilitate practical functions such as the consideration of maintenance in the early design stage; and
- fulfil its design intention in the maintenance process by taking the right procedures for the problems encountered.

The performance of buildings is largely dependent on the quality of their design and the operation and maintenance of their internal systems. Conventionally, these two (2) phases of building development take place independently of each other. However, each individual process involved in building development, from building design, construction, to the operation and maintenance, is related and dependent on each other, and the degrees of their interaction significantly influences the end result. An experienced and skilled professional will be able to propose a design that is effective, efficient, easily installed with minimal maintenance needs, and fulfills the functional and intrinsic needs of property stakeholders.

Product/Service Substitution

The delivery of mechanical and electrical engineering services pertains to the design and/or installation and/or commissioning and/or repair and maintenance of mechanical and electrical systems. Mechanical engineering works involves the design and/or installation of heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; and escalators and lifts. The application of electrical engineering in the construction sector typically pertains to electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems. Thus, there is no comparable substitute for mechanical and electrical engineering services.

However, industry players differentiate themselves through specialisation in the type of mechanical and electrical engineering service (e.g. heating, ventilation and air conditioning systems; water supply and sanitation; fire protection systems; escalators and lifts; electricity transmission and distribution systems; communications and information technology networks; lighting systems; and security and alarm systems), price points (e.g. luxury, high cost, medium cost and low cost properties), service specialisation (i.e. design versus installation versus repair and maintenance) and regional presence. Many industry players are able to straddle multiple segments, in that they have wide service specialisations across multiple mechanical and electrical engineering services and price points in the different regions and/or states in Malaysia.

8. INDUSTRY OVERVIEW (cont'd)**Reliance and Vulnerability to Imports**

The delivery of mechanical and electrical engineering services in Malaysia is not dependent on imports as mechanical and electrical engineering services is a service that is primarily provided by local mechanical and electrical engineering services industry players. Nevertheless, SMITH ZANDER notes that industry players may be dependent on the imports of mechanical and electrical systems, components and parts for the installation of mechanical and electrical systems.

Competitive Landscape

The mechanical and electrical engineering services industry in Malaysia is competitive owing to the large pool of industry players that compete for public and private residential, commercial and industrial, and infrastructure projects in the country.

In 2016, electrical engineering services in Malaysia, measured in terms of total value of awarded electrical projects for new development projects as well as refurbishment and maintenance projects for residential, commercial, industrial and infrastructure development, was RM8.4 billion. During this same period, Kejuruteraan Asastera Berhad was awarded electrical engineering services projects amounting to RM138.7 million and thereby garnered a market share of 1.7% in Malaysia based on the total value of awarded electrical engineering services projects.

There are over 100 industry players in Malaysia's mechanical and electrical engineering services industry. Nevertheless, there are barriers to entry in large private and public projects, where key determining criteria for the appointment of mechanical and electrical engineering services contractors include historical track record, financial strength and ownership of the Certification of Registration issued by the Construction Industry Development Board ("CIDB"). The Certification of Registration issued by the CIDB can be classified into seven (7) grades with each grade having different tendering capacity. Kejuruteraan Asastera Berhad is registered as Grade 7 contractor with the CIDB.

Based on publicly available information, industry players in Malaysia's mechanical and electrical engineering services industry include, but are not limited to the industry players identified in the table below.

Mechanical and electrical engineering services industry in Malaysia – profiles of selected identified industry players ^a

Industry player	Latest available financial year ended	Revenue ^b (RM)	Profit / loss before tax (RM)	Profit / loss after tax (RM)
Alphazen Contract Sdn Bhd	30 April 2016	135,906,648	3,508,524	2,454,944
Bond M&E Sdn Bhd	30 June 2016	87,834,308	12,027,697	9,013,308
City-Lite Letrik Sdn Bhd	31 December 2015	97,421,314	7,396,466	5,711,645
Electmech Synergy Sdn Bhd	30 September 2016	32,908,304	269,711	183,757
Hexatech Engineering Sdn Bhd	31 December 2016	21,494,137	426,410	331,041
Kejuruteraan Asastera Berhad	31 December 2016	93,123,796	8,799,163	6,555,236
Kejuruteraan Bintai Kindenkeno Sdn Bhd	31 March 2016	106,971,466	-5,739,959	-5,746,581
Letrik P.J. Union Sdn Bhd	31 December 2016	39,424,177	-91,986	-185,929
LFE Corporation Berhad	31 July 2016	26,006,535	1,457,638	1,373,345

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Industry player	Latest available financial year ended	Revenue ^b (RM)	Profit / loss before tax (RM)	Profit / loss after tax (RM)
LTI Engineering Sdn Bhd	31 December 2015	29,639,053	796,542	531,488
Metronic Engineering Sdn Bhd	31 December 2015	36,301,538	7,221,212	7,227,247
OCK M&E Sdn Bhd	31 December 2016	23,799,503	1,096,327	771,364
Pasukhas Sdn Bhd	31 December 2016	53,471,326	-5,884,937	-4,886,849
Qudotech Sdn Bhd	30 June 2016	27,525,607	4,256,319	3,215,665
Sunway Engineering Sdn Bhd	31 December 2016	325,696,044	16,694,706	12,896,652
Westpac Engineering Sdn Bhd	31 May 2015	24,630,224	424,624	241,418
YFG Berhad	30 September 2016	62,613,842	-28,840,260	-30,004,543

^a Latest available as at 23 September 2017

^b May include revenue from other businesses and countries outside Malaysia as segmental revenue is not publicly available from the Companies Commission of Malaysia

Source: Companies Commission of Malaysia, Kejuruteraan Asastera Berhad, Company websites

Relevant Laws and Regulations

The relevant laws and regulations pertaining to the delivery of electrical services in new development projects relate closely to the laws and regulations that govern construction activities in Malaysia, which include, but are not limited to, the following:

Construction Industry Development Board Act 1994 (also known as Act 520)

The CIDB was established under the Construction Industry Development Board Act 1994 to promote, stimulate, regulate and standardise the construction industry, where specifically CIDB is granted power to accredit and register contractors and to cancel, suspend or reinstate the registration of any registered contractor. Under the Construction Industry Development Board Act 1994, no person is allowed to carry out and complete any construction works unless he is registered with the CIDB and holds a valid certification license issued by the CIDB. A penalty not exceeding RM50,000 shall be imposed on persons carrying out construction works without being registered by the CIDB. A person who is carrying out construction works for the purpose of building a residence for his own use or who employs less than three (3) workers is exempt from registration with the CIDB. Persons/individuals, sole proprietors, partnerships, private limited companies, public limited companies and/or cooperatives must comply to and fulfil criteria prior to registration with CIDB.

The Certification of Registration issued by the CIDB is valid for a minimum period of one (1) year and a maximum term not exceeding three (3) years, unless cancelled, suspended or revoked earlier by the CIDB. There are three (3) categories of registrations, namely building construction, civil engineering construction and mechanical and electrical. The scope of registration can be further classified into seven (7) grades with each grade having different tendering capacity.

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8. INDUSTRY OVERVIEW (cont'd)

CIDB construction registration criteria in Malaysia

Grade	Tendering capacity	Paid-up capital/ net capital worth (RM)	Personnel technical requirement	Category	Registration fee per annum (RM)	Processing fee (RM)
G1	Not exceeding RM200,000	5,000	<ul style="list-style-type: none"> Course certificate in construction-related fields/ experience 	Civil engineering construction, building construction, mechanical and electrical	20	50
G2	Not exceeding RM500,000	25,000	<ul style="list-style-type: none"> Course certificate in construction-related fields/ experience 		80	
G3	Not exceeding RM1,000,000	50,000	<ul style="list-style-type: none"> Course certificate in construction-related fields/ experience 		150	
G4	Not exceeding RM3,000,000	150,000	<ul style="list-style-type: none"> One (1) diploma holder in construction-related fields/ degree holder with experience in construction works 		350	
G5	Not exceeding RM5,000,000	250,000	<ul style="list-style-type: none"> One (1) degree holder in construction-related fields or one (1) diploma holder in construction-related fields/ degree holder with minimum five (5) years of experience in construction works 		700	
G6	Not exceeding RM10,000,000	500,000	<ul style="list-style-type: none"> One (1) degree holder in construction-related fields and one (1) diploma holder in construction-related fields/ degree holder, where one (1) must possess minimum three (3) years of experience in construction works 		1,000	
G7	No limit	750,000	<ul style="list-style-type: none"> One (1) degree holder in construction-related fields and one (1) 		1,400	

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Grade	Tendering capacity	Paid-up capital/ net capital worth (RM)	Personnel technical requirement	Category	Registration fee per annum (RM)	Processing fee (RM)
			diploma holder in construction-related fields/ degree holder where both must possess minimum five (5) years of experience in construction works; or <ul style="list-style-type: none"> ▪ Two (2) degree holders in construction-related fields, where one (1) must possess minimum five (5) years of experience in construction works 			

Source: Construction Industry Development Board Act 1994

The Government had implemented the *Sistem Satu Pendaftaran Kontraktor* ("SSPK") with immediate effect from 15 October 2012. SSPK is a method that combines the registration procedures of CIDB and Construction Services Centre ("PKK"). Under the new system, all contractor licences issued by PKK in relation to participation in tenders called by the Malaysian government authorities, statutory bodies, regulatory authorities or an entity that is otherwise regarded to be in the public sector are cancelled and replaced with *Sijil Perolehan Kerja Kerajaan* ("SPKK") issued by the CIDB. Nevertheless, the issuance of *Sijil Taraf Bumiputera* for the identification of *Bumiputera* status has remained under the control and supervision of PKK. The scope of registration for SPKK can be further classified into three (3) categories, namely building construction, civil engineering construction or mechanical and electrical with seven (7) grades for each category. Each grade has different tendering capacity.

The Construction Industry Payment and Adjudication Act 2012

The Construction Industry Payment and Adjudication Act 2012 was enacted to facilitate regular and timely payment, provide a mechanism for speedy dispute resolution through adjudication, provide remedies for the recovery of payment in the construction industry, and provide for connected and incidental matters.

The Construction Industry Payment and Adjudication Act 2012 is applicable to all written construction contracts relating to construction works carried out wholly or partly in Malaysia, including construction contracts entered into by the Government. The Construction Industry Payment and Adjudication Act 2012 does not apply to construction contracts entered into by persons for construction works in respect of buildings less than four (4) storeys high and which is wholly intended for his occupation.

8. INDUSTRY OVERVIEW *(cont'd)*

Employment Act 1955

The Employment Act 1955 and its regulations stipulate the benefits and entitlements that employees are entitled to, and which all employers are required to comply with. These include the need to ensure that the benefits and entitlements of employees are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Employment (Restriction) Act 1968 also states that an employer is required to obtain a permit to employ legal foreign workers under contracts of services, and ensure their welfare and rights are fulfilled in terms of their wages, hours of work, rest days, and sick and annual leaves. The Ministry of Human Resources is responsible for monitoring and ensuring that companies are in compliance with the employment laws.

Electricity Supply Act 1990 Act 447

The Electricity Supply Act 1990 Act 447 regulates the electricity supply industry, the supply of electricity at reasonable prices, the licensing of any electrical installation, the control of any electrical installation, plants and equipment with respect to matters relating to the safety of persons and the efficient use of electricity. Any electrical services engineer, competent electrical engineer, electrical supervisor, chageman, wireman or cable jointer shall possess a valid certificate of competency appropriate to such category, with restrictions, if any, issued to him by the Energy Commission under the Electricity Supply Act 1990 Act 447. The Electricity Supply Act 1990 Act 447 further sets forth the eligibility criteria to becoming an electrical services engineer, competent electrical engineer, electrical supervisor, chageman, wireman and cable jointer.

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3 OVERVIEW OF THE CONSTRUCTION SECTOR IN MALAYSIA

Performance, Outlook and Prospects

Economic Contribution

The construction sector in Malaysia is largely influenced by the nation's economic development as the construction of buildings and infrastructure are essential for national development and progress. With economic development comes an increase in demand for residential, commercial and industrial properties due to the increase in the average income of the population as well as the increase in business activities. As the construction of property sub-segments (i.e. residential, commercial and industrial) develops, the infrastructure and social amenities supporting these developments must be likewise built or improved.

The mark of a country's economic development is reflected by its GDP and employment rate achievements. From 2006 to 2016, the GDP for construction activities in Malaysia increased from about RM16.0 billion to about RM50.1 billion. Between 2006 and 2016, construction activities contributed between 2.8% and 4.5% of Malaysia's total GDP, increasing from 2.8% in 2006 to 4.5% in 2016, signifying its importance to overall economic development.

Key economic statistics of the construction sector in Malaysia ^{a, b}

Year	National GDP (RM million)	Construction sector GDP (RM million)	Construction sector's contribution to national GDP (%)
2006	573,936	16,022	2.8
2007	610,087	17,391	2.9
2008	639,565	18,151	2.8
2009	629,885	19,270	3.1
2010	821,434	28,213	3.4
2011	864,920	29,524	3.4
2012	912,261	34,880	3.8
2013	955,080	38,590	4.0
2014	1,012,506	43,115	4.3
2015	1,062,805	46,634	4.4
2016 ^p	1,107,855	50,091	4.5

^a National GDP and construction sector GDP for the period of 2006 to 2009 are at constant 2005 prices, while national GDP and construction sector GDP for the period of 2010 onwards are at constant 2010 prices

^b Latest available as at 23 September 2017

^p Preliminary

Source: Department of Statistics Malaysia, Ministry of Finance Malaysia

Construction activities are a vital building block for the development of other economic activities in the country, including manufacturing, finance and business services as well as wholesale and retail trade, hotels and restaurants. In 2016, the manufacturing sector contributed approximately 23.0% to Malaysia's total GDP, while wholesale trade, retail trade, accommodation and restaurants collectively contributed approximately 17.7%, and finance, insurance, real estate and business services collectively contributed

8. INDUSTRY OVERVIEW (cont'd)

approximately 11.1%. In order for these economic activities to operate and thrive, properties and structures such as industrial parks, office buildings, retail malls, hotels and restaurants must be developed.

Employment

In addition, construction activities have also contributed to the socio-economic development of Malaysia in terms of employment. Latest available statistics indicate that employees in the construction industry increased from about 0.9 million persons in 2006 to an estimated 1.3 million persons in 2016, indicating a growing construction sector that is in line with a developing country's manpower requirements. The percentage of employment in the construction sector hovered between 8.5% and 9.4% of total employment in Malaysia over the period of 2006 to 2016.

Employment indicators of the construction sector in Malaysia ^a

Year	Total employment ('000)	Employment in the construction sector ('000)	Percentage employment of the construction sector (%)
2006	10,628.9	908.9	8.6
2007	10,889.5	922.5	8.5
2008	11,028.1	998.0	9.0
2009	11,315.3	1,015.9	9.0
2010	12,303.9	1,082.7	8.8
2011	12,284.4	1,133.6	9.2
2012	12,723.2	1,163.7	9.1
2013	13,210.0	1,244.1	9.4
2014	13,532.1	1,226.4	9.1
2015	14,067.7	1,309.9	9.3
2016 ^p	14,180.0	1,262.0	8.9
CAGR	2.9%	3.3%	Not applicable

^a Latest available as at 23 September 2017

^p Preliminary

Source: Department of Statistics Malaysia

Value of Projects Awarded

The vibrancy of the construction sector and property development segment reflect the growth of a country's economy. The growth of property development and construction are typically cyclical as it follows relatively closely to the GDP growth of a country. A common measure of the construction sector and property development segment is based on value of projects awarded during a certain period.

From 2006 to 2016, property development and construction activities in Malaysia, as measured by the value of projects awarded, grew from RM60.9 billion to RM229.0 billion at a CAGR of 14.2%. Residential property development activities witnessed a CAGR of 9.4%, increasing from RM16.6 billion in 2006 to RM40.6 billion in 2016. Residential property development activities also registered a 35.0% year-on-year growth in 2012 based on the value of project awarded, arising from major developments in the Klang Valley such as Hampshire Place, The Troika, Brunsfield Embassy View, Gaya Bangsar, 11 Mont' Kiara, Twins @ Damansara Heights, Sunway Vivaldi and Damas Serviced Suites.

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

The construction sector experienced a slowdown in 2008 and 2009 as public and private expenditure on construction activities were tightened due to the global financial crisis which occurred during the period. However, the construction sector rebounded in 2010 in a show of resilience as the Government of Malaysia and the private sector resumed construction activities. Construction activities in Malaysia witnessed exceptionally high growth in 2014 in terms of the value of projects awarded, due largely to the Iskandar Malaysia development in Johor, where it registered a 36.4% increase from 2013. Construction activities normalised in 2015, recording growth of 8.2% over 2013 if the outlying year of 2014 was excluded. In 2015, the construction sector in Malaysia experienced a year-on-year contraction of 20.6%, to an awarded project value of RM141.9 billion. Subsequently in 2016, the awarded construction project value rose to RM229.0 billion. The fall in awarded project values in 2015 was largely due to the slowdown in demand in the property market.

The year 2015 witnessed fewer new projects being launched. Despite falling sales as witnessed by the dipping number of transactions and occupancy rates in 2016, property prices continued to rise driven by increasing costs and further aggravated by the implementation of Goods and Services Tax (GST) in April 2015. Generally, housing developers were maintaining high property prices while launching lesser number of units. As a result, residential property prices moved beyond the affordability levels of first time buyers.

The issue of affordable housing reflects mainly the imbalance of property supply and demand in Malaysia, which worsened during the 2012 to 2014 period. During these years, new housing supply fell short of the increase in demand (average supply of 85,000 new units versus the formation of 118,000 new households). This is in contrast to the period between 2007 and 2009, when new housing supply exceeded the demand for housing. Secondly, the effect of the supply shortfall on housing affordability was exacerbated by the slower increase in household incomes (12.4%) relative to the increase in house prices (17.6%). Both of these trends were more acute in the key states of Selangor, Johor and Kuala Lumpur. A third factor which impacted the housing affordability issue was the trend of higher residential property launches in the price categories above RM250,000. While there were more launches during 2012 - 2014, the number of new affordable housing units for households earning the median income (below RM250,000) was fewer by 16,200 units per year since the period 2008 – 2009. The oversupply of higher-end properties beyond what households could afford resulted in a significant portion of these non-affordable properties remaining unsold.¹

The year 2015 was challenging for property and construction activities, with the value of projects awarded dipping to RM141.9 billion compared to RM178.8 billion in 2014. The weakening of the Ringgit in comparison to the United States Dollar, volatile crude oil prices and rising unemployment rates dampened sentiments and demand for property in Malaysia. In the commercial property segment, demand for office space moderated in 2015 and 2016 especially in Klang Valley partly due to the downsizing or slower expansion of companies in the oil and gas sectors as oil drilling and production operations slowed down in Malaysia.

Nevertheless, the construction sector in Malaysia has proven to be resilient in the past, having recovered from troughs that occurred during the global financial crisis in 2008 and 2009, and is expected to recover over the long term. SMITH ZANDER expects the value of projects awarded to further grow from RM229.0 billion in 2016 to RM280.0 billion in 2019 at a CAGR of 6.9%.² The residential segment is projected to expand driven by affordable housing programmes, particularly *Perumahan Rakyat 1Malaysia* (PR1MA) and 1Malaysia Civil Servants Housing (PPA1M). Meanwhile, the non-residential subsector is expected to benefit from mixed commercial development, mainly in Klang Valley, Johor

¹ Source: Central Bank Malaysia

² SMITH ZANDER's forecast is based on historical performance of the construction sector and research on prevailing market drivers, in comparison to the 11MP target of 10.3% per annum between 2016 and 2020

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

and Pahang. Infrastructure development between 2016 and 2020 will be mainly supported by the commencement of large infrastructure projects such as MRT Sungai Buloh – Serdang – Putrajaya Line, Pan Borneo Highway, Sungai Besi – Ulu Klang Elevated Expressway and Damansara – Shah Alam Elevated Expressway. The upgrading road works from Klang Container Terminal – North Port and the construction of infrastructure in Malaysia Vision Valley are expected to further support the sector. Growth is also anticipated in the south of Klang Valley where Malaysia Vision Valley, Cyberjaya City Centre and Aeropolis KLIA projects have been announced in Budget 2016.

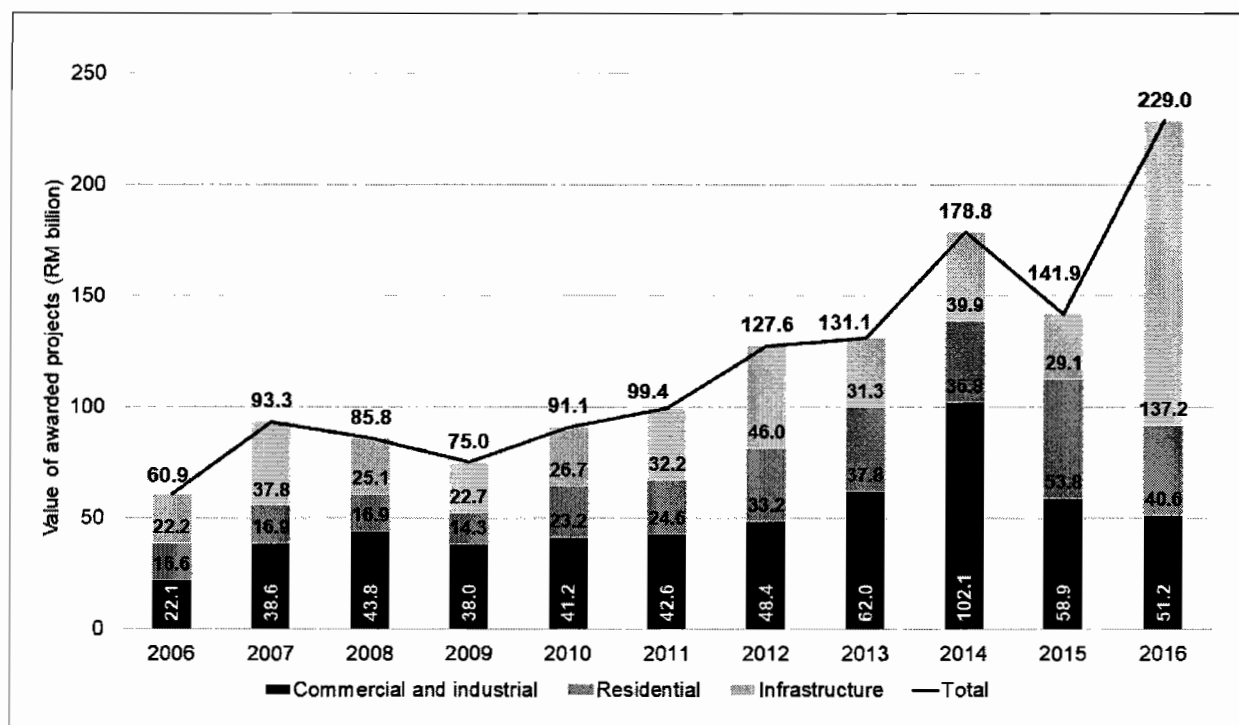
Commercial and industrial construction registered a CAGR of 8.8%, increasing from RM22.1 billion in 2006 to RM51.2 billion in 2016 on the back of an increase in the supply of commercial office space with the completion and launch of office towers in the Klang Valley such as KL Pavilion Office Tower, G-Tower, The Icon, One Mont Kiara, Petaling Jaya Exchange, Empire Subang and Menara Worldwide. Several hotels were also completed between 2006 and 2016, contributing to commercial construction growth, and this includes the completion of Aloft Kuala Lumpur Sentral Hotel, WOLO Bukit Bintang Hotel, One @ Bukit Ceylon Hotel Suites, Ascott Sentral Kuala Lumpur, Hotel Pullman Bangsar, Le Meridian Putrajaya and St Regis Hotel in Klang Valley; Renaissance Hotel, Traders Hotel and Legoland Hotel in Johor; and Victory Annexe of E&O Hotel, Four Points by Sheraton, St Giles Wembley Hotel, Cititel Express and G Hotel Kelawei in Penang.

Several prime commercial developments, most notably the Tun Razak Exchange and Warisan Merdeka, are currently being planned and developed in the Klang Valley especially in areas close to the on-going Klang Valley MRT project route. Malaysia's industrial segment continues to grow at a healthy pace spurred by strong levels of foreign and domestic investments. This is likely to maintain a robust growth in demand for industrial development in the country.

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8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

Value of construction projects awarded in Malaysia ^{a, b, c}

^a Figures may not add up due to rounding

^b In Malaysia, construction activities are measured based on value of projects awarded during a certain period where this data is collated from industry participants by the CIDB. Thus, the value of projects awarded is used as a benchmark to measure growth of the construction sector in Malaysia and competitive positioning of industry players. However, information on project completions and payment status of awarded projects are not publicly available from the CIDB

^c Latest available as at 23 September 2017

Source: CIDB

Selected on-going and upcoming major commercial and mixed-development projects in Malaysia

Location	Project	Type of property	Expected completion date
Klang Valley	Alila Bangsar at The Establishment	Hotel	2017
	Sheraton Petaling Jaya	Hotel	2017
	Eco Majestic	Mixed-development	2017 onwards (in phases)
	W Hotel	Hotel	2018
	The Ruma Hotel and Residences	Hotel	2018
	Four Seasons Place Kuala Lumpur	Mixed-development	2018
	Project MX-1	Mixed-development	2018
	Three KLCC towers for additional office, hotel and retail space	Commercial	2019
	Bukit Jalil City	Mixed-development	2019
	Redevelopment of Angkasapuri Complex to Media City	Commercial	2020
	Cyberjaya City Centre	Mixed-development	2020 onwards (in phases)
	KLIA Aeropolis	Mixed-development	2020 onwards (in phases)
	Pavilion Damansara Heights	Mixed-development	2021

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

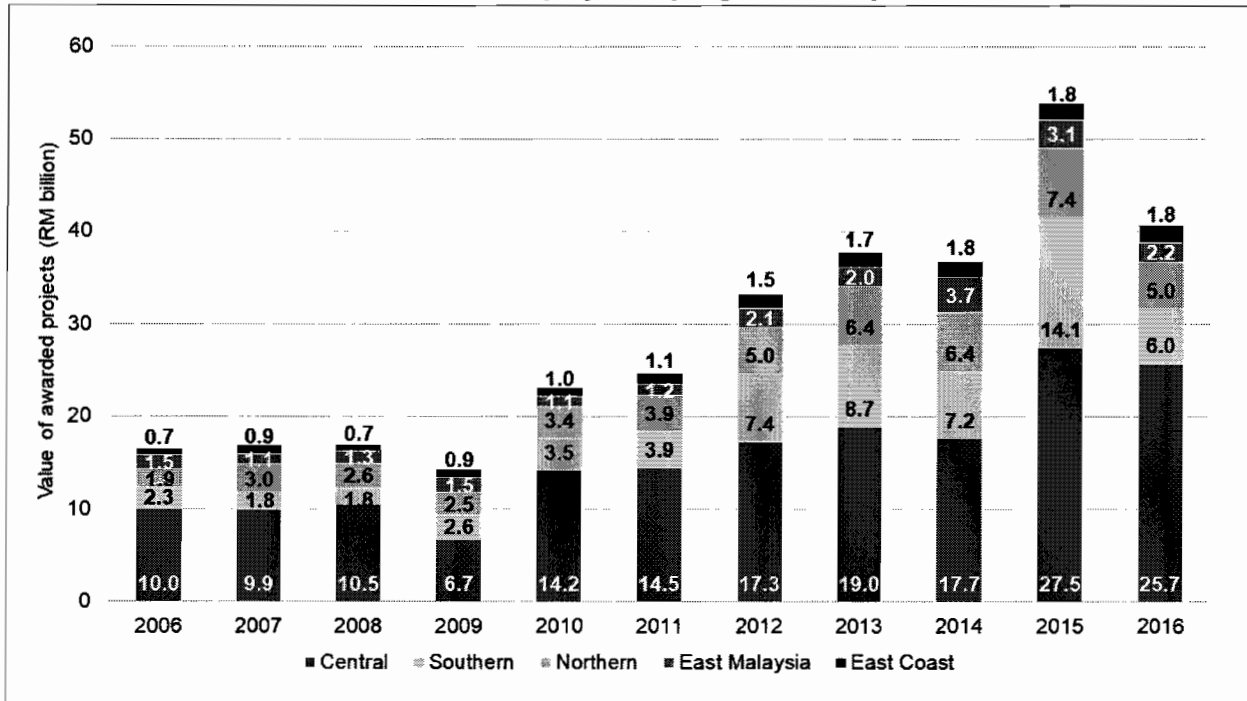
Location	Project	Type of property	Expected completion date
	Bukit Bintang commercial centre	Commercial	2023
	Merdeka PNB 118	Commercial	2024
	Tun Razak Exchange	Mixed-development	2028
	River of Life	Commercial	2029
	Gamuda Garden	Mixed-development	2030
	Serenia City	Mixed-development	2035
Penang	Angsana Teluk Bahang	Hotel	2017
	Quayside Resort Condominium Development	Mixed-development	2017
	DoubleTree Resort by Hilton	Hotel	2018
	Courtyard by Marriot, Penang	Hotel	2018
	IKEA integrated shopping complexes and mixed development of offices and residences	Mixed-development	2018
	Aspen Vision City	Mixed-development	2018 onwards (in phases)
	The Light Water Front Project	Mixed-development	2022
	Penang International Commercial City	Mixed-development	2026
Negeri Sembilan	PD Waterfront	Mixed-development	2020
	Malaysia Vision Valley	Residential, commercial and industrial	2045
Johor	Capri by Fraser Hotel	Hotel	2017
	Forest City	Mixed-development	2017 onwards (in phases)
	Residential North Project	Mixed-development	2018
	Sheraton Nusajaya Medini	Hotel	2019
	Country Garden Central Park	Residential	2020 onwards (in phases)
	Meridin East	Mixed-development	2030
Pahang	Genting Integrated Tourism Plan	Commercial	2017
Sabah	New World Kota Kinabalu Hotel	Commercial	2018
Sarawak	Tabung Haji Complex	Commercial	2017
	Gala City	Commercial	2020

Source: ETP, SMITH ZANDER

Growth of residential, commercial and industrial properties has been strongest in the Central region, comprising the states of Selangor and Negeri Sembilan as well as the Federal Territory of Kuala Lumpur ("Kuala Lumpur") and Federal Territory of Putrajaya ("Putrajaya"). Approximately 63.3% of the total value of residential construction projects awarded in 2016 was for the Central region while an additional 14.8% was for the Southern region, comprising the states of Malacca and Johor. Awarded commercial and industrial construction projects were strongest in the Central region (40.8% of total value of commercial and industrial construction), followed by the Southern region (25.4% of total value of commercial and industrial construction) and the East Coast comprising Kelantan, Pahang and Terengganu (13.1% of total value of commercial and industrial construction) during the same year.

8. INDUSTRY OVERVIEW (cont'd)

Value of awarded residential construction projects by region in Malaysia ^{a, b}

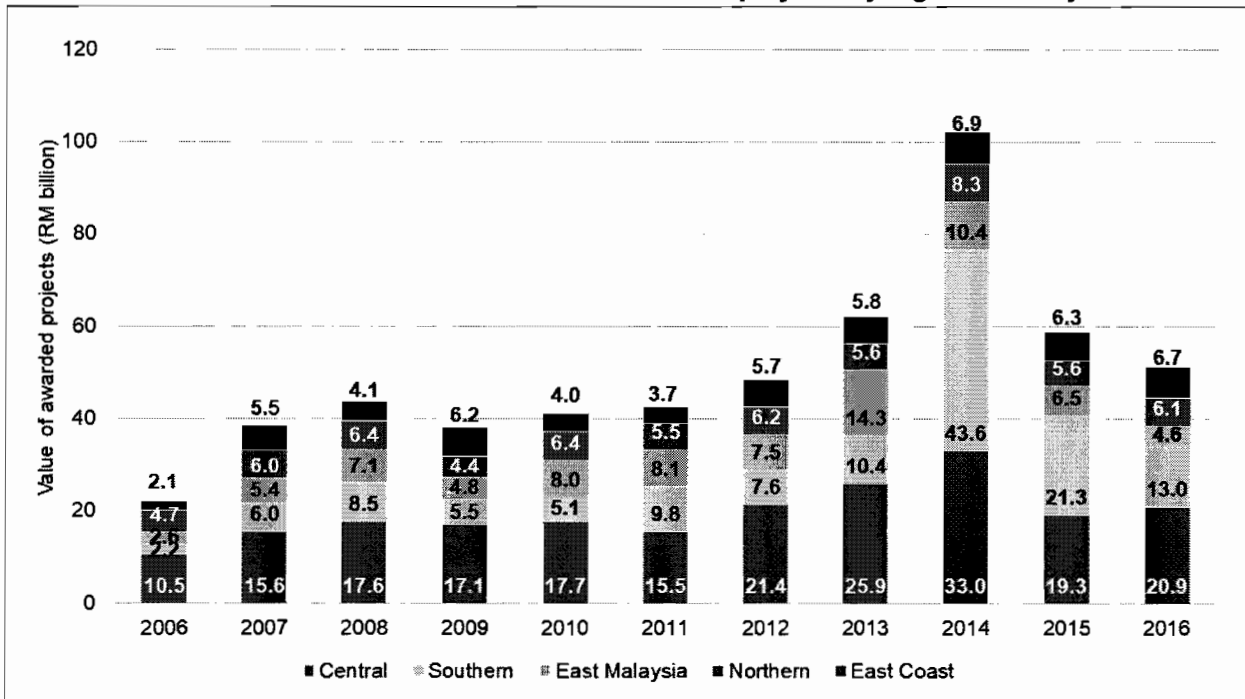


^a Figures may not add up due to rounding

^b Latest available as at 23 September 2017

Source: CIDB

Value of awarded commercial and industrial construction projects by region in Malaysia ^{a, b, c}



^a Figures may not add up due to rounding

^b Includes development of social amenities

^c Latest available as at 23 September 2017

Source: CIDB

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

The infrastructure development segment of the construction sector is typically reliant on public funding from the Government of Malaysia. In terms of awarded project value, this segment increased at a CAGR of 20.0% from RM22.2 billion in 2006 to RM137.2 billion in 2016. The Government has approved five (5) toll highways for Selangor, namely EKVE, SUKE, Damansara – Shah Alam Highway, SKIP and LPB, which collectively will require an investment of RM18.1 billion. In East Malaysia, the Government has committed RM27.0 billion for the construction of the Pan – Borneo Expressway that will benefit residents in Sabah and Sarawak.

Property Supply

Between 2006 and 2016, total supply of residential properties in Malaysia increased from 5.1 million units to 6.4 million units at a CAGR of 2.2%. In 2016, incoming supply comprised 16.8% of existing stock while planned supply comprised 12.2% of existing stock. This, in comparison to the market scenario in 2006 where incoming supply comprised 16.0% of existing stock while planned supply comprised 16.6% of existing stock, suggests that demand and supply of residential properties are moving towards a state of equilibrium despite pockets of mismatch within the residential property sub-segments.

Commercial development in Malaysia, based on the supply of shops, shopping complexes, purpose-built offices and hotels, also registered positive growth between 2006 and 2016. During this period, total supply of shop units increased at a CAGR of 3.2% from 415,149 units to 567,087 units while shopping complexes registered a CAGR of 4.1% from 11.7 million square meters ("m²") to 17.4 million m². Between 2006 and 2016, hotels and purpose-built offices registered CAGRs of 2.4% respectively. The saturation of business activities and land scarcity have led to the opening of newer areas away from the city centres. Growth in commercial property also intensified during this period as the Government launched several regional economic corridors including the ECER, NCER, Iskandar Malaysia and SCORE.

The industrial property segment registered a CAGR of 0.6% from 117,268 units in 2006 to 124,555 units in 2016. In the past, industrial properties have largely been functional and served as manufacturing space. However, new developments in the industrial segment have led to the construction of properties that house the manufacturing, storage and office/showroom areas in one (1) building. Industrial property is also influenced by developments in the regional economic corridors including the ECER, NCER, Iskandar Malaysia and SCORE, albeit at a slower pace, as the Government's focus is to position Malaysia as an investment destination for high value-added, high technology, knowledge-intensive and innovation-based industries.

The years 2015 and 2016 witnessed fewer new projects being launched. Despite falling sales as witnessed by the dipping number of transactions and occupancy rates in 2016, property prices continued to rise driven by increasing costs and further aggravated by the implementation of Goods and Services Tax (GST) in April 2015. Generally, housing developers were maintaining high property prices while launching lesser number of units. As a result, residential property prices moved beyond the affordability levels of first time buyers.

The softer property market resulted in fewer number of launches in the first half of 2016. There were 10,655 units launched in the first half of 2016, down by 73.6% against 40,380 units in the first half of 2015. Property sales dipped in 2016, and developers further held-back new launches across all states in Malaysia. As a result, construction activities slowed down in 2016, evidenced by the dip in the value of awarded projects.

The office sector will remain challenging, and more office buildings are anticipated to undergo refurbishment exercises in the near future as a step to prevent tenants from relocating to newer office buildings. The strategy of refurbishment will also benefit the older office buildings in getting higher rental rate. The growth of luxury hotels in major cities are likely to see dampened performance in the short term,

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

putting pressure on occupancy and room rates. The weakening of the Ringgit may have impacted businesses in general but it is expected to fuel the demand for domestic travel instead of outbound travels. For international travellers, Malaysia is a more economical and affordable travel destination. The introduction of E-Visa to 10 countries including the People's Republic of China commencing 2016 is expected to facilitate more tourist arrivals. In the long term, the hotel market is expected to remain resilient, driven by strong market fundamentals and tourism infrastructure investments.

Overall, the property market is expected to show moderate activity in the short term. Developments in location with strong fundamentals are still expected to perform well, though buyers are becoming more discerning in their purchases across all sectors while expecting bargain purchases to slowly creep up in the market. The property market in Malaysia is characterised by unevenness across properties in recent times, with demand outstripping supply in the residential property market. The increase in house prices, particularly in the major urban centres, has been attributable partly to a shortfall in supply in the affordable housing segment. This has created a scenario where more Malaysian households are increasingly being priced out from the housing market.

The imbalance between demand and supply, particularly in the affordable housing segment, has contributed to a rapid rise in house prices. This has compounded housing affordability issues, particularly for the low-income and middle-income population. Between 2009 and 2014, average house prices in Malaysia rose by a CAGR of 7.9%, exceeding the CAGR in average household income of 7.3% over the same period. This contrasts sharply with the period in 2004 to 2007 when incomes (CAGR 3.2%) were rising more than the growth of house prices (CAGR 2.5%). Residential properties in Malaysia, on aggregate, were considered seriously unaffordable in 2014 (house price-to-income ratio of 4.4). In 2014, houses in Kuala Lumpur were severely unaffordable (house price-to-income ratio of 5.4), while houses in Selangor were moderately unaffordable (house price-to-income ratio of 4.0).³

The Government of Malaysia provides financial assistance and enhanced regulatory framework to facilitate home ownership for poor and low-income households in urban and rural areas. Several affordable housing programmes have been implemented nationwide through PBR, PPR and RMR1M, as well as housing for second-generation FELDA and FELCRA settlers. Middle-income households have access to affordable housing through programmes such as the PR1MA, PPA1M and RUMAWIP.

In an effort to improve the surrounding quality and living conditions of the population, the Government has launched programmes through the *Program Penyenggaraan Perumahan* for public low-cost housing and *Tabung Perumahan 1Malaysia* for private low-cost and medium-cost housing. The MyBeautiful Malaysia programme was implemented in 2014 to enhance the maintenance of Government quarters.

The Housing Development (Control and Licensing) Act 1996 (Act 118) was amended to provide an avenue to charge errant developers, thereby ensuring better protection for home buyers. In addition, new financing schemes such as the My First Home Scheme, Youth Housing Scheme, and Private Affordable Ownership Housing Scheme (MyHome) were introduced to provide financing facilities for the population to own houses at affordable prices.

The Government has committed to playing a major role in meeting the housing needs for targeted groups in urban and rural areas by continuing successful existing programmes, that include programmes under the PBR for the poor, and programmes for low-income and middle-income households such as the RMR1M, PPR, PRIMA, and PPA1M, as well as programmes for second-generation FELDA and FELCRA settlers. Financing schemes such as My First Home Scheme, Youth Housing Scheme and MyHome will also be enhanced to improve access and affordability for low-income and middle-income households. Transit

³ Source: Central Bank Malaysia

8. INDUSTRY OVERVIEW (cont'd)

houses providing short term residence will be built for youth and young married couples while they save to purchase their first home.

An integrated database will be established to improve the planning and development of affordable housing. This database will be made accessible to all relevant stakeholders, to ensure housing supply matches demand based on locality, price, and target groups. Additionally, a land bank will be established for the development of affordable housing, particularly in urban areas.

Community involvement will be promoted to highlight collaborative responsibility in maintaining housing communities. Awareness programmes among residents will help to foster a culture of maintenance and cleanliness, while the prevention of vandalism will be enhanced through collaboration among communities and non-governmental organisations. The MyBeautiful Malaysia programme will continue to promote a comfortable living environment and instil a culture of cleanliness among residents in affordable housing developments.

In Selangor, the State Government is cognizant about the high prices being imposed for residential properties, and is taking proactive effort via programmes such as Rumah Selangorku, PR1MA and the Rent-to-Own schemes to address the issue of providing more affordable housing for the population. Rumah Selangorku was launched in 2013, where this scheme takes over from the Selangor state low cost housing programme and aims to provide affordable housing for the population. Houses under the Rumah Selangorku scheme are priced between RM42,000 and RM250,000 depending on type, size, location and facilities provided.

Range of residential properties under Rumah Selangorku affordable housing scheme

Type	Size (square feet)	Maximum selling price (RM)	Priority income group (RM)
Rumah Selangorku type A	700	42,000	Up to 3,000
Rumah Selangorku type B	750	100,000	Up to 6,000
Rumah Selangorku type C	800	150,000	
	900	180,000	
Rumah Selangorku type D	18' x 60'	200,000	Up to 10,000
	1,000	220,000	
	20' x 60'	250,000	

Source: Lembaga Perumahan Dan Hartanah Selangor

In Johor, affordable homes were initially developed in Johor Bahru and its surrounding areas to cater to the high demand for housing in these areas. In 2017, the state Government of Johor expanded the Johor Affordable Housing programme to rural areas such as Lenga, Segamat, Tanjong Piai, Yong Peng and Labis to promote home ownership among the lower income population. In the same year, the "Rumah Impian Sultan Ibrahim" program was launched comprising an initial 1,840 homes for Johor citizens who are unable afford to buy a house, those who do not own as house and those from the low-income population. In Johor, all housing developers have further been mandated by the state Government of Johor to allocate 40% of their projects for affordable housing.

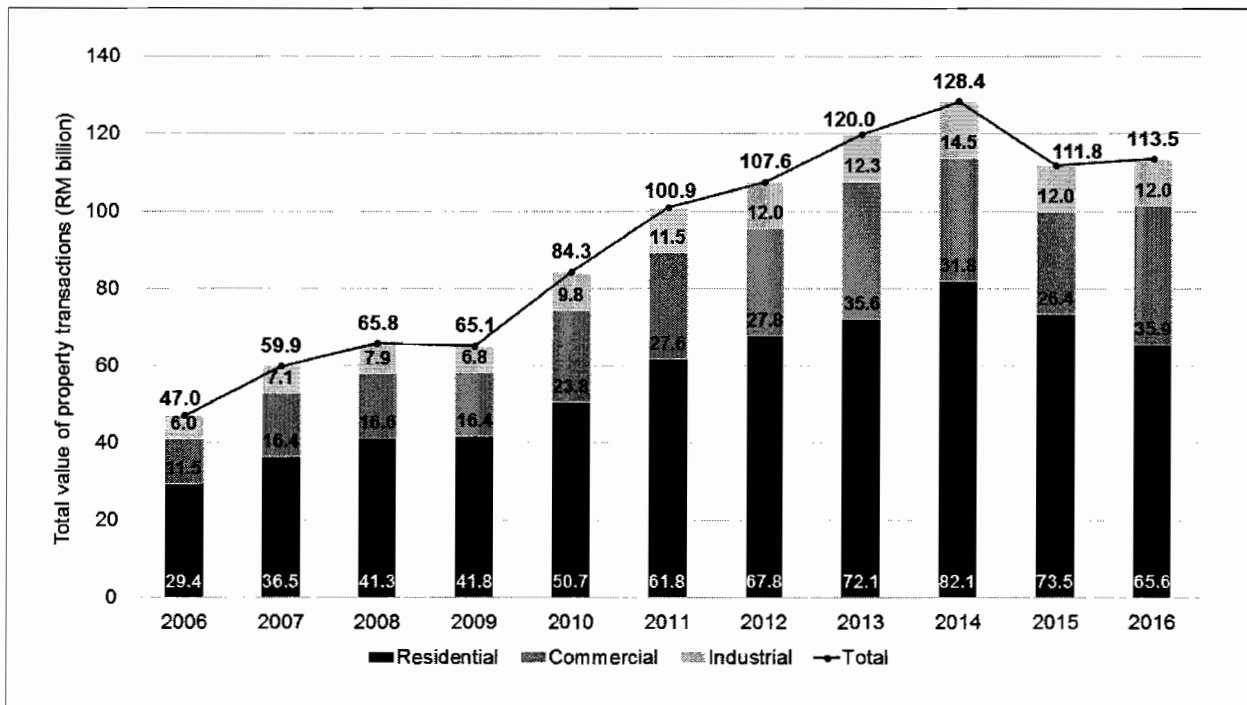
8. INDUSTRY OVERVIEW (cont'd)

An estimated 202,571 new houses will be required annually between 2016 and 2020 to match the estimated growth in households during this period.⁴ The shrinking size of households, combined with continued growth in incomes and population, as well as rapid urbanisation, are expected to remain as important drivers of the overall demand for residential properties, especially in the major urban areas. Consistent with the underlying demand, especially in the major urban and employment centres, a holistic planning and implementation system is required to provide sufficient quality housing that is affordable for the low-income and middle-income households.

Property Demand

Demand for property in Malaysia, measured by value of property transactions, witnessed an increase from RM47.0 billion in 2006 to RM113.5 billion in 2016 at a CAGR of 9.2%. A significant 57.8% of total property transactions in 2016 was incurred for residential properties, while the remaining 31.7% and 10.6% were incurred for commercial and industrial properties respectively. The commercial property segment witnessed the highest CAGR of 12.1% between 2006 and 2016, recording a rise from RM11.5 billion to RM35.9 billion.

Demand for residential, commercial and industrial properties in Malaysia ^a



^a Figures may not add up due to rounding

Source: NAPIC

The Central region was the most significant regional property market in Malaysia in 2016 where RM68.4 billion worth of property transactions mainly for residential properties took place during that year. Property transactions in the Southern and Northern regions of Malaysia were registered at RM16.9 billion and

⁴ Source: Central Bank Malaysia

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

RM16.8 billion respectively while the smaller regional property markets of East Malaysia and East Coast registered transactions values of RM5.8 billion and RM5.6 billion respectively for the same period.

Nevertheless, the most significant growth in property transaction value over the period of 2006 and 2016 was witnessed in the East Coast. During this period, property transactions in the East Coast region grew from RM1.9 billion to RM5.6 billion at CAGR of 11.1%, in comparison to the national CAGR of 9.2%. Property transactions in the Southern region witness a CAGR of 10.5%, increasing from RM6.2 billion in 2006 to RM16.8 billion in 2016. Property transactions in East Malaysia, the Northern and Central regions registered CAGRs of 8.5%, 6.7% and 9.6% respectively during the same period.

Regional growth is strongly driven by growth of property demand in key sub-markets, with the Klang Valley strongly driving growth in the Central region, Johor driving growth in the Southern region and Penang and Perak driving growth in the Northern region. The state of Johor is a key driver for the high commercial property transactions in the Southern region as the launch of the Iskandar Malaysia masterplan in 2006 has resulted in intensified business activities in the state, thus creating strong demand for commercial properties.

Johor's Comprehensive Development Plan (2006 – 2025) was launched for Iskandar Malaysia and encompasses the districts of Johor Bahru, Kulai (formerly known as Kulaijaya), Pontian and Kota Tinggi. Several catalyst projects have been planned and are being developed under various flagship development zones, including the Danga Bay Integrated Waterfront City, Johor New Administration Centre at Kota Iskandar, Pasir Gudang Industrial Park and the development of Senai Airport City, that are anticipated to spur Johor's socio-economic development. Nine (9) major economic clusters have been identified to spearhead the growth of Iskandar Malaysia and these clusters are electrical and electronics, petrochemicals and oleochemicals, food and agro-processing, logistics and related services, tourism, health services, educational services, financial services and creative industries. The implementation of these economic plans and targeted strategies under the respective plans, including infrastructure and transportation improvement, have great impact on socio-economic developments in Johor, and the anticipated business opportunities arising from these economic plans will have positive impact on commercial property supply and demand in Johor.

The years 2015 was challenging for the property sector, with the value of projects awarded dipping to RM141.9 billion compared to RM178.8 billion in 2014. The weakening of the Ringgit in comparison to the United States Dollar, volatile crude oil prices and rising unemployment rates dampened sentiments and demand for property in Malaysia.

Regional demand for residential, commercial and industrial properties in Malaysia ^a

	Value of property transactions (RM million)					
	Northern	Central	Southern	East Coast	East Malaysia	Malaysia
Residential						
2006	5,679.5	17,405.4	3,602.9	1,196.9	1,562.2	29,446.9
2007	6,458.5	22,635.5	4,110.9	1,448.4	1,837.2	36,490.6
2008	7,520.1	25,490.3	3,991.7	1,852.8	2,449.1	41,304.0
2009	6,669.1	25,726.6	4,537.0	1,856.2	3,059.5	41,848.4
2010	8,214.9	31,849.8	5,198.7	2,126.0	3,264.7	50,654.2
2011	13,502.5	36,327.8	6,041.4	2,501.4	3,458.5	61,831.6
2012	13,174.0	40,038.1	7,060.1	3,525.3	3,964.7	67,762.2
2013	13,817.3	39,269.3	11,079.2	4,091.2	3,803.4	72,060.4
2014	14,902.0	42,923.7	15,996.5	4,180.7	4,056.7	82,059.6

8. INDUSTRY OVERVIEW (cont'd)

SMITH ZANDER

	Value of property transactions (RM million)					
	Northern	Central	Southern	East Coast	East Malaysia	Malaysia
2015	14,300.7	38,939.3	11,450.2	4,823.9	3,955.8	73,469.9
2016	12,584.1	34,311.2	10,681.3	4,270.2	3,727.6	65,574.4
CAGR	8.3%	7.0%	11.5%	13.6%	9.1%	8.3%
Commercial						
2006	2,136.8	6,358.2	1,723.3	592.3	709.6	11,520.1
2007	2,826.9	9,533.1	2,413.0	570.5	1,007.2	16,350.7
2008	2,676.1	10,106.7	1,944.6	773.9	1,114.7	16,615.9
2009	2,615.0	9,601.8	2,181.4	786.7	1,204.0	16,389.0
2010	3,313.5	14,852.6	2,899.9	1,161.9	1,612.4	23,840.2
2011	3,952.6	16,560.7	3,726.5	1,687.2	1,637.1	27,564.1
2012	4,075.1	16,345.7	4,067.9	1,418.7	1,884.8	27,792.2
2013	4,156.0	15,813.3	12,701.5	1,276.9	1,614.3	35,561.9
2014	4,255.3	16,750.5	7,808.7	1,410.6	1,609.9	31,835.1
2015	4,022.3	14,614.1	4,668.1	1,254.0	1,841.2	26,399.5
2016	2,653.3	27,268.9	3,710.5	1,155.4	1,154.6	35,942.6
CAGR	2.2%	15.7%	8.0%	6.9%	5.0%	12.1%
Industrial						
2006	1,011.2	3,705.7	854.5	158.8	307.1	6,037.3
2007	999.5	4,324.9	1,102.8	200.8	452.2	7,080.2
2008	1,342.2	4,765.2	1,019.6	187.7	582.7	7,897.4
2009	1,164.1	3,893.5	1,130.8	161.4	483.6	6,833.3
2010	1,300.1	5,687.8	1,861.7	287.8	692.5	9,829.8
2011	1,832.5	7,008.1	1,700.1	284.9	716.5	11,542.2
2012	1,615.9	6,747.1	2,570.9	414.9	657.1	12,006.0
2013	1,798.6	7,022.5	2,580.6	262.5	664.4	12,328.6
2014	1,399.1	8,726.9	3,215.4	453.4	714.7	14,509.4
2015	1,458.2	6,679.6	2,693.5	522.8	616.7	11,970.8
2016	1,681.9	6,843.7	2,387.6	171.9	933.6	12,018.7
CAGR	5.2%	6.3%	10.8%	0.8%	11.8%	7.1%
Total						
2006	8,827.5	27,469.3	6,180.6	1,948.0	2,578.8	47,004.3
2007	10,284.9	36,493.5	7,626.8	2,219.8	3,296.6	59,921.5
2008	11,538.4	40,362.2	6,955.9	2,814.4	4,146.5	65,817.3
2009	10,448.2	39,222.0	7,849.2	2,804.2	4,747.1	65,070.7
2010	12,828.5	52,390.2	9,960.3	3,575.6	5,569.6	84,324.2
2011	19,287.6	59,896.6	11,468.0	4,473.6	5,812.1	100,937.9
2012	18,865.0	63,130.9	13,698.9	5,358.9	6,506.7	107,560.4
2013	19,771.9	62,105.1	26,361.3	5,630.6	6,082.1	119,950.9
2014	20,556.3	68,401.1	27,020.6	6,044.7	6,381.4	128,404.1
2015	19,781.2	60,233.0	18,811.8	6,600.6	6,413.6	111,840.2
2016	16,919.3	68,423.8	16,779.4	5,597.4	5,815.8	113,535.7
CAGR	6.7%	9.6%	10.5%	11.1%	8.5%	9.2%

^a Figures may not add up due to rounding

Source: NAPIC

8. INDUSTRY OVERVIEW *(cont'd)*

SMITH ZANDER

Apart from the initiatives driven by the Government to further develop infrastructure based on the nation's socio-economic needs, the Government, through CIDB, intends to further develop the construction sector in Malaysia to maintain its status as a healthy and self-sufficient industry. The CIDB implemented the Construction Industry Master Plan (2006 – 2015) in 2006, which includes seven (7) thrusts that aim to increase the sector's market size by expanding into new and unexplored foreign markets, and improve productivity, efficiency and cost-effectiveness of the domestic construction sector in order to provide comparative advantage to the economy. The seven (7) thrusts that were identified include:

- integrating the construction value chain to enhance productivity and efficiency;
- strengthening the image of the construction industry in order to attract better local human capital;
- striving for the highest standard of quality, occupational health, safety and environmental practices which would also create a higher barrier to entry for new entrants;
- developing human resource capacities and capabilities;
- innovating through research and adopting new construction methods;
- leveraging on information and communication technology which would grow the industry through the possibilities of outsourcing and forming virtual partnerships; and
- benefiting from globalisation through exporting of construction products and services.

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4 PROSPECTS AND OUTLOOK FOR KEJURUTERAAN ASASTERA BERHAD

SMITH ZANDER believes that the prospects for Kejuruteraan Asastera Berhad will be supported by the long term growth of the construction sector as well as the positive outlook in the demand for mechanical and electrical engineering services, as follows:-

- The construction sector is forecast to grow from RM229.0 billion in 2016 to RM280.0 billion in 2019, based on value of projects awarded, at a CAGR of 6.9%
- The mechanical and electrical engineering services industry is forecast to grow from RM62.5 billion in 2016 to RM93.8 billion in 2019, based on value of projects awarded, at a CAGR of 14.5%

The growth in mechanical and electrical engineering services correlates closely to the growth of residential, commercial, industrial and infrastructure construction activities.

SMITH ZANDER projects that growth in mechanical and electrical engineering services is anticipated to be driven by recovery in construction activities as a result of private investments and Government policies to spur growth in the construction sector and socio-economic development.

Further, the Government's efforts to launch and promote affordable housing programmes nationwide is expected to bode well for the mechanical and electrical engineering services industry, creating demand for mechanical and electrical engineering services in affordable housing projects.

SMITH ZANDER also anticipates that growth opportunities for refurbishment and maintenance projects are present in Malaysia's property and construction sector as existing buildings are getting old, and require refurbishment and maintenance to prolong the life of the properties.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

9.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Particulars and shareholdings

The details of our Promoter and Substantial Shareholders and their respective shareholdings in our Company before and after our IPO (assuming all 32,000,000 Offer Shares are fully placed out and all 80,000,000 Issue Shares are fully subscribed for) are as follows:-

Name	Nationality	Before the IPO		After the IPO	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Promoter and Substantial Shareholder					
Dato' Lai	Malaysian	228,000,000	-	196,000,000	-
		95.00	-	61.25	-
Substantial Shareholder					
Choong GS	Malaysian	12,000,000	-	12,000,000	-
		5.00	-	3.75	-

Notes:-

(1) Based on the total number of 240,000,000 Shares before our IPO.

(2) Based on the enlarged total number of 320,000,000 Shares after our IPO.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.1.2 Profile of our Promoter and Substantial Shareholders

- (i) **Dato' Lai**, Malaysian, aged 49, is our Managing Director, Promoter and Substantial Shareholder. He obtained his Sijil Tinggi Persekolahan Malaysia in 1989.

Dato' Lai started his career as a project manager at Wira Teknik Sdn Bhd, an electrical works contractor, in 1990 where he was tasked to prepare tender documents, project costing, and undertake procurement and commissioning activities. He further gained experience in implementing and managing projects, where he was involved in preparing design calculations, liaising with customers and authorities, and managing workers as well as service providers engaged by the company.

On 24 February 1997, he founded our Company. Under Dato' Lai's stewardship, our Company grew from a 2-person team to our current workforce of more than 90 employees. Dato' Lai together with the management team has led our Company in completing over 50 projects since inception. Dato' Lai together with the management team also actively monitors and oversees the delivery of our projects to ensure that they are delivered in a timely manner and that the quality of our works are satisfactory.

Dato' Lai has over the years established and implemented a standard operating procedure in our Company to lay down a set of predetermined practices that are required to be initiated and followed by employees in the carrying out of our operations.

As our Managing Director, he has also been instrumental in formulating the strategic direction for business growth, developing and implementing plans that contribute to the growth of our Company's business, and overseeing the daily operations of our Company.

Dato' Lai also plays a role in building a good relationship with our customers, which has in the past contributed to new business opportunities through recurring business or recommendations to other prospective customers.

Further, under Dato Lai's strategic direction, we have expanded our services offerings to include the provision of mechanical engineering services and the provision of refurbishment of electrical systems in 2010, the provision of FTTH services in 2012 and the provision of ELV services in 2014.

He will continue to be instrumental in providing direction to our Company and overseeing the implementation of our Company's business expansion plans, including those plans as set out in Section 7.3 of this Prospectus.

With his extensive experiences in the electrical and mechanical industry of approximately 26 years, he has contributed significantly to our success.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

- (ii) **Choong GS**, Malaysian, aged 57, is our Executive Director and Substantial Shareholder. He completed his secondary school education at Penang Free School, Malaysia, in 1976. In 2002, he obtained a chargeman A0 qualification from Institut Latihan Perindustrian, Malaysia, and subsequently in 2003, he obtained a wireman PW4 qualification from Institut Kemahiran Belia Negara, Malaysia. In 2008, he obtained a chargeman A4 qualification from Pusat Latihan Teknologi Tinggi, Malaysia. Choong GS is currently a certified chargeman and wireman registered with the Energy Commission Malaysia.

In 1981, Choong GS began his career as a purchaser for Limamas Sawmill Sdn Bhd where he was responsible for purchasing spare parts and sundry goods for the company. In 1985, He joined Eden Catering Sdn Bhd as a catering supervisor. His role in this company included preparation of food and organizing staff for outdoor catering functions, meeting with customers and ensuring service and food satisfaction.

In 1989, Choong GS joined Eden Food Industry as an outlet manager where he was tasked to oversee the duty-free outlet of Eden Food Industry in the Subang International Airport. In 1991, Choong GS joined Tan Choong Industrial Equipment Sdn Bhd as the sales representative, where he liaised with customers on spare parts purchases.

In 1992, Choong GS joined Ikhtiar Bersatu Letrik Sdn Bhd as a site supervisor where he was responsible for leading and managing a team of workers for the installation of electrical services, telephone services and ELV services in building construction projects. He then joined Prinsip Serasi Sdn Bhd in 2004 as a site supervisor and was later promoted to the position of senior site supervisor. At Prinsip Serasi Sdn Bhd, he was responsible for managing and supervising sub-contractors engaged for the installation of electrical services, telephone services and ELV services in building construction projects.

Choong GS joined our Company in 2007 as project coordinator, where he was responsible for managing the electrical and mechanical engineering projects undertaken by our Company. He subsequently became an Executive Director in 2013. Choong GS is responsible for overseeing and implementing our Company's quality management plan and ensuring the projects undertaken by our Company are completed on time.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

9.1.3 Changes in our Promoter's and Substantial Shareholders' shareholdings in our Company

The table below sets out the changes in our Promoter's and Substantial Shareholders' shareholdings in our Company for the past 3 years up to the LPD:-

Name	As at 31 December 2014			As at 31 December 2015		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
<u>Promoter and Substantial Shareholder</u>						
Dato' Lai	950,000	95.0	-	950,000	95.0	-
<u>Substantial Shareholder</u>						
Choong GS	50,000	5.0	-	50,000	5.0	-
Name	As at 31 December 2016			As at LPD		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
<u>Promoter and Substantial Shareholder</u>						
Dato' Lai	950,000	95.0	-	228,000,000 ⁽¹⁾	95.0	-
<u>Substantial Shareholder</u>						
Choong GS	50,000	5.0	-	12,000,000 ⁽¹⁾	5.0	-

Note:-

(1) Following the 20 for 1 share split which was completed on 18 May 2017 and bonus issue of shares which was completed on 29 May 2017.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)**9.2 BOARD OF DIRECTORS****9.2.1 Particulars and shareholdings**

The details of our Directors and their shareholdings in our Company before and after our IPO (assuming all 32,000,000 Offer Shares is fully placed out and all 80,000,000 Issue Shares are fully subscribed for) are as follows:-

Directors	Designation	Before our IPO			After our IPO		
		Direct		Indirect	Direct		Indirect
		No. of Shares	% ⁽¹⁾	No. of Shares	No. of Shares	% ⁽²⁾	No. of Shares
Ferdaus Bin Mahmood	Independent Non-Executive Chairman	-	-	-	100,000 ⁽³⁾	0.03	-
Dato' Lai	Managing Director	228,000,000	95.00	-	196,000,000	61.25	-
Choong GS	Executive Director	12,000,000	5.00	-	12,000,000	3.75	-
Lu Chee Leong	Independent Non-Executive Director	-	-	-	100,000 ⁽³⁾	0.03	-
Tong Siut Moi	Independent Non-Executive Director	-	-	-	100,000 ⁽³⁾	0.03	-

Notes:-

(1) Based on the 240,000,000 issued Shares as at the LPD.

(2) Based on the enlarged total number of 320,000,000 Shares after our IPO.

(3) Including the Pink Form Shares allocation of 100,000 IPO Shares to each independent director as disclosed in Section 4.3.1 (b).

In addition to the subscription of our IPO Shares allocated for the Eligible Persons as set out in Section 4.3.1(b) of this Prospectus, our Directors may also subscribe for additional Excess Shares under those allocated for the Eligible Persons as well as our IPO Shares under the Retail Offering.

None of our Directors are representatives of corporate shareholders.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.2.2 Profiles of our Directors

The profile of Dato' Lai and Choong GS is set out in Section 9.1.2 above. The profile of our other Directors are as set out below:-

- (i) **Ferdaus Bin Mahmood**, Malaysian, aged 63, is our Independent Non-Executive Chairman. He was appointed to the Board in May 2017. He obtained his Sijil Pelajaran Malaysia in 1972.

Ferdaus Bin Mahmood began his career in 1974 as a trainee accountant at Tractors Malaysia Berhad. In 1976, he joined United Estate Projects Sdn Bhd (now known as Sime Darby Property Berhad). His last position with United Estate Projects Sdn Bhd was credit controller, in which role he was tasked with the application and procurement of financing and conveyancing matters related to the development of Subang Jaya, Selangor. He left United Estate Projects Sdn Bhd in 1982 and joined Pandan Maju Sdn Bhd as a marketing and sales manager where he was responsible for overseeing the marketing, sales and control of a mixed development known as Desa Pandan, Kuala Lumpur.

In 1986, Ferdaus Bin Mahmood joined Trimula Sdn Bhd as project manager, where he provided project management consultancy services and oversaw the development of projects. In 1990, he joined Landgen Property Management Sdn Bhd, one of the subsidiaries of Land & General Berhad, as the general manager and director. Land & General Berhad is a company listed on the Main Market of Bursa Securities and is principally involved in property investment and development business. As the general manager and director of Landgen Property Management Sdn Bhd, he was responsible for all property management and maintenance of the company's assets.

In 1996, Ferdaus Bin Mahmood was seconded to Lembah Beringin Sdn Bhd, a subsidiary of Land & General Berhad, as general manager and director, where he was tasked with formulating a marketing plan and implementation of an advertising campaign for the company. In 1996, he was seconded to Lang Australia Pty Ltd, a subsidiary of Land & General Berhad which is based in Melbourne, Australia, as its chief operating officer and director. During his tenure with Lang Australia Pty Ltd, he acted as the company's representative for all its investments in Australia and was responsible for setting up the company's subsidiaries in Australia.

Ferdaus Bin Mahmood returned to Malaysia in 2005 and was re-designated as the director of property division of Land & General Berhad, where he was in charge of strategic planning, marketing, sales and project planning.

In 2008, Ferdaus Bin Mahmood was promoted to the position of executive director of Land & General Berhad. In 2016, he decided to retire from active corporate life and became a Non-Independent Non-Executive Director of Land & General Berhad.

- (ii) **Lu Chee Leong**, Malaysian, aged 53, is our Independent Non-Executive Director. He was appointed to the Board in May 2017. He obtained his Association of Chartered Certified Accountants ("**ACCA**") qualification in 1989. He has been a fellow member of the ACCA since 1995. Lu Chee Leong is also a Chartered Accountant of the Malaysian Institute of Accountants since 1996.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

In 1990, Lu Chee Leong joined Kassim Chan & Co., Kota Kinabalu (now known as Deloitte Malaysia) as an audit assistant. During his tenure, he was involved in audit assignments of companies in various industries. He left as an audit senior and subsequently joined Luyang Recreation Club Sdn Bhd as an accountant in 1995 where he was tasked to oversee and manage the operations of the accounts departments of Luyang Recreation Club Sdn Bhd. In 1997, Lu Chee Leong joined DiGi Telecommunications Sdn Bhd as an accountant. His last position in DiGi Telecommunications Sdn Bhd was the head of section (GTM), Sabah region, under the sales division of the company. During his tenure with DiGi Telecommunications Sdn Bhd, he was involved in the management and operations of various departments including accounts, human resource and marketing for the Sabah region. He left DiGi Telecommunications Sdn Bhd at the end of 2014 and started his own corporate services firm named Johan Corporate Services in early 2015, where he provided bookkeeping and related services to customers.

Lu Chee Leong has been the Independent Non-Executive Director of Mikro MSC Berhad, a company listed on the ACE Market of Bursa Securities, since 2008. Mikro MSC Berhad is involved in the research and development, design, manufacturing and sales of analogue, digital and computer controlled electronic systems.

- (iii) **Tong Siut Moi**, Malaysian, aged 48, is our Independent Non-Executive Director. She was appointed to the Board in May 2017. She obtained her secretarial professional degree from the Institute of Chartered Secretaries and Administrators (United Kingdom) in 1996 and has become a qualified Chartered Secretary since 1998. Tong Siut Moi has also completed the Advanced Women Directors' Programme in December 2015 and has been an Associate of the Malaysian Directors Academy (MINDA) since 2016.

Tong Siut Moi began her career as a junior secretarial assistant with Kuala Lumpur Industries Holdings Berhad in 1992, where she was responsible for the filing and updating of the statutory records of the companies in the group. Subsequently, she joined Rotary Management Sdn Bhd as a senior secretarial assistant in 1995 where she was responsible for attending board meetings, preparing minutes and providing training to subordinates. In 1999, she joined FACB Resorts Berhad in a similar role as assistant company secretary. In 2001, she left FACB Resorts Berhad and became Pilecon Engineering Berhad's group company secretary where she was in charge of secretarial and regulatory compliance related matters.

In 2005, she joined Chin Foh Berhad as group company secretary where she was in charge of all company secretarial and regulatory compliance related matters. While Tong Siut Moi was still with Chin Foh Berhad, she set up a company named Boardroom Avenues Sdn Bhd in November 2010, where she was the executive director responsible for providing company secretarial advisory services for corporate exercises and corporate transactions undertaken by public listed companies. She left Chin Foh Berhad and Boardroom Avenues Sdn Bhd in 2013 and joined Gabungan AQRS Berhad as group company secretary. She left in May 2017 to be an associate trainer with CKM Advisory Sdn Bhd where she is responsible for providing training programmes to directors and senior management of public listed companies, particularly with regards to compliance with the Listing Requirements of Bursa Securities.

Tong Siut Moi has been the Independent Non-Executive Director of Niche Capital Emas Holdings Berhad, a company listed on the Main Market of Bursa Securities, since 2016. It is principally involved in investment holding, manufacturing, distribution and retail of gold jewellery and ornaments.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

9.2.3 Principal directorships and principal business activities of our Directors outside our Company

The following table sets out the principal directorships of our Directors as at the LPD ("Present Directorships") and those which were held within the past 5 years up to the LPD ("Previous Directorships"), as well as their involvement in principal business activities outside the Company as at the LPD:-

Name	Directorships	Principal business activities	Date appointed	Date resigned	Position held
Ferdaus Bin Mahmood	<u>Present Directorships:-</u>				
	• Dunia Segar Sdn Bhd	• Civil construction contractors	• 22.11.1995	• -	• Director
	• Sri Damansara Sdn Bhd	• Property development	• 03.01.2005	• -	• Director
	• Sri Damansara Club Berhad	• Management of club activities	• 30.12.2005	• -	• Director
	• Clarity Crest Sdn Bhd	• Cultivation of rubber and oil palm trees	• 01.03.2006	• -	• Director
	• Synergy Score Sdn Bhd	• Investment holding	• 04.08.2008	• -	• Director
	• Land & General Berhad	• Property investment and development business	• 16.06.2008	• -	• Director
	• Elite Forward Sdn Bhd	• Property development	• 07.12.2009	• -	• Director
	• Bright Term Sdn Bhd	• Property development	• 05.01.2010	• -	• Director
	• Lang Education Sdn Bhd	• Education services	• 16.12.2011	• -	• Director
	• Victory Vista Sdn Bhd	• Investment holding, property development	• 07.05.2015	• -	• Director
	• Pembinaan Jaya Megah Sdn Bhd	• Dormant	• 17.01.2017	• -	• Director
	• KAB	• Provision of electrical and mechanical engineering services	• 30.05.2017	• -	• Director
	<u>Previous Directorships:-</u>				
• Land & General Marketing Sdn Bhd	• Dormant	• 01.03.2006	• 23.03.2015	• Director	
• Golden Touch Enterprise Sdn Bhd	• Dissolved ⁽¹⁾	• 04.12.1979	• N/A	• Director	

As at the LPD, Ferdaus Bin Mahmood is not involved in principal business activities outside our Company other than his principal directorships as set out in this table.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Date appointed	Date resigned	Position held
Dato' Lai	<u>Present Directorships:-</u>				
	• KAB	• Provision of electrical and mechanical engineering services	• 30.12.1999	• -	• Director
	• Master Device Sdn Bhd	• Property investment	• 18.09.2003	• -	• Director
	• Pelangi Astana Sdn Bhd	• Property investment	• 16.11.2009	• -	• Director
	• Austral Capital Sdn Bhd	• Property investment	• 06.05.2011	• -	• Director
	• KKE Konsortium Sdn Bhd	• Dormant	• 19.11.2013	• -	• Director
	• Puncak Integriti Sdn Bhd	• Dormant	• 18.08.2014	• -	• Director
	<u>Previous Directorships:-</u>				
	• Raptai Muhibah Sdn Bhd	• Property investment	• 11.03.2002	• 22.10.2012	• Director
	• AESB	• Electrical, mechanical and telecommunication contractors and trading in materials related	• 04.07.2013	• 19.07.2016	• Director
	• Perunding PSSB Sdn Bhd	• Dissolved ⁽¹⁾	• 25.08.2004	• N/A	
	• Green Power Network Sdn Bhd	• Dissolved ⁽¹⁾	• 23.06.2007	• N/A	

As at the LPD, Dato' Lai is not involved in principal business activities outside our Company other than his principal directorships as set out in this table.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Date appointed	Date resigned	Position held
Choong GS	<ul style="list-style-type: none"> • <u>Present Directorships:-</u> KAB 	<ul style="list-style-type: none"> • Provision of electrical and mechanical engineering services 	<ul style="list-style-type: none"> • 01.03.2013 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • Director
	<ul style="list-style-type: none"> • <u>Previous Directorships:-</u> - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • -
					As at the LPD, Choong GS is not involved in principal business activities outside our Company other than his principal directorships as set out in this table.
Lu Chee Leong	<ul style="list-style-type: none"> • <u>Present Directorships:-</u> Mikro MSC Berhad 	<ul style="list-style-type: none"> • Research and development, design, manufacturing and sales of analogue, digital and computer controlled electronic systems 	<ul style="list-style-type: none"> • 22.10.2008 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • Director
	<ul style="list-style-type: none"> • KAB 	<ul style="list-style-type: none"> • Provision of electrical and mechanical engineering services 	<ul style="list-style-type: none"> • 30.05.2017 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • Director
	<ul style="list-style-type: none"> • <u>Previous Directorships:-</u> - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • - 	<ul style="list-style-type: none"> • -

As at the LPD, Lu Chee Leong is not involved in principal business activities outside our Company other than his principal directorships as set out in this table and his involvement in his corporate services firm, Johan Corporate Services since 2015.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Name	Directorships	Principal business activities	Date appointed	Date resigned	Position held
Tong Siut Moi	<u>Present Directorships:-</u> <ul style="list-style-type: none"> CKM Advisory Sdn Bhd Niche Capital Emas Holdings Berhad KAB 	<ul style="list-style-type: none"> Provide training on listing requirements of Bursa Securities and other related services Investment holding, manufacturing, distribution and retail of gold jewellery and ornaments Provision of electrical and mechanical engineering services 	<ul style="list-style-type: none"> 17.03.2016 17.08.2016 30.05.2017 	<ul style="list-style-type: none"> - - - 	<ul style="list-style-type: none"> Director Director Director
	<u>Previous Directorships:-</u> <ul style="list-style-type: none"> Boardroom Avenues Sdn Bhd 	<ul style="list-style-type: none"> Providing company secretarial and management services General trading 	<ul style="list-style-type: none"> 18.11.2010 	<ul style="list-style-type: none"> 15.01.2013 	<ul style="list-style-type: none"> Director

As at the LPD, Tong Siut Moi is not involved in principal business activities outside our Company other than her principal directorships as set out in this table.

Note:-
(1)

Perunding PSSB Sdn Bhd and Green Power Network Sdn Bhd have been struck off pursuant to Section 308(4) of the CA 1965 on 16 March 2016 and 22 September 2010 respectively.

Dato' Lai's involvement in the business activities or corporations set out above is not expected to affect his contribution to our Company or negatively impact his ability to act as our Managing Director. Such businesses' or corporations' operations do not require his involvement on a daily basis as these businesses or corporations are managed by their respective management.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.2.4 Involvement of our Directors in other businesses or corporations which carry on a similar trade as our Company, or which are our customers and/or suppliers

As at the LPD, none of our Directors have any interest (*direct or indirect*) in other businesses or corporations which are (i) carrying on a similar trade as that of our Company; or (ii) our customers and/or suppliers.

9.2.5 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (*including any contingent or deferred compensation accrued for the year*) paid and proposed to be paid to our Directors for services rendered in all capacities to our Company for FYE 2016 and estimated for FYE 2017 are as follows:-

Name	Remuneration band	
	FYE 2016 (Actual) (RM)	FYE 2017 (Estimate) (RM)
Ferdaus Bin Mahmood	-(1)	Below 50,000
Dato' Lai	1,100,000-1,150,000	1,150,000-1,200,000
Choong GS	150,000-200,000	150,000-200,000
Lu Chee Leong	-(1)	Below 50,000
Tong Siut Moi	-(1)	Below 50,000

Note:-

(1) Appointed in May 2017.

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits. As set out in our Constitution, any change in our Directors' fees must be approved by our shareholders pursuant to a resolution passed at a general meeting where notice of any proposed increase shall be given in the notice convening the meeting, of which further details are set out in Section 15.2.2 of this Prospectus. The remuneration for each of our Directors is subject to annual review by our Remuneration Committee.

9.2.6 Directorships

The date of expiration of the current term of office for each of our Directors and the period for which each of them has served in that office is as follows:-

Name	Length of service in our Group up to the LPD (approximately)	Length of service as Director of our Company up to the LPD (approximately)	Date of expiration of the current term of
Ferdaus Bin Mahmood (M)	-(1)	-(1)	At the next annual general meeting in 2018
Dato' Lai (M)	20 years	20 years	At the next annual general meeting in 2018
Choong GS (M)	10 years	4 years	At the annual general meeting in 2019

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Name	Length of service in our Group up to the LPD (approximately)	Length of service as Director of our Company up to the LPD (approximately)	Date of expiration of the current term of
Lu Chee Leong (M)	- (1)	- (1)	At the next annual general meeting in 2018
Tong Siut Moi (F)	- (1)	- (1)	At the next annual general meeting in 2018

* (M) indicates male and (F) indicates female.

Note:-

(1) Appointed in May 2017.

9.2.7 Audit committee

The main functions of the Audit Committee of our Company fall within the ambit of the Listing Requirements, which include:-

- the review of the audit plan with our external auditors;
- the review of the external auditors' audit report and evaluation of our system of internal controls with the external auditors;
- review of the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- review of the assistance given by our employees to the external auditors;
- review of the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- review of financial statements;
- review of related party transactions and conflict of interest situations;
- review of any resignation letter and reasons for non-suitability of reappointment of our external auditors; and
- review and recommendation of the nomination of external auditors. Our Audit Committee comprises the following members:-

Name	Designation	Directorship
Lu Chee Leong	Chairman	Independent Non-Executive Director
Ferdaus Bin Mahmood	Member	Independent Non-Executive Chairman
Tong Siut Moi	Member	Independent Non-Executive Director

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.2.8 Remuneration Committee

The Remuneration Committee of our Company is principally responsible for reviewing and recommending to our Board, the remuneration package and the terms of employment of our executive directors. An executive director does not participate in any way in determining his individual remuneration.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate the executive directors of the quality required to manage our business and to align the interest of our executive directors with those of our shareholders. Our Remuneration Committee comprises the following members:-

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Tong Siut Moi	Chairman	Independent Non-Executive Director
Ferdaus Bin Mahmood	Member	Independent Non-Executive Chairman
Lu Chee Leong	Member	Independent Non-Executive Director

9.2.9 Nominating Committee

The Nominating Committee of our Company is principally responsible for recommending to our Board, the appointment of new Directors and committee members with regards to the Directors' contribution and performance as well as reviewing on an annual basis, the appropriate balance and size of non-executive participation.

This requires a review on the mix of skills and experience, including core competencies and qualities that non-executive directors should bring to our Board in order for our Board to function effectively. Our Board as a whole makes all decisions on appointments after considering the recommendations of the Nominating Committee. Our Nominating Committee comprises the following members:-

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Tong Siut Moi	Chairman	Independent Non-Executive Director
Ferdaus Bin Mahmood	Member	Independent Non-Executive Chairman
Lu Chee Leong	Member	Independent Non-Executive Director

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.3 KEY MANAGEMENT

9.3.1 Particulars and shareholdings

Our Key Management is set out below:-

Name	Age	Designation/Function
Dato' Lai	49	Managing Director
Choong GS	57	Executive Director
Datin Alicia	45	General Manager (Finance & Administrative)
Goh Kok Boon	43	Project Director
Ng Siew King	40	Chief Financial Officer
Chua Ching Jiann	35	Deputy Senior Project Manager
Lee Yee Looi	38	Human Resource Manager

Save for our Managing Director and Executive Director whose direct and indirect shareholdings in our Company have been set out in Section 9.2.1 above, none of our other Key Management has any shareholding (*direct or indirect*) in our Company as at the LPD.

Each of our other Key Management (*i.e. excluding the Managing Director and Executive Director*) and excluding Datin Alicia, the spouse of Dato' Lai, has been allocated between 150,000 to 500,000 IPO Shares pursuant to our IPO Shares reserved for Eligible Persons under the Retail Offering. In addition, our Key Management may also subscribe for additional Excess Shares under those allocations for the Eligible Persons as well as for our IPO Shares under the Retail Offering.

9.3.2 Profiles of our Key Management

The profiles of Dato' Lai and Choong GS are set out in Section 9.1.2 above.

The profiles of the remainder of our Key Management are as follows:

- (i) **Datin Alicia**, Malaysian, aged 45, is our General Manager (Finance & Administrative). She obtained her Sijil Pelajaran Malaysia in 1990.

In 1991, Datin Alicia began her career as an administrative assistant with Ritz Print Sdn Bhd. Her last position held in Ritz Print Sdn Bhd was the head of production department. During her employment with Ritz Print Sdn Bhd, she was in charge of managing and controlling printing production, planning the production schedule and material purchases, assisting in the preparation of artwork, inventory and stock management including conduct weekly stock check, liaising with suppliers and customers for order processing and delivery arrangements. She also assisted in preparation of sales orders and invoices. She left Ritz Print in May 1995 and did not take up employment thereafter until August 1997. In August 1997, she joined our Company where she was responsible for overseeing finance and administration operations.

Datin Alicia is currently the General Manager (Finance & Administrative) of our Company and is responsible for overseeing the daily operations of the finance, administration and purchasing department, including monitoring progress claims and collections, banking matters, procuring and maintaining insurance coverage, office administration and procurement approval.

Datin Alicia is the spouse of Dato' Lai.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

- (ii) **Goh Kok Boon**, Malaysian, aged 43, is our Project Director. He graduated with a Bachelor of Applied Science (Honours) in Electrical Engineering from the University of Windsor, Canada, in 1999.

In 2000, Goh Kok Boon began his career as project engineer with Selatan Johor Electrical Engineering Sdn Bhd where he was tasked with scheduling, coordinating and monitoring the engineering projects assigned to him from inception until completion. In 2001, he joined Henikwon Corporation Sdn Bhd as a sales manager where he was tasked with marketing transformers and busduct systems and providing technical support. Thereafter, he joined Letrikon Engineering Sdn Bhd in 2002 as general manager and was responsible for developing, reviewing and implementing strategic business plans pertaining to the company's sales and financial performance. He was subsequently promoted to the position of executive director of Letrikon Engineering Sdn Bhd in 2004 and was responsible for overseeing the daily operations of the company as well as project management matters. He left Letrikon Engineering Sdn Bhd in 2009 and became the executive director of Hoe Huat Electric Sdn Bhd, where his responsibilities included overseeing daily operations of the company and management matters.

In 2012, he set up a business named Kitchen On Wheels Sdn Bhd where his main role was to oversee business operations. The operations of Kitchen On Wheels Sdn Bhd became dormant in 2013. He joined our Company as project director in 2013, where he was initially responsible for overseeing project budgets and costing, problem solving and marketing. He left our Company in August 2014 and joined ConnectCounty Holdings Berhad as an executive director, where he was responsible for developing, coordinating and implementing business and corporate strategies.

Goh Kok Boon resigned from his position in ConnectCounty Holdings Berhad in August 2016 and re-joined our Company as Project Director in October 2016. As Project Director, his responsibilities are primarily to manage project timelines, project budgets and ensure financial accountability of the projects. He conducts weekly project and material planning meetings to ensure timely delivery of the projects. To ensure the financial accountability of the projects, he manages the preparation and submission of tender proposals, project costing and review the monthly progress claim reports submitted by the project team to ensure that the costs for the projects are within the project budget. Goh Kok Boon is also involved in developing and maintaining good working relationship with the Company's customers.

- (iii) **Ng Siew King**, Malaysian, aged 40, is our Chief Financial Officer. She graduated with a Bachelor of Commerce (Accounting and Finance) from the University of Melbourne, Australia in 1998. She was a member of CPA Australia from 2000 to 2010. Ng Siew King ceased to be a member of CPA Australia in 2010.

Ng Siew King began her career as an audit assistant in Horwath Mook & Poon (now known as Crowe Horwath) in 1999 for a year where she was tasked to plan and perform audit on various companies. Thereafter, she joined Malaysian International Merchant Bankers Berhad in July 2000 as an executive where she performed corporate finance related functions such as financial analysis, assessments and valuations, preparation of applications, public documents and announcements, for various corporate exercises including fund-raising, restructuring, listing, acquisitions and disposals for public listed companies.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

In October 2004, she left Malaysian International Merchant Bankers Berhad to join AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) as an assistant manager, where she performed corporate finance related roles. Thereafter, she left and joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) in January 2007 as manager, where she also performed corporate finance related roles. Subsequently, she left to join ECM Libra Investment Bank Berhad as an associate director of corporate finance in January 2010 and was promoted to director in 2012. Following the acquisition of ECM Libra Investment Bank Berhad by Kenanga Investment Bank Berhad, she became the senior vice president of the corporate and institutional coverage department of Kenanga Investment Bank Berhad in December 2012. Her role primarily comprised customer coverage responsibilities, which included driving origination by building banking relationships with existing and potential customers.

In August 2014 she left Kenanga Investment Bank Berhad and did not take up employment until she joined TA Securities Holdings Berhad in October 2015 as an assistant vice president, where she was involved in performing corporate finance related functions. She left TA Securities Holdings Berhad in September 2016 and did not take up employment thereafter.

Ng Siew King joined us in May 2017 as our Chief Financial Officer and is primarily responsible for the financial matters of our Company. She is responsible for overseeing our Company's accounting and financial reporting functions, compliance with the Listing Requirements of Bursa Securities, regulatory reporting in Malaysia as well as investor relations matters and she reports to Dato' Lai, the Managing Director.

- (iv) **Chua Ching Jiann**, Malaysian, aged 35, is our Deputy Senior Project Manager. He graduated with a Bachelor of Engineering (Electrical and Electronic) from the University of Hertfordshire, United Kingdom, in 2005.

Chua Ching Jiann began his career as a project engineer for MS Elevators Engineering Sdn Bhd in 2005. As project engineer, his roles included project management, contract review, performing site checks, liaising with customers, consultants and sub-contractors as well as implementing site safety measures. In May 2007, he joined Hi Tech Instruments Sdn Bhd as service engineer and was responsible for training, maintenance, service and technical support for the company's customers. He subsequently joined CBH Engineering Sdn Bhd as a project engineer in August 2007, where his responsibilities comprised preparing tender documents, project costing, design, engineering, procurement and commissioning and project management. In 2009, he established a sole proprietorship named NEB Engineering, where he prepared tender documents, project costing, design, engineering and procurement services and project management services on behalf of his customers. NEB Engineering subsequently became dormant in 2016 and he joined our Company in June 2016 as our Project Manager.

In his capacity as our Project Manager, Chua Ching Jiann is responsible for preparing tender documents, project costing, design, engineering and procurement activities, project management, as well as liaising with customers, authorities and sub-contractors engaged by our Company.

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

- (v) **Lee Yee Looi**, Malaysian, aged 38, is our Human Resource Manager. She graduated with a Bachelor of Business (International Business Management/Human Resource Management) from Charles Sturt University, Australia in 2001.

Lee Yee Looi began her career as an administration executive in Patimas Computers Berhad in 2001, where she was responsible for day to day administrative works, including preparation of purchase orders, maintenance of stock inventories and liaison with suppliers. In 2003, she joined Crest Systems (M) Sdn Bhd as an administrator and was tasked with secretarial matters, processing of sales and purchase orders, liaison with suppliers (import and export), inventories control and management of office equipment.

In 2004, she joined Ann Joo Steel Berhad as an administration executive where she was attached with the export division. Her role included reviewing sales agreements and handling shipping and banking arrangements. During her employment with Ann Joo Steel Berhad, she also provided secretarial assistance to the sales and marketing division. Lee Yee Looi left Ann Joo Steel Berhad in 2007 and joined AEP Power Sdn Bhd as the personal assistant to the managing director. In AEP Power Sdn Bhd, she handled employee payroll matters and was subsequently promoted to the role of human resource and corporate administration manager in 2010. In such role, she was responsible for overseeing management planning, human resource and corporate administrative matters as well as the quality management systems of the company.

In June 2012, Lee Yee Looi joined Opus Asset Management Sdn Bhd as the human resource manager cum personal assistant to the managing director. Her primary role in the company was to oversee human resource and general administrative matters. In 2013, she joined Wira Syukur (M) Sdn Bhd as an executive secretary where she was responsible for reviewing contracts, corporate administration, secretarial and human resource matters.

She joined our Company in June 2015 as the Human Resource Manager and is responsible for overseeing human resource and secretarial matters. Lee Yee Looi also assists the Managing Director in strategic management planning, where she is responsible for compiling our monthly performance reports to assist the Managing Director in identifying key areas requiring attention and improvement.

9.3.3 Involvement of our Key Management in other principal business activities

Save as disclosed in Section 9.2.3, none of our Key Management is involved in any other principal business activities outside of our Company as at the LPD.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

9.4 DECLARATION BY OUR PROMOTER, DIRECTORS AND KEY MANAGEMENT

Our Promoter, Directors and Key Management have confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events *(whether in or outside Malaysia)*:-

- (i) a petition under any bankruptcy or insolvency laws was filed *(and not struck out)* against such person or any partnership in which such person is or was a partner or any corporation of which such person was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity.

9.5 RELATIONSHIPS AND ASSOCIATIONS BETWEEN OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Save and except Datin Alicia who is the spouse of Dato' Lai, there is no family relationship and/or association between any of our Promoter, Substantial Shareholders, Directors and Key Management as at the LPD.

9.6 SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or Key Management with our Company.

9.7 OTHER MATTERS

No amount has been paid or benefit given within the 2 years preceding the date of this Prospectus, nor is it intended to be paid or given, to our Promoter, Substantial Shareholder and Directors except for the following:-

- (i) historical and future payments to our Promoter, Substantial Shareholder and/or Director in the ordinary course of business as set out in Section 11 of this Prospectus; and
- (ii) remunerations and benefits-in-kind payable to our Directors as set out in Section 9.2.5 above.

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9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

9.8 EMPLOYEES

A summary of our Company's total workforce by job functions for the FYEs 2014, 2015 and 2016 as well as at the LPD is set out below:-

Categories	Number of employees			As at the LPD	Years of service as at the LPD			
	As at the end of FYE				< 1 year	1 – 5 years	6 – 10 years	> 10 years
	2014	2015	2016					
Director	2	2	2	5	3	-	-	2
Senior management	1	2	2	3	1	1	-	1
Managerial	4	11	16	16	3	12	1	-
Executive	16	24	42	43	20	22	1	-
Supervisory	12	10	11	13	8	5	-	-
Non-executive	7	9	10	12	6	5	-	1
Wiremen	5	7	6	8	1	2	4	1
Contractual	0	1	1	-	-	-	-	-
Total workforce	47	66	90	100	42	47	6	5

As at the LPD, our Company employs 100 permanent employees. None of our employees are members of any union nor have there been any major industrial disputes in the past.

We recognise the importance of human resource as a central element of any successful organisation and aim to build an experienced and capable team. Hence, we emphasise the importance of providing training and development programmes for our employees as part of our human resource development. In line with this, we conduct on-the-job training programmes for our employees aimed at improving their skills and technical knowledge.

Our Company's employees are not represented by any union and we enjoy a good working relationship with our employees. Since commencement of our operations, we have not been engaged in any industrial dispute.

9.8.1 Training and development

We place strong emphasis on human resources development. Our employees are given regular on-the-job training aimed at improving their skills and technical knowledge, providing them with opportunities to acquire new skills and knowledge. We also provide opportunities for internal promotion as one of the key components of employees' development and retention.

The key training and development programmes attended by our employees for the past 3 years and up to the LPD are set out below:-

Year	Training and development programme	Organiser	Attendees		Location
			Department	No. of staff	
2014	Construction Insurance "Contractors' Risk"	LV Management	Quality Management Systems	1	Kuala Lumpur
2014	Basic Construction and Project Planning	CIDB Malaysia	Projects	2	Kuala Lumpur
2014	Classic Assessor Course (Module 1)	Sysnovate Solutions Sdn Bhd	Director	1	Kuala Lumpur
2014	Effective Hands-On Administrations of the Pertubuhan Arkitek Malaysia (PAM) Contract 2006 (Nominated Subcontractor Issues)	Construction Training & Development Centre Sdn Bhd	Finance Quality Management Systems	1 1	Kuala Lumpur

9. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Year	Training and development programme	Organiser	Attendees		Location
			Department	No. of staff	
2016	Procedures & Approval for Land Development & Housing Development Projects	CPD L Training Services	Director	1	Kuala Lumpur
2016	Half Day Course on Construction Insurance Management	CPD L Training Services	Finance	2	Kuala Lumpur
2016	Emphasizing Self Regulation in Handling Hoisting Machineries at Construction Site	Association of Construction Occupational Safety & Health	Projects	1	Kuala Lumpur
2016	Contract Payment Application & Certification	LV Management	Admin Finance	1 1	Kuala Lumpur
2017	Application of Microsoft Project in Construction (Basic & Advance)	SAZAA Training & Services	Director Quality Management Systems Technical	1 1 1	Kuala Lumpur
2017	Understanding & Transition to ISO9001:2015	Cambridge Management Sdn Bhd and Cambridge Training Sdn Bhd	Quality Management Systems	1	Kuala Lumpur
2017	Updates on Companies Act 2016	Malaysian Export Academy	Finance Human Resources	1 1	Kuala Lumpur
2017	Corporate Directors Advanced Programme (CDAP) – Financial Language in the Boardroom	Malasian Directors Academy	Director Finance Accounting	1 1 1	Kuala Lumpur

9.8.2 Management succession plan

Our Board believes that the success of our Company depends on the ability to retain our key management personnel and to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Company has a management succession plan consisting of:-

- (i) Sound selection and recruitment;
- (ii) Competitive remuneration and employee benefits;
- (iii) Structured career planning and development; and
- (iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Company. As part of the management succession plan, our Company has identified middle management personnel across all functions to assist the Key Management in order to facilitate skill transfer so as to ensure the smooth running and continuity of our operations. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Company and we provide the

10. APPROVALS AND CONDITIONS**10.1 APPROVALS AND CONDITIONS****10.1.1 Bursa Securities**

Bursa Securities has, *vide* its letter dated 7 September 2017, approved our admission to the Official List and the listing and quotation of our entire enlarged issued share capital on the ACE Market of Bursa Securities.

The conditions imposed by Bursa Securities and status of compliance with the conditions are as follows:-

Conditions	Status of compliance
1. Submit the following information in respect of the moratorium on the shareholdings of Promoters to the Bursa Depository:- (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares;	Complied
2. Approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
3. Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
4. Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of KAB on the first day of Listing;	To be complied
5. Any Director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to Listing of the Company;	Complied
6. In relation to the public offering to be undertaken by KAB, please announce at least two (2) Market Days prior to the Listing date, the result of the offering including the following:- (i) Level of subscription of public balloting and placement; (ii) Basis of allotment / allocation; (iii) A table showing the distribution for placement tranche, in format prescribed; and (iv) Disclosure of placees who become substantial shareholder of KAB arising from the public offering, if any, and to ensure that the overall distribution of KAB's securities is properly carried out to provide an orderly trading in the secondary market; and	To be complied
7. KAB / Mercury Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied

10. APPROVALS AND CONDITIONS (cont'd)**10.1.2 SC**

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC has, *vide* its letter dated 11 September 2017, approved the resultant equity structure of our Company under the equity requirement for public listed companies pursuant to our Listing, subject to the following conditions:-

Conditions	Status of compliance
1. KAB to ensure at least 12.5% of its enlarged share capital is to be allocated to or held by Bumiputera Investors recognised by Ministry of International Trade and Industry within one year after achieving the profit requirement for companies seeking listing on the Main Market or 5 years after being listed on ACE Market, whichever is the earlier (" Compliance Date "); and	To be complied
2. KAB to submit to the SC a proposal to comply with the Bumiputera equity condition at least six months prior to the Compliance Date.	

10.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoter as follows:-

- (i) the moratorium applies to the entire shareholdings held by our Promoter (*after the Offer for Sale*) for a period of 6 months from the date of our admission to the Official List ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoter's aggregate shareholdings amounting to at least 45% of our total number of Shares issued remain under moratorium for another period of 6 months ("**Second 6-Month Moratorium**"); and
- (iii) thereafter, our Promoter may sell, transfer or assign up to a maximum of one-third (1/3) per annum (*on a straight-line basis*) of the Shares held under moratorium.

The moratorium shall be imposed as follows:-

Promoter	Shares under the First 6-Month Moratorium		Shares under the Second 6-Month Moratorium	
	No. of Shares⁽¹⁾	%⁽²⁾	No. of Shares⁽¹⁾	%⁽²⁾
Dato' Lai	196,000,000	61.25	144,000,000	45.0
	196,000,000	61.25	144,000,000	45.0

Notes:-

- (1) Assuming that all 32,000,000 Offer Shares are fully placed out.
- (2) Based on the enlarged total number of 320,000,000 Shares after our IPO.

The moratorium restriction, which is fully acknowledged by our Promoter, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that is not in compliance with the aforesaid restriction.

Our Promoter has provided written undertakings to Bursa Securities that they will comply with the moratorium conditions as set out in Rule 3.19(1) of the Listing Requirements.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a "**related party transaction**" is a transaction entered into by a listed corporation or its subsidiaries that involves the interest (*direct or indirect*) of a related party. A "**related party**" of a listed corporation is:-

- (i) a director, having the meaning given in section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiaries or holding company or a chief executive of the listed corporation, its subsidiaries or holding company; or
- (ii) a major shareholder including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiaries or holding company, having an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:-
 - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
 - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)**11.1.1 Related party transactions for the past 3 financial years up to the LPD**

Save as disclosed below, there are no existing and/or proposed related party transactions which have been entered into or are to be entered into by our Company for the past 3 financial years and up to the LPD:-

No.	Nature of transaction	Transacting parties	Nature of relationship as at the LPD	Transaction value		
				FYE		From 1 January 2017 up to the LPD
				2014	2015	
			RM	RM	RM	
			Dato' Lai <i>(our Promoter, Managing Director and Substantial Shareholder)</i>			
(i)	Rental payment made by KAB to Master Device Sdn Bhd for rental of a 1½ storey terrace factory (for the period from 15 December 2006 to 1 July 2015) and rental of the ground floor of the terrace factory (for the period from 1 August 2015 until 31 May 2017) located at No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan ⁽¹⁾	(i) Master Device Sdn Bhd (ii) KAB	• Director of Master Device Sdn Bhd • Shareholder of Master Device Sdn Bhd • Promoter • Managing Director • Substantial Shareholder	36,000	27,500 ⁽²⁾	12,500
(ii)	Rental payment made to KAB by Dato' Lai for rental of a unit of bungalow at 13A, Villa Yari, No. 1, Jalan Awan Selimpat, Taman Yari, 58200 Kuala Lumpur, Wilayah Persekutuan	(i) Dato' Lai (ii) KAB	-	22,000 ⁽³⁾	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Nature of transaction	Transacting parties	Dato' Lai (our Promoter, Managing Director and Substantial Shareholder)	Transaction value				From 1 January 2017 up to the LPD		
				Nature of relationship as at the LPD			RM		RM	RM
				2014	2015	2016				
(iii)	Contract works rendered by KAB to AESB ⁽⁴⁾ are in relation to subcontracting works for ELV contract works	(i) AESB (ii) KAB	• - • Promoter • Managing Director • Substantial Shareholder	-	6,901,942	2,317 ⁽⁵⁾	-			
(iv)	Sale of contracts materials such as switches, sockets and general electrical accessories like cable tray, pipes, trunking and cables to AESB ⁽⁴⁾	(i) AESB (ii) KAB	• - • Promoter • Managing Director • Substantial Shareholder	107,769	451,157	77,955 ⁽⁵⁾	-			
(v)	Sale and purchase transaction entered into between KAB (as purchaser) and Master Device Sdn Bhd (as vendor) on 22 March 2017 for the purchase of a 1 ½ storey terrace factory located at No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan for a purchase consideration of RM1,300,000.00 ("Property SPA")	(i) Master Device Sdn Bhd (ii) KAB	• Director of Master Device Sdn Bhd • Shareholder of Master Device Sdn Bhd • Promoter • Managing Director • Substantial Shareholder	-	-	-	1,300,000			

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

No.	Nature of transaction	Transacting parties	Nature of relationship as at the LPD	Transaction value		
				2014	2015	2016
				RM	RM	RM
(vi)	Sale and purchase transaction entered into between KAB (as vendor) and Dato' Lai and Datin Alicia (as purchasers) on 5 November 2014 for the purchase of a unit of bungalow at 13A, Villa Yari, No. 1, Jalan Awan Selimpat, Taman Yari, 58200 Kuala Lumpur, Wilayah Persekutuan for a consideration of RM2,880,000.00 ("Bungalow SPA")	(i) KAB (ii) Dato' Lai	Dato' Lai (our Promoter, Managing Director and Substantial Shareholder)	2,880,000	-	-

Notes:-

- (1) The Property SPA was completed at the end of May 2017 and accordingly, the rental payments made by KAB pursuant to the terms of the tenancy agreement dated 15 December 2006 (as supplemented by letters dated 23 November 2009 and 30 June 2015 respectively) between Master Device Sdn Bhd (as landlord) and KAB (as tenant) ceased in May 2017.
- (2) Pursuant to a letter dated 30 June 2015 issued by Master Device Sdn Bhd (as landlord) to KAB (as tenant), under which the rental of the property has been reduced from RM3,000 to RM2,500 with effect from 1 August 2015 for rental of only the ground floor of the terrace factory.
- (3) The Bungalow SPA was completed at the end of December 2014 and accordingly, the rental payments made by Dato' Lai to KAB ceased in December 2014.
- (4) Our Company previously held 60% of the share capital of AESB and on 19 July 2016, KAB has sold and transferred its entire 60% shareholding in AESB to a third party. Dato' Lai was previously a director of AESB.
- (5) The transacting value of the related party transactions for FYE 2016 is only recorded up to the date of disposal of AESB by our Company.

Following the completion of the Property SPA, there are no continuing related party transactions which are expected to recur from the transactions set out above. Our Directors are of the view that all the above related party transactions were conducted on an arm's length basis and on terms and conditions not unfavourable to our Company.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

11.1.2 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our subsidiaries were a party to in respect of the past 3 financial years and up to the LPD and for the subsequent financial period immediately preceding the date of this Prospectus

11.1.3 Loans made to or for the benefit of related parties

There were no outstanding loans *(including guarantees of any kind)* made by our Company to or for the benefit of any related parties, for the past 3 financial years and up to the LPD and the subsequent financial period immediately preceding the date of this Prospectus.

11.2 Conflicts of interest

None of our Directors and Substantial Shareholders have any interest *(direct or indirect)* in any businesses or corporations that (i) carry on a similar trade as that of our Company; or (ii) are customers or suppliers of our Company.

11.3 Monitoring and oversight of related party transactions and conflicts of interest

11.3.1 Audit Committee review

Our Audit Committee reviews related party transactions to ensure no conflicts of interest arise within our Company. Our Audit Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to ensure that these transactions are carried out in the best interest of the Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. All reviews by the Audit Committee are reported to our Board for its further action.

11.3.2 Related party transactions and conflicts of interest

Some of the Directors and/or Substantial Shareholders of our Company are also directors and/or shareholders as named in Section 11.1.1 above. It is the policy of our Company that all related party transactions shall be reviewed by the Audit Committee to ensure that:-

- (i) there is no conflict of interest;
- (ii) the related party transactions are negotiated and agreed in the best interest of the Company at arm's length basis;
- (iii) the related party transactions are based on normal commercial terms not more favourable to the related party than those generally available to third parties; and
- (iv) the related party transactions are not to the detriment of the interest of our Company's minority shareholders.

11.4 Declaration by advisers on conflicts of interest

11.4.1 Mercury Securities

Mercury Securities confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent for our IPO.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

11.4.2 BDO Capital Consultants Sdn Bhd

BDO Capital Consultants Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Financial Adviser for our IPO, which includes:-

- (a) assisting the Principal Adviser in advising on the restructuring exercise and equity structure of the Company in preparation for the Proposed Listing;
- (b) assisting the Principal Adviser in conceptualising, advising, planning and implementing the Proposed Listing, including the offer structure, size and method of achieving the optimal public shareholding spread, pricing of the ordinary shares, the enlarged issued share capital and other related capital / financial matters;
- (c) assisting the Principal Adviser in reviewing submissions to and liaising with Bursa Securities and other relevant authorities, where applicable;
- (d) assisting the Principal Adviser in liaising with the relevant authorities, if required, prior to the finalisation of the terms of the Proposed Listing, to clarify issues that may arise and seek the necessary waivers on compliance with relevant guidelines and regulations, if required;
- (e) assisting the Principal Adviser in the preparation of any announcement, notice or any other documents which may be required to be released to Bursa Securities pertaining to the Proposed Listing;
- (f) assisting the Principal Adviser in the administrative task of compilation of information/documents as may be requested by the Principal Adviser for the registration of the Prospectus with the Securities Commission and subsequent lodgement of the same with the Registrar of Companies in Malaysia;
- (g) assisting the Principal Adviser in the marketing exercise of the ordinary shares available for subscription by the public and/or placement to selected investor(s) in consultation with the Company and the necessary preparation and arrangement for roadshows.

For the avoidance of doubt, BDOCC's role does not involve performing any function in a professional, advisory or other capacity in relation to an issue of or invitation to subscribe for or purchase securities, other than assisting the Principal Adviser in the administrative task of ensuring consistency of information contained in the Prospectus and submissions to the relevant authorities in Malaysia as well as extraction of information from the financial statements of the Company for inclusion in documents prepared by the Principal Adviser as may be requested by them;

- (h) participating in the Due Diligence Working Group which is responsible for the due diligence on information, data, documents and representations by the directors of the Company contained in the Prospectus and submissions to the relevant authorities in Malaysia; and
- (i) assisting the Principal Adviser in the administrative task of compilation of information/documents as may be requested by the Principal Adviser for the submission of application(s) to Bursa Securities for the admission of the entire ordinary shares of the Company to the Official List and the listing of and quotation for the entire ordinary shares on the ACE Market of Bursa Securities.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

11.4.3 Siew Boon Yeong & Associates

Siew Boon Yeong & Associates confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Auditors and Reporting Accountants for our IPO.

11.4.4 Mah-Kamariyah & Philip Koh

Mah-Kamariyah & Philip Koh confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Solicitors for our IPO.

11.4.5 Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Independent Market Researcher for our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND FINANCIAL POSITION

The financial information is prepared based on the continuing business of KAB as KAB had disposed of all its subsidiaries, being PISB and AESB during FYE 2015 and FYE 2016 respectively.

Accordingly, the discussion and analysis of financial performance and financial condition of KAB for FYEs 2014, 2015 and 2016 as well as FPE 2017 respectively are based on and derived from the historical individual financial statements of KAB to show the continuing business of KAB.

The following selected historical financial information for the FYEs 2014, 2015 and 2016 as well as the FPE 2017 have been prepared from the individual financial statements of KAB and should be read in conjunction with the "Management's discussion and analysis of financial performance and financial condition" in Section 12.4 below and with the Accountants' Report in Section 13 of this Prospectus. The historical financial information included in this Prospectus is based on financial statements that have been prepared in accordance with MFRS and IFRS and have been audited by SBY in accordance with approved standards on auditing in Malaysia.

12.1.1 Historical financial performance

The table below presents the audited statements of profit or loss and other comprehensive income of our Company for FYEs 2014, 2015 and 2016 as well as FPE 2017 which have been extracted from the Accountants' Report in Section 13 of this Prospectus and the unaudited statements of profit or loss and other comprehensive income of our Company for FPE 2016.

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	56,954	87,098	93,124	37,615	43,809
Cost of sales	(47,969)	(75,769)	(77,200)	(30,899)	(35,839)
GP	8,985	11,329	15,924	6,716	7,970
Other operating income	356	33	459	96	65
Administrative expenses	(3,580)	(4,598)	(6,235)	(2,568)	(3,365) ⁽⁶⁾
Profit from operations	5,761	6,764	10,148	4,244	4,670
Finance costs	(500)	(504)	(1,349)	(477)	(553)
PBT	5,261	6,260	8,799	3,767	4,117⁽⁶⁾
Tax expense	(1,386)	(1,712)	(2,244)	(904)	(1,274)
PAT	3,875	4,548	6,555	2,863	2,843
Other comprehensive income	-	-	-	-	-
Total comprehensive income	3,875	4,548	6,555	2,863	2,843
PBT is derived after charging:-					
- Depreciation	442	562	721	295	239
GP margin ⁽¹⁾ (%)	15.8	13.0	17.1	17.9	18.2
PBT margin ⁽²⁾ (%)	9.2	7.2	9.4	10.0	9.4
PAT margin ⁽³⁾ (%)	6.8	5.2	7.0	7.6	6.5
Basic and diluted EPS ⁽⁴⁾⁽⁵⁾ (sen)	1.21	1.42	2.05	0.89	0.89

12. FINANCIAL INFORMATION (cont'd)*Notes:-*

- (1) GP margin is computed based on GP over revenue.
- (2) PBT margin is computed based on PBT over revenue.
- (3) PAT margin is computed based on PAT over revenue.
- (4) Basic and diluted EPS is computed based on PAT divided by the enlarged total number of 320,000,000 Shares after the IPO.
- (5) Our Company does not have any outstanding convertible security.
- (6) The PBT for FPE 2017 is after deducting expenses incurred for the Listing of KAB of RM0.50 million which is non-recurrent in nature, for which if excluded, the PBT of KAB for FPE 2017 would have been RM4.62 million.

12.1.2 Historical financial position

The table below summarises the audited statements of financial position of our Company as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 May 2017 which have been extracted from the Accountants' Report in Section 13 of this Prospectus as well as the unaudited statements of financial position of our Company as at 31 May 2016.

	Audited	Audited	Audited	Unaudited	Audited
	31.12.2014	31.12.2015	31.12.2016	31.5.2016	31.5.2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	2,215	6,756	6,373	6,856	7,426
Current assets	24,054	48,197	61,790	40,680	54,365
Total assets	26,269	54,953	68,163	47,536	61,791
Invested equity	1,000	1,000	1,000	1,000	12,000
Reserves	6,070	9,618	15,124	12,481	6,967
Total equity / NA	7,070	10,618	16,124	13,481	18,967
Non-current liabilities	2,387	6,032	5,088	5,690	5,804
Current liabilities	16,812	38,303	46,951	28,365	37,020
Total liabilities	19,199	44,335	52,039	34,055	42,824
Total equity and liabilities	26,269	54,953	68,163	47,536	61,791

12.2 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

For a summary of our significant accounting policies, see Note 6.2 of the Accountants' Report in Section 13 of this Prospectus.

The preparation of our financial statements requires us to make certain estimates, assumptions concerning the future and judgements. They affect the application of our Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. These estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates and judgements are based on our best knowledge of current events and actions, actual results may differ, and will seldom equal to the estimated results. See Note 6.3 of the Accountants' Report in Section 13 of this Prospectus for further details.

12.3 SIGNIFICANT FACTORS AFFECTING OUR COMPANY'S FINANCIAL PERFORMANCE

We are principally involved in the provision of electrical and mechanical engineering services.

See Sections 7.1 and 7.3 of this Prospectus for further details of our Company's principal business activities, products and services as well as our future plans and business strategies.

Our revenue and financial performance are mainly driven by the factors outlined below. Any material impact on any of the factors described below would have a significant impact on our Company's financial performance:-

12. FINANCIAL INFORMATION *(cont'd)*

(i) General state of Malaysia's economy

When constructing a building, a well-designed electrical and mechanical system is necessary in order for it to be habitable. Further, the maintenance and upkeep of electrical and mechanical systems in existing buildings are equally crucial for the continued safety of its inhabitants.

Given that electrical and mechanical engineering solutions are necessary for all modern day buildings, the demand for such services depends on the growth of a multitude of sectors in the Malaysian economy including, amongst others, the following:-

- (i) the demand for industrial factories and plants will depend on, amongst others, the growth of various segments within the manufacturing and agricultural industries;
- (ii) the demand for commercial buildings will depend on, amongst others, the growth of the retail sector and level of business activity in general, which requires the use office space;
- (iii) the demand for apartments and housing projects will depend on the growth of the residential property industry as well as government policies, including implementation of affordable housing programmes;
- (iv) the demand for warehousing facilities will depend on, amongst others, the logistics and manufacturing industries;
- (v) the demand for schools and hospitals will depend on the education and healthcare industries respectively; and
- (vi) the demand for infrastructure and transport related buildings will depend on, amongst others, government policies relating to public infrastructure and public transport.

In view of the necessity for adequate electrical and mechanical engineering systems in all modern day buildings, whether residential, commercial or industrial, the drivers of our financial performance are not only limited to the growth of any particular industry segment, but is dependent on the general state of the Malaysian economy.

(ii) Continuity of our order book

A project can take up to 36 months to complete, depending on the size of the building and the complexity of engineering works required. The nature of our business requires us to secure new projects on a continuous basis, and should we fail to do so, the financial performance of our Company may be adversely affected. Our ability to continuously fill our order book depends on our ability to submit competitive tenders for projects. In turn, this will depend on, amongst others, our technical ability and track record in the industry.

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12. FINANCIAL INFORMATION (cont'd)

(iii) Competition

As our industry is highly fragmented, we are constantly competing against other providers of electrical and mechanical engineering services which range from small independent firms to larger established firms. We may not be able to compete with some of our competitors who have greater resources than us or who possess specialised technical expertise in certain areas of electrical and mechanical engineering works. Our financial performance may be materially and adversely affected if we are unable to continuously secure tenders for new projects or if we are forced to lower our profit margin when submitting our tenders due to intense price competition.

(iv) Timely completion of our projects

Our cash flows and revenue are dependent on the timely completion of our projects. However, this is dependent on various external factors inherent in our industry including, amongst others, the timely receipt of requisite licenses, permits or regulatory approvals, availability of labour and equipment, availability of financing at satisfactory rates and terms as well as satisfactory performance of the appointed subcontractors. Any adverse developments which lead to any delay in completing our projects may adversely impact our cash flows and financial performance.

(v) Dependence on the services provided by our subcontractors

As subcontractor cost is one of the major component of our contract expenses, we have periodically assessed our subcontractors as to their ability to deliver their services in a timely and satisfactory manner as any non-performance of works within the prescribed timeline by our subcontractors may result in claims in damages and penalties against us, which translates into lower profit margins from our projects. As we utilise our subcontractors for our projects which are mostly labour intensive and may require specialised services, we have constantly endeavoured to ensure that our subcontractors deliver their services within the projects' timeline and specifications, as any failure to do so will inadvertently affect our relationship with our customers.

(vi) Dependence on Key Management and skilled technicians

We require certified, skilled and experienced technicians to plan, manage and execute the projects undertaken by us. The number of personnel with the relevant qualifications and experience in the industry may be limited due to, amongst others, lack of existing talent pool, supply and demand factors as well as competition among other engineering-based companies. In some cases, we may not be able to compete with other employers which have greater financial resources than us as they are able to offer remuneration packages that are more attractive. If we are required to compete for such skilled and experienced technicians, our cost structure may be affected and this may affect our profitability and financial performance.

(vii) Cost overruns

As most of the projects we undertake are based on fixed-price contracts, we are required to estimate our cost of operations upfront when preparing our tender documents to ensure adequate margins can be earned from each contract. Once we have been successfully awarded the contract, we are required to manage and monitor our cost of operations throughout the project duration to ensure cost discipline and avoid any potential cost overruns.

Failure to perform the right estimate of costs during the tender stage or mismanagement of our costs during the contract period may affect our profitability.

12. FINANCIAL INFORMATION (cont'd)

See “Risk factors” in Section 5 of this Prospectus for a more detailed discussion of the risk factors which may affect our Company’s business, financial performance and financial condition.

12.4 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE AND FINANCIAL CONDITION

The following management’s discussion and analysis of KAB’s financial performance and financial condition for FYEs 2014, 2015 and 2016 as well as FPE 2017 are based on, and should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants’ Report in Section 13 of this Prospectus.

This discussion and analysis contain data derived from our audited financial statements and include forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors which may cause future results to differ significantly from those included in the forward-looking statements are discussed in “Forward-Looking Statements” section of this Prospectus and elsewhere in this Prospectus, in particular the risk factors in Section 5 of this Prospectus. Such forward-looking statements should not in any manner or circumstance be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or any other person. Investors are cautioned not to place undue reliance on the forward-looking statements made as of the date of this Prospectus.

12.4.1 Revenue

Provision of electrical services is our largest business segment, which had consistently accounted for more than 79% of our revenue for the period under review. The second largest segment of our revenue is sale of goods, which accounted for 12.5%, 7.5%, 7.1% and 12.0% respectively in FYEs 2014 to 2016 as well as FPE 2017.

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable.

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12. FINANCIAL INFORMATION (cont'd)**(i) Analysis of revenue by business activities**

Our principal sources of revenue are derived from the provision of electrical, FTTH, ELV services and sale of goods. The following table sets out our revenue by business activities for FYEs 2014, 2015 and 2016 as well as FPE 2017 :-

	Audited		FYE 2015		FYE 2016		Unaudited		Audited	
	FYE 2014	%	FYE 2015	%	FYE 2016	%	FPE 2016	%	FPE 2017	%
	RM'000		RM'000		RM'000		RM'000		RM'000	
Electrical	48,126	84.5	71,139	81.7	80,753	86.7	32,161	85.5	34,759	79.4
FTTH	1,592	2.8	2,452	2.8	2,822	3.0	1,208	3.2	1,505	3.4
ELV	114	0.2	6,979	8.0	2,959	3.2	1,748	4.7	1,915	4.4
Mechanical	-	-	-	-	-	-	-	-	360	0.8
Contract revenue	49,832	87.5	80,570	92.5	86,534	92.9	35,117	93.4	38,539	88.0
Sale of goods	7,122	12.5	6,528	7.5	6,590	7.1	2,498	6.6	5,270	12.0
Total revenue	56,954	100.0	87,098	100.0	93,124	100.0	37,615	100.0	43,809	100.0

(ii) Analysis of revenue by geographical locations of our customers

For the period under review, all of our revenue was derived from Malaysia.

	Audited		FYE 2015		FYE 2016		Unaudited		Audited	
	FYE 2014	%	FYE 2015	%	FYE 2016	%	FPE 2016	%	FPE 2017	%
	RM'000		RM'000		RM'000		RM'000		RM'000	
Malaysia	56,954	100.0	87,098	100.0	93,124	100.0	37,615	100.0	43,809	100.0

12. FINANCIAL INFORMATION (cont'd)

The following is a summary of breakdown of contract revenue into revenue from ongoing projects (brought forward from the previous year) and revenue from newly commenced projects which commenced revenue recognition during the year as well as the balance of number of projects carried forward as at the end of each financial year, the unearned revenue as at the end of each financial year, new contract sums secured and the number of new projects secured during each of the period under review.

	Contract revenue			
	FYE 2014 RM'000	FYE 2015 RM'000	FYE2016 RM'000	FPE 2017 RM'000
Revenue from contracts:				
Ongoing projects	34,295	36,853	81,586	37,337
Newly commenced projects	15,537	43,717	4,948	1,202
Contract revenue	49,832	80,570	86,534	38,539
Balance of number of projects carried forward as at the end of each financial year/period	14	32	38	40
Unearned revenue as at the end of each financial year/period (RM'000)	73,789	146,176	186,210	195,583
New projects secured during the financial year/period				
Contract sums (RM'000)	106,270	102,535	141,039	77,538
Number of contracts	10	15	15	11

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12. FINANCIAL INFORMATION *(cont'd)***Comparison between FYE 2014 and FYE 2015**

Our revenue increased from RM56.95 million in FYE 2014 to RM87.10 million in FYE 2015, an increase of RM30.15 million or 52.9%.

The increase in revenue for FYE 2015 was contributed by the following:-

- (i) Revenue from newly commenced projects in FYE 2015 of RM43.72 million, namely Savanna Executive Suites, Diamond City, Green Residence and Mesahill, amongst others;
- (ii) Increase in revenue from the ELV segments by RM6.87 million, namely from new ELV projects secured of Green Residence, M-City (Package 1) and M-City (Package 2) during FYE 2015 and increase in revenue contribution from our ongoing ELV project at UniKL Malaysia Institute of Aviation Technology campus; and
- (iii) Increase in revenue from the FTTH segment by RM0.86 million due to new FTTH projects secured at Selayang 18 and Lakepark Residence during FYE 2015.

The increase in revenue was partially offset by:-

- (i) Decrease in revenue contribution from ongoing projects (brought forward from FYE 2014) where our Company continued to derive revenue of RM36.85 million in FYE 2015 as compared to contract revenue of RM49.83 million in FYE 2014. The decrease in revenue was mainly due to near completion of our services at Concerto North Kiara (FYE 2015: revenue of RM1.05 million vs FYE 2014: revenue of RM12.40 million); and
- (ii) An 8.3% decrease in revenue from the sale of goods segment due to decrease in purchase orders from our subcontractors. The sale of goods segment contributed 7.5% of our revenue in FYE 2015, a lower contribution as compared to a contribution of 12.5% of revenue the year before.

Comparison between FYE 2015 and FYE 2016

Our revenue continued to increase from RM87.10 million in FYE 2015 to RM93.12 million in FYE 2016, an increase of RM6.02 million or 6.9%. The increase in revenue for FYE 2016 was contributed by the following:-

- (i) Revenue from newly commenced projects in FYE 2016 of RM4.95 million, namely EkoCheras, Duta – Ulu Kelang Expressway Phase 2 and Lakeville Residence (Package 2 and 3) which was secured in FYE 2016, amongst others;
- (ii) Increase in revenue from ongoing projects (brought forward from FYE 2015) where our Company continued to derive revenue of RM81.59 million as compared to contract revenue of RM80.57 million in FYE 2015;
- (iii) Increase in revenue from RM2.45 million in FYE 2015 to RM2.82 million in FYE 2016 from FTTH business segment due to FTTH projects secured at EkoCheras and Lakeville Residence (Package 2 and 3) which were secured in FYE 2015 and FYE 2016 respectively and commenced revenue recognition in FYE 2016; and
- (iv) Revenue from the sale of goods segment increased slightly by RM0.06 million although its contribution to total revenue declined on the back of higher revenue base to 7.1% of total revenue from 7.5% in the previous financial year.

12. FINANCIAL INFORMATION (cont'd)

The increase in revenue was partially offset by 57.6% or RM4.02 million decrease in revenue from our ELV segment due to completion of certain ELV projects at Vina Condominium and Pulau Duyong Besar, amongst others, and less ELV projects being secured during FYE 2016. Nonetheless, in 2016 our Company continued to secure new ELV projects i.e. at H2O Residences, Ara Damansara, Selangor and Duta-Ulu Kelang Expressway Phase 2, Kuala Lumpur with contract sums of RM5.10 million as well as a project involving electrical, FTTH, telephone and ELV services at PR1MA Setapak with contract sum of RM9.90 million.

Comparison between FPE 2016 and FPE 2017

Our revenue increased from RM37.62 million in the FPE 2016 to RM43.81 million in the FPE 2017, an increase of RM6.19 million or 16.5%. The increase in revenue for FPE 2017 was contributed by the following:-

- (i) Revenue from newly commenced projects in FPE 2017 of RM1.20 million, namely Astoria Ampang, Jalilmas, The Havre and River of Life which was secured in 2017, amongst others;
- (ii) Increase in revenue from ongoing projects (brought forward from FYE 2016) where our Company continued to derive revenue of RM37.34 million in FPE 2017 as compared to contract revenue of RM34.36 million in FPE 2016;
- (iii) Recognition of revenue from the mechanical segment of RM0.36 million in FPE 2017 (FPE 2016: nil) from a mechanical engineering services contract secured in FYE 2016 for mechanical services at the Universiti Tun Hussein Onn Malaysia, Batu Pahat, Johor; and
- (iv) Increase in revenue from RM2.50 million to RM5.27 million from the sale of goods segment due to increase in orders from our customers.

Below is a summary of the top 10 projects by revenue for each of the period under review:-

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12. FINANCIAL INFORMATION (cont'd)

The top 10 projects by revenue recognised in FYE 2014 are summarised below: -

	Project	FYE 2014	
		RM'000	%
(i)	Electrical, FTTH and telephone services at Cybersquare, Cyberjaya, Selangor	13,587	27.3
(ii)	Electrical and FTTH services for Concerto North Kiara, Kuala Lumpur	12,359	24.8
(iii)	Electrical and telephone services at M-City (Package 2), Jalan Ampang, Kuala Lumpur	10,577	21.2
(iv)	Electrical and telephone services at M-City (Package 1), Jalan Ampang, Kuala Lumpur	4,260	8.5
(v)	Electrical, FTTH and telephone services at Saville @ The Park, Bangsar, Kuala Lumpur	2,777	5.6
(vi)	Electrical, ELV, FTTH and telephone services for TTDI Adina at Shah Alam, Selangor	2,012	4.0
(vii)	Electrical services at Cascades, Kota Damansara, Selangor	1,186	2.4
(viii)	Electrical services at Journal Hotel, off Jalan Sultan Ismail, Kuala Lumpur	1,146	2.3
(ix)	Electrical, telephone and ELV services for affordable housing flats at Ladang Tok Pelam, Kuala Terengganu, Terengganu	543	1.1
(x)	Electrical, FTTH and telephone services at Vina Condominium, Cheras, Selangor	351	0.7
	Top 10 projects	48,798	97.9
(xi)	Others (7 projects)	1,034	2.1
	Contract revenue	49,832	100.0

The top 10 projects contributed 97.9% of our contract revenue in FYE 2014.

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12. FINANCIAL INFORMATION (cont'd)

The top 10 projects by revenue recognised in FYE 2015 are summarised below: -

Project	FYE 2015	
	RM'000	%
(i) Electrical, FTTH and telephone services at Cybersquare, Cyberjaya, Selangor	14,305	17.8
(ii) Electrical services for Savanna Apartment (Block A, B and E) at Sepang, Selangor	9,983	12.4
(iii) Electrical, FTTH and telephone services for Green Residence at Cheras, Selangor	8,199	10.2
(iv) Electrical, FTTH and telephone services at Vina Condominium, Cheras, Selangor	7,035	8.7
(v) Electrical services for Mesahill Phase 1 and 2 at Nilai, Negeri Sembilan	6,302	7.8
(vi) (a) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 1, 2 and 3 at Semenyih, Selangor	5,117	6.4
(b) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 4 at Semenyih, Selangor		
(c) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 4A and 5 at Semenyih, Selangor		
(vii) Electrical, FTTH and telephone services at Icon City Phase 1 (Package 6), Petaling Jaya, Selangor	3,794	4.7
(viii) Electrical services for Savanna Apartment (Block C and D) at Sepang, Selangor	3,746	4.6
(ix) Electrical and telephone services at M-City (Package 2), Jalan Ampang, Kuala Lumpur	3,119	3.9
(x) Electrical and telephone services at M-City (Package 1), Jalan Ampang, Kuala Lumpur	2,521	3.1
Top 10 projects	64,121	79.6
(xi) Others (26 projects)	16,449	20.4
Contract revenue	80,570	100.0

The top 10 projects contributed 79.6% of our contract revenue in FYE 2015.

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12. FINANCIAL INFORMATION (cont'd)

The top 10 projects by revenue recognised in FYE 2016 are summarised below: -

Project	FYE 2016	
	RM'000	%
(i) Electrical services for Savanna Apartment (Block A, B and E) at Sepang, Selangor	12,529	14.5
(ii) Electrical services for Mesahill Phase 1 and 2 at Nilai, Negeri Sembilan	11,274	13.0
(iii) Electrical services for Savanna Apartment (Block C and D) at Sepang, Selangor	9,923	11.5
(iv) Electrical, FTTH and telephone services for H2O Residences at Ara Damansara, Selangor	6,502	7.5
(v) Electrical, FTTH and telephone services for Green Residence at Cheras, Selangor	6,438	7.4
(vi) (a) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 1, 2 and 3 at Semenyih, Selangor	6,202	7.2
(b) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 4 at Semenyih, Selangor		
(c) Electrical, FTTH, telephone and infrastructure services for Diamond City Phase 4A and 5 at Semenyih, Selangor		
(vii) Electrical, FTTH, telephone and mechanical services for Lakepark Residence, off Jalan Ipoh, Kuala Lumpur	5,825	6.7
(viii) Electrical, FTTH and telephone services for Lakeville Residence (Package 1) at Taman Wahyu, Kuala Lumpur	5,707	6.6
(ix) Electrical, FTTH, telephone, and ELV services for Selayang 18 at Selayang, Selangor	5,384	6.2
(x) Electrical, FTTH and telephone services at Icon City Phase 1 (Package 6), Petaling Jaya, Selangor	2,678	3.1
Top 10 projects	72,462	83.7
(xi) Others (35 projects)	14,072	16.3
Contract revenue	86,534	100.0

The top 10 projects contributed 83.7% of our contract revenue in FYE 2016.

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12. FINANCIAL INFORMATION (cont'd)

The top 10 projects by revenue recognised in FPE 2017 are summarised below: -

Project	FPE 2017	
	RM'000	%
(i) Electrical, FTTH and telephone services for H2O Residences at Ara Damansara, Selangor	6,251	16.2
(ii) Electrical services for Savanna Apartment (Block C and D) at Sepang, Selangor	4,502	11.7
(iii) Electrical, FTTH and telephone services for Lakeville Residence (Package 1) at Taman Wahyu, Kuala Lumpur	3,797	9.9
(iv) Electrical, FTTH, telephone and mechanical services for Lakepark Residence, off Jalan Ipoh, Kuala Lumpur	3,310	8.6
(v) Electrical and telephone services for CitiZen at Jalan Klang Lama, Kuala Lumpur	3,188	8.3
(vi) Electrical, FTTH and telephone services at EkoCheras, Cheras, Kuala Lumpur	2,934	7.6
(vii) Electrical, FTTH and telephone services for Lakeville Residence (Package 2 and 3) at Taman Wahyu, Kuala Lumpur	1,902	4.9
(viii) Electrical, FTTH and telephone services for Green Residence at Cheras, Selangor	1,292	3.3
(ix) Electrical, telephone and ELV services at Kampung Ladang / Tanjung, Kuala Terengganu, Terengganu	1,271	3.3
(x) Electrical, FTTH and telephone services at Icon City Phase 1 (Package 6), Petaling Jaya, Selangor	1,067	2.8
Top 10 projects	29,514	76.6
(xi) Others (34 projects)	9,025	23.4
Contract revenue	38,539	100.0

The top 10 projects contributed 76.6% of our contract revenue in FPE 2017.

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12. FINANCIAL INFORMATION (cont'd)**12.4.2 Cost of sales****(i) Analysis of cost of sales by business activities**

During the period under review, more than 78% of our cost of sales relates to our electrical business segment whilst the remaining relates to our FTTH, ELV, mechanical and sale of goods segments.

The cost of sales by business activities is as follows:-

	FYE 2014		Audited		FYE 2015		FYE 2016		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Electrical	40,089	83.6	61,537	81.2	66,707	86.4	26,135	84.6	28,189	78.7		
FTTH	1,192	2.5	1,598	2.1	1,825	2.3	944	3.1	1,035	2.9		
ELV	102	0.2	6,703	8.9	2,825	3.7	1,707	5.5	1,912	5.3		
Mechanical	-	-	-	-	-	-	-	-	-	-	337	0.9
Contract cost of sales	41,383	86.3	69,838	92.2	71,357	92.4	28,786	93.2	31,473	87.8		
Sale of goods	6,586	13.7	5,931	7.8	5,843	7.6	2,113	6.8	4,366	12.2		
Total cost of sales	47,969	100.0	75,769	100.0	77,200	100.0	30,899	100.0	35,839	100.0		

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12. FINANCIAL INFORMATION (cont'd)**(ii) Analysis of cost of sales by cost items**

The major items of our cost of sales are as follows:-

	FYE 2014		Audited FYE 2015		FYE 2016		Unaudited FPE 2016		Audited FPE 2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Contract costs of sales										
Contract materials	16,960	35.4	34,570	45.6	30,631	39.7	9,499	30.8	11,730	32.7
Subcontractor costs	22,836	47.6	33,345	44.0	37,947	49.1	17,662	57.2	18,109	50.5
Salaries and wages	1,126	2.3	1,496	2.0	2,287	3.0	1,395	4.5	1,526	4.3
Others ⁽¹⁾	461	1.0	427	0.6	492	0.6	230	0.7	108	0.3
	41,383	86.3	69,838	92.2	71,357	92.4	28,786	93.2	31,473	87.8
Sale of goods										
Cost of goods sold	6,586	13.7	5,931	7.8	5,843	7.6	2,113	6.8	4,366	12.2
Total cost of sales	47,969	100.0	75,769	100.0	77,200	100.0	30,899	100.0	35,839	100.0

Note:-

(1) Others include rectification works, site expenses, tender and documentation fees, testing fees, hire of machinery and upkeep of equipment.

Our cost of sales mainly comprises the following:-

(a) Contract materials

This relates to contract materials such as cables, switchgears, transformers, generator sets and electrical accessories for use in our projects.

(b) Subcontractor costs

This relates to subcontractors who assists us in undertaking our projects by providing manual and labour works during the installation stage. Their level of supply of labour and materials for electrical engineering works are based on the agreements entered into between our Company and the subcontractors.

12. FINANCIAL INFORMATION *(cont'd)*

(c) Cost of goods sold

Cost of goods sold relates to materials we procure that are made available for our subcontractors to use under our sale of goods business segment. Under our subcontract agreement with some of our subcontractors, we sell materials that are required by the subcontractors for our projects if they choose to make such requests. We supply these materials with a mark-up on top of the prevailing market rates obtained on quotation basis, or as mutually agreed between our Company and subcontractors.

(d) Salaries and wages

These relates to our employees directly involved in the projects, comprising their salaries and wages including bonuses, allowances and statutory employer's contribution to Employees' Provident Fund and Social Security Organisation ("**SOCSSO**").

(e) Others

Others are general miscellaneous expenses arising from the general conditions and methods to complete the project. These costs include rectification works, site expenses, tender and documentation fees, testing fees, hire of machinery and upkeep of equipment.

Comparison between FYE 2014 and FYE 2015

The cost of sales of our Company increased by 58.0% from RM47.97 million in FYE 2014 to RM75.77 million in FYE 2015 in line with the increased activities. The increase in cost of sales was due to the increase in the major costs of sales items such as:-

- i. increase in contract materials from RM16.96 million in FYE 2014 to RM34.57 million in FYE 2015. This was in line with the increase in the revenue during the same period;
- ii. increase in subcontractor costs from RM22.84 million in FYE 2014 to RM33.35 million in FYE 2015; and
- iii. the increase in the salaries and wages for our employees directly involved in projects from RM1.13 million in FYE 2014 to RM1.50 million in FYE 2015 due to the increase in head count in direct labour from 24 to 39.

The implementation of Goods and Services Tax (GST) in Malaysia on 1 April 2015 was also a factor for the increased costs for our materials and supplies. Aside from the 6% GST that was levied on our contract materials, such as generator sets, transformers, cables and switchboards, we also incurred additional costs attributable to the uncertainties in pricing of materials and supplies during the transition period leading up to the adoption of GST. In view that all of our contracts were negotiated upfront on a fixed price basis, we were unable to pass on such increased costs to our then existing customers.

12. FINANCIAL INFORMATION (cont'd)

Comparison between FYE 2015 and FYE 2016

The cost of sales of our Company have increased marginally by 1.9% from RM75.77 million in FYE 2015 to RM77.20 million in FYE 2016 as our Company's revenue only increased from RM87.10 million in FYE 2015 to RM93.12 million in FYE 2016. The increase was in the major costs of sales items such as:-

- i. increase in subcontractor costs from RM33.35 million in FYE 2015 to RM37.95 million in FYE 2016; and
- ii. increase in the salaries and wages for our employees directly involved in projects from RM1.50 million in FYE 2015 to RM2.29 million in FYE 2016 due to the increase in head count in direct labour from 39 to 59.

Comparison between 5-month FPE 2016 and 5-month FPE 2017

The cost of sales of our Company have increased by 16.0% from RM30.90 million in the 5-month FPE 2016 to RM35.84 million in FPE 2017 in line with the increase in our Company's revenue by 16.5% from RM37.62 million in FPE 2016 to RM43.81 million in FPE 2017. The increase was in the major costs of sales items such as:-

- i. increase in contract materials from RM9.50 million in FPE 2016 to RM11.73 million in FPE 2017; and
- ii. increase in cost of goods sold for the sale of goods segment from RM2.11 million in FPE 2016 to RM4.37 million in FPE 2017.

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12. FINANCIAL INFORMATION (cont'd)**12.4.3 GP margin and GP****(i) Analysis of GP margin**

Our GP margin by business activities is as follows:-

	FYE 2014		Audited FYE 2015		FYE 2016		Unaudited FPE 2016		Audited FPE 2017	
	GP margin ⁽¹⁾ %	GP RM'000	GP margin ⁽¹⁾ %	GP RM'000	GP margin ⁽¹⁾ %	GP RM'000	GP margin ⁽¹⁾ %	GP RM'000	GP margin ⁽¹⁾ %	GP RM'000
Electrical	16.7	9,602	13.5	14,046	17.4	6,026	18.7	6,570	18.9	6,570
FTTH	25.1	854	34.8	997	35.3	264	21.9	470	31.2	470
ELV	10.5	276	4.0	134	4.5	41	2.3	3	0.2	3
Mechanical	-	-	-	-	-	-	-	23	6.4	23
Sale of goods	7.5	597	9.1	747	11.3	385	15.4	904	17.2	904
GP and GP margin	15.8	11,329	13.0	15,924	17.1	6,716	17.9	7,970	18.2	7,970

Note:-

(1) GP margin is based on GP over revenue

Our overall GP increased from RM8.99 million in FYE 2014 to RM11.33 million in FYE 2015, an increase of RM2.34 million or 26.1% as compared to FYE 2014.

Despite the increase in GP, our overall GP margin decreased from 15.8% in FYE 2014 to 13.0% in FYE 2015. This was due to the decrease in GP margin for electrical segment from 16.7% in FYE 2014 to 13.5% in FYE 2015 and the decrease in GP margin for ELV segment from 10.5% in FYE 2014 to 4.0% in FYE 2015. The decrease in GP margin for both the electrical and ELV segments was due to increase in costs involved.

The increase in costs is mainly due to the implementation of GST. Aside from the 6% GST that was levied on our contract materials, such as generator sets, transformers, cables and switchboards, we also incurred additional costs attributable to the uncertainties in pricing of materials and supplies during the transition period leading up to the adoption of GST. The decrease in GP margin was partly mitigated by the increase in GP margin of the sale of goods segment from 7.5% in the previous financial year to 9.1% in FYE 2015.

12. FINANCIAL INFORMATION (cont'd)

For sale of goods segment, under our Company's agreement with subcontractors, the subcontractors may choose to request our Company to supply certain loose materials and our Company supplies these materials with a mark-up on top of the prevailing market rates obtained on quotation basis, or as mutually agreed between our Company and subcontractor. The higher GP margin for the sale of goods segment was due to higher discount/incentive received on bulk purchases and early payment granted by the suppliers to our Company.

In FYE 2016, our Company recorded GP of RM15.92 million, an increase in GP of RM4.59 million or 40.6% as compared to GP of RM11.33 million in FYE 2015. Our overall GP margin increased from 13.0% in FYE 2015 to 17.1% in FYE 2016 as a result of increase in GP margins of the electrical and sale of goods segments.

Our electrical segment had a GP margin of 17.4%, an increase from its GP margin of 13.5% in the previous year which was lower due to increase in costs involved in FYE 2015. Post implementation of GST, KAB, having taken into consideration the above increase in costs, had increased its pricing of the new contracts secured from its customers, which contributed to the improvement of GP margin of the electrical segment in FYE 2016.

The sale of goods segment also recorded a higher GP margin at 11.3% as compared to 9.1% in FYE 2015, and the GP margins for the FTTH and ELV segments remained fairly consistent at 35.3% and 4.5% (FYE 2015: 34.8% and 4.0% respectively).

Our overall GP increased from RM6.72 million in FPE 2016 to RM7.97 million in FPE 2017, an increase of RM1.25 million or 18.7% as compared to FPE 2016. Our overall GP margin was 17.9% and 18.2% for FPE 2016 and FPE 2017 respectively.

We typically record a higher GP margin when more complex works are being carried out such as the installation of equipment like generator sets, main switchboards and transformers. As such, the GP margin for each segment fluctuates, depending on the life cycle of the respective projects.

12.4.4 Other operating income

The following sets out a breakdown of our other operating income:-

	FYE 2014		Audited FYE 2015		FYE 2016		Unaudited FPE 2016		Audited FPE 2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	295	82.9	-	-	50	10.9	50	52.1	-	-
Gain on disposal of subsidiary company	-	-	-	-	290	63.2	-	-	-	-
Interest income	39	10.9	31	94.0	102	22.2	30	31.2	56	86.2
Rental income	22	6.2	1	3.0	-	-	-	-	-	-
Others	(1)	(1)	1	3.0	17	3.7	16	16.7	9	13.8
Other operating income	356	100.0	33	100.0	459	100.0	96	100.0	65	100.0

Note:-

(1) Negligible

12. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2014 and FYE 2015**

Other operating income decreased from RM0.36 million for FYE 2014 to RM0.03 million for FYE 2015. Such decrease was primarily attributable to:-

- (i) one-off income recognised in FYE 2014 which did not recur in FYE 2015 such as gain on disposal of property, plant and equipment which was derived from:-
 - (a) disposal of our Company's freehold land and building, comprising a unit of bungalow at 13A, Villa Yarl, No. 1, Jalan Awan Selimpat, Taman Yarl, Kuala Lumpur, to Dato' Lai and Datin Alicia for sales consideration of RM2.88 million; and
 - (b) disposal of leasehold building comprising a unit of apartment at C12-5-04, Equine Park, Selangor to a third party for sales consideration of RM0.15 million;
- (i) rental income in FYE 2014 was mainly derived from the rental of our Company's freehold land and building comprising a unit of bungalow at 13A, Villa Yarl, No. 1, Jalan Awan Selimpat, Taman Yarl, Kuala Lumpur to Dato' Lai for monthly rental charges of RM2,000. The decrease in rental income in FYE 2015 was primarily attributable to the termination of the tenancy agreement starting from January 2015, due to the disposal of the freehold land and building to Dato' Lai and Datin Alicia.

Comparison between FYE 2015 and FYE 2016

Other operating income increased from RM0.03 million for FYE 2015 to RM0.46 million for FYE 2016. The increase was primarily attributable to:-

- (i) one-off income recognised in FYE 2016 such as gain on disposal of AESB, a subsidiary of our Company for a sales consideration of RM0.35 million; and
- (ii) increase in interest income derived from fixed deposit placements with licensed banks and bank balances placed under current accounts. Interest income increased by RM0.07 million or 233.3%, from RM0.03 million in FYE 2015 to RM0.10 million in FYE 2016. Such increase was primarily attributable to:-
 - (a) interest income derived from fixed deposit increased from RM0.01 million for FYE 2015 to RM0.05 million for FYE 2016 due to the increase in the placement of fixed deposits with licensed banks from RM1.12 million for FYE 2015 to RM4.11 million for FYE 2016.

The increase in the placement of fixed deposits commensurates with the increase in the bank guarantees we obtained from the bank for the purpose of performance bonds. Performance bonds may be required by our customers for certain projects upon successful tender.

We are required to place an initial 20% of the bank guarantee value in fixed deposits and subsequently to place 5% of our assigned contract proceeds received in fixed deposits until the value of the fixed deposits matches the value of the bank guarantee; and

- (b) interest income derived from bank balances placed under current accounts increased from RM0.02 million for FYE 2015 to RM0.05 million for FYE 2016, due to the increase in bank balances from RM3.72 million for FYE 2015 to RM8.90 million for FYE 2016.

12. FINANCIAL INFORMATION (cont'd)**Comparison between FPE 2016 and FPE 2017**

Other operating income decreased from RM0.10 million for FPE 2016 to RM0.06 million for FPE 2017. The decrease was primarily attributable to one-off gain on disposal on property, plant and equipment in FPE 2016 of RM0.05 million.

12.4.5 Administrative expenses

The following table sets out a breakdown of our administrative expenses for FYEs 2014, 2015 and 2016:-

	FYE 2014		Audited		FYE2016		Unaudited		Audited	
	RM'000	%	FYE 2015	%	RM'000	%	FPE 2016	%	FPE 2017	%
Directors' remuneration	1,024	28.6	1,209	26.3	1,375	22.0	592	23.0	630	18.7
Staff benefit expenses	748	20.9	1,367	29.8	2,536	40.7	1,057	41.2	1,320	39.2
Depreciation of property, plant and equipment	442	12.3	562	12.2	721	11.6	295	11.5	239	7.1
Consultancy fee	561	15.7	221	4.8	-	-	-	-	-	-
Bank charges	57	1.6	125	2.7	83	1.3	48	1.9	15	0.4
Bad debts written off	-	-	-	-	157	2.5	-	-	-	-
Entertainment	124	3.5	157	3.4	139	2.2	46	1.8	60	1.8
Insurance	29	0.8	114	2.5	125	2.0	84	3.3	37	1.1
Printing and stationery	44	1.2	66	1.5	130	2.1	50	1.9	49	1.5
Professional fees	-	-	47	1.0	241	3.9	67	2.6	613	18.2
Rental of premises	36	1.0	62	1.3	106	1.7	39	1.5	43	1.3
Upkeep of motor vehicles	70	2.0	115	2.5	117	1.9	110	4.3	24	0.7
Others	445	12.4	553	12.0	505	8.1	180	7.0	335	10.0
Administrative expenses	3,580	100.0	4,598	100.0	6,235	100.0	2,568	100.0	3,365	100.0

Our administrative expenses comprised mainly staff benefit expenses, directors' remuneration and depreciation of property, plant and equipment. Overall administrative expenses increased from RM3.58 million for FYE 2014 to RM6.24 million for FYE 2016 largely due to increase in staff benefit expenses. Our administrative expenses increased from RM2.57 million for FPE 2016 to RM3.37 million for FPE 2017 largely due to increase in professional fees expenses, which is non-recurrent in nature, and staff benefit expenses.

12. FINANCIAL INFORMATION (cont'd)

Our directors' remuneration and staff benefit expenses represent the largest components of our administrative expenses. Our directors' remuneration represented 28.6%, 26.3%, 22.0% and 18.7% of administrative expenses for FYE 2014, FYE 2015, FYE 2016, FYE 2016 and FYE 2017 respectively. Our staff benefit expenses comprised staff salaries, bonus, allowances and staff welfare expenses, representing 20.9%, 29.8%, 40.7%, 41.2% and 39.2% of administrative expenses for FYE 2014, FYE 2015, FYE 2016, FYE 2016 and FYE 2017 respectively. Our staff benefit expenses increased by 82.8% for FYE 2015 and 85.5% for FYE 2016. This is due to the net increase in the head count of our administrative staff by 4 for FYE 2014, 4 for FYE 2015 and 4 for FYE 2016 respectively, coupled with the general increase in basic salaries and increase in staff welfare and training activities in FYE 2016. The increase in head count was to support the overall increase in business activities (i.e. to implement the increased number of projects secured) in FYE 2015 and FYE 2016.

Our consultancy fees in FYE 2014 and FYE 2015 relates to fees payable to third party consultants who assist us with reviewing the project consultant's design to ensure the practicality and efficiency of the implementation of our project. Following the increase in head count in FYE 2015 and in FYE 2016, we were able to reduce our engagement of the services of these third party consultants. Our consultancy fees payable reduced by 60.6% in FYE 2015 from FYE 2014 and we did not engage consultants in FYE 2016 to provide such services.

Professional fees increased from RM0.07 million in FYE 2016 to RM0.61 million in FYE 2017 primarily due to expenses incurred in FYE 2017 of RM0.50 million in relation to the Listing of KAB, which are non-recurrent in nature.

The other major expense in administrative expenses is depreciation of property, plant and equipment, which represented approximately 7% to 12% of administrative expenses for the financial periods under review. Our depreciation of property, plant and equipment increased by 27.1% for FYE 2015 and 28.3% for FYE 2016 due to our Company's purchase of motor vehicles and furniture and fittings throughout the financial period under review and purchase of new leasehold building in FYE 2015. Depreciation decreased by 19.0% for FYE 2017 due to disposal of motor vehicles at the end of FYE 2016 and during FYE 2017.

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12. FINANCIAL INFORMATION (cont'd)**12.4.6 Finance costs**

The following table sets out a breakdown of our finance costs:-

	Audited		Unaudited		Audited	
	FYE 2014	FYE 2015	FYE2016	FPE 2016	FPE 2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	%
	%	%	%	%	%	%
Bank factoring interest	299	119	817	404	189	34.2
Bank overdraft interest	4	6	129	3	107	19.3
Term loan interest	156	311	357	47	240	43.4
Hire purchase interest	-	-	-	23	17	3.1
Others	41	68	46	-	-	-
Finance costs	500	504	1,349	477	553	100.0

Our finance costs consist of interest charges on term loans for the acquisition of leasehold building, i.e. our current headquarters and for working capital purposes. It also includes interest on hire purchase for the purchases of motor vehicles as well as interest on bank factoring, bank overdrafts and bankers' acceptances used in our daily operations.

The drawdown of the 2 existing term loans in March and May 2015 had contributed to the increase in term loan interest from RM0.16 million in FYE 2014 to RM0.31 million in FYE 2015. The term loan interest has further increased from RM0.31 million in FYE 2015 to RM0.36 million as a result of full year's interest charges on term loans in FYE 2016 as opposed to only 10 months and 8 months of term loan charges respectively in FYE 2015, being the months where our Company obtained the term loan financing. The increase in finance costs by 167.7% for FYE 2016 was due to more frequent utilisation of bank factoring and bank overdrafts facilities in our daily operations which saw the increase in bank overdraft interest from RM0.01 million in FYE 2015 to RM0.13 million in FYE 2016 and the increase in bank factoring interest from RM0.12 million in FYE 2015 to RM0.82 million in FYE 2016.

The increase in finance costs by 15.9% for FPE 2017 was mainly due to increase in interest on term loan of RM0.20 million due to the net drawdown of term loan of RM0.88 million during the FPE 2017 and increase in bank overdraft interest of RM0.10 million due to higher bank overdraft balances. This was partially offset by decrease in interest on bank factoring interest of RM0.22 million due to repayment of bank factoring of RM2.36 million during the FPE 2017.

12. FINANCIAL INFORMATION (cont'd)**12.4.7 PBT and PBT margin**

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	5,261	6,260	8,799	3,767	4,117
PBT margin	9.2	7.2	9.4	10.0	9.4

Our PBT margin decreased in FYE 2015 due to lower overall GP margin achieved of 13.0% (FYE 2014: 15.8%) (see "GP margin and GP" in Section 12.4.3 above for further details).

Our PBT margin decreased in FPE 2017 as compared to FPE 2016 due to higher administrative expenses in FPE 2017 as a result of expenses incurred in relation to the Listing of KAB which are non-recurrent in nature.

12.4.8 Tax expense

Our tax expense comprises current tax, deferred tax and real property gains tax.

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FYE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Income tax	1,358	1,654	2,238	904	1,262
Deferred tax	10	5	6	-	12
Real property gains tax	18	53	-	-	-
Tax expense	1,386	1,712	2,244	904	1,274
Effective tax rate (%)	26.0	26.5	25.5	24.0	30.9

The applicable statutory tax rate for FYE 2014 and FYE 2015 is 25.0%. With effect from the year of assessment 2016, the applicable statutory tax rate is 24.0%.

Our effective tax rate for FYE 2014 of 26.0% was slightly higher than the statutory tax rate of 25.0%. This was mainly due to certain non-tax deductible expenses of RM0.17 million comprising depreciation, offset by gain on disposal of property, plant and equipment not subject to income tax of RM0.07 million. For FYE 2014, our Company recorded real property gains tax of RM0.02 million arising from the disposal of our Company's leasehold building comprising a unit of apartment at C12-5-04, Equine Park, Selangor.

Our effective tax rate for FYE 2015 of 26.5% was higher than the statutory tax rate of 25.0%. This was mainly due to certain non-tax deductible expenses of RM0.13 million comprising depreciation. For FYE 2015, our Company recorded real property gains tax of RM0.05 million arising from the disposal of our Company's freehold land and building comprising a unit of bungalow at 13A, Villa Yarl, No. 1, Jalan Awan Selimpat, Taman Yarl, 58200 Kuala Lumpur.

Our effective tax rate for FYE 2016 of 25.5% was slightly higher than the statutory tax rate of 24.0%. This was mainly due to certain non-tax deductible expenses of RM0.18 million comprising depreciation and bad debts written off offset by our Company's gain on disposal of AESB not subject to income tax of RM0.10 million.

Our effective tax rate for FPE 2017 of 30.9% was higher than the statutory tax rate of 24.0% due to certain non-tax deductible expenses such as expenses incurred for the Listing of KAB.

12. FINANCIAL INFORMATION (cont'd)**12.4.9 PAT and PAT margin**

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	3,875	4,548	6,555	2,863	2,843
PAT margin (%)	6.8	5.2	7.0	7.6	6.5

The variance between PAT margins for the periods under review was a result of the reasons described in Sections 12.4.7 and 12.4.8 above. The lower PAT margin in FPE 2017 as compared to FPE 2016 was a result of the higher administrative expenses relating to expenses incurred in relation to the Listing of KAB which are non-recurrent in nature and higher tax expense in FPE 2017.

12.5 LIQUIDITY AND CAPITAL RESOURCES**12.5.1 Working capital**

Our working capital is funded through cash generated from operating activities, credit extended by suppliers, credit facilities from financial institutions as well as our existing cash and bank balances.

As at 31 May 2017, we held cash and cash equivalents of RM5.37 million and unutilised overdraft facilities of RM0.60 million and unutilised bank factoring facilities of RM14.25 million. As at LPD, we held cash and cash equivalents of RM9.23 million and unutilised overdraft facilities of RM0.65 million and unutilised bank factoring facilities of RM13.07 million.

Based on the above and after taking into consideration our funding requirements for capital commitments, and together with the estimated gross proceeds from the Public Issue of RM20.0 million, our Board believes that our Company has sufficient working capital resources for our existing and foreseeable requirements for at least 12 months from the date of this Prospectus.

12.5.2 Summary of statements of cash flows

The following table sets out a summary of our Company's statements of cash flows for the period under review, and should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from/ (used in) from operating activities	1,065	(2,705)	9,351	5,126	3,639
Net cash from/(used in) investing activities	1,474	(3,303)	247	(100)	(1,307)
Net cash (used in)/from financing activities	(2,463)	7,712	(7,765)	(5,842)	(2,262)
Net increase/(decrease) in cash and cash equivalents	76	1,704	1,833	(816)	70
Cash and cash equivalents at the beginning of the year/period	1,682	1,758	3,462	3,462	5,295
Cash and cash equivalents at the end of the year/period	1,758	3,462	5,295	2,646	5,365

12. FINANCIAL INFORMATION (cont'd)

Analysis of cash and cash equivalents	Audited			Unaudited	Audited
	FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000	FPE 2016 RM'000	FPE 2017 RM'000
Cash and bank balances	1,636	3,720	8,905	4,222	9,263
Fixed deposits with licensed banks	238	1,118	4,113	2,812	4,776
Bank overdrafts	(116)	(258)	(3,610)	(1,576)	(3,898)
	1,758	4,580	9,408	5,458	10,141
Less: Fixed deposits held as securities	-	(1,118)	(4,113)	(2,812)	(4,776)
	1,758	3,462	5,295	2,646	5,365

As at LPD, there is no legal, financial or economic restriction on the ability of our Company to meet our cash obligations.

Net cash from/(used in) operating activities

For FYE 2014 we generated operating cash flows before working capital changes of RM5.89 million. After adjusting for the following items, our Company's net cash from operating activities was RM1.07 million, comprising mainly of the following:-

- (i) RM0.07 million decrease in inventories;
- (ii) RM0.42 million decrease in amount owing by contract customers due to completion of our project at Cascades, Kota Damansara;
- (iii) RM5.42 million increase in payables mainly attributable to increase in contract costs incurred for our projects at Cybersquare and Icon City Phase 1 in FYE 2014;
- (iv) Interest received of RM0.04 million;
- (v) RM8.66 million increase in receivables mainly attributable to progress billings towards the financial year end of FYE 2014 for our projects at Cybersquare, M-City (Package 2), Concerto North Kiara and Icon City Phase 1 in FYE 2014;
- (vi) RM1.62 million in payment of tax; and
- (vii) Interest paid of RM0.50 million.

For FYE 2015, we generated operating cash flows before working capital changes of RM7.29 million. After adjusting for the following items, our Company's net cash used in operating activities was RM2.71 million, comprising mainly of the following:

- (i) RM0.17 million decrease in inventories;
- (ii) RM11.9 million increase in payables mainly attributable to increase in contract costs incurred for our projects at Savanna Apartment, Diamond City, Green Residence and Mesahill Phase 1 and 2;
- (iii) Interest received of RM0.03 million;
- (iv) RM8.38 million increase in net amount owing by contract customers mainly attributable to the increase in work done for our projects at Savanna Apartment and Mesahill Phase 1 and 2;

12. FINANCIAL INFORMATION *(cont'd)*

- (v) RM11.80 million increase in receivables due progress billings towards the financial year end for our projects at Savanna Apartment, Diamond City, Green Residence, Mesahill Phase 1 and 2 and M-City (Package 1) in FYE 2015;
- (vi) RM1.37 million in net payment of tax; and
- (vii) Interest paid of RM0.50 million.

For FYE 2016, we generated operating cash flows before working capital changes of RM10.58 million. After adjusting for the following items, our Company's net cash from operating activities was RM9.35 million, comprising mainly of the following:-

- (i) RM4.95 million decrease in amount owing by contract customers;
- (ii) RM2.64 million increase in payables mainly attributable to increase in contract costs in line with the increase in revenue;
- (iii) Interest received of RM0.10 million;
- (iv) RM5.76 million increase in receivables due to progress billings towards the financial year end in FYE 2016 for our projects at Lakepark Residence, H2O Residences, Savanna Apartment, Green Residence and Icon City;
- (v) RM1.82 million in payment of tax; and
- (vi) Interest paid of RM1.35 million.

For FPE 2017, we generated operating cash flows before working capital changes of RM4.87 million. After adjusting for the following items, our Company's net cash from operating activities was RM3.64 million, comprising mainly of the following:

- (i) Decrease in receivables of RM7.28 million mainly due to collections from customers in FPE 2017;
- (ii) RM0.88 million increase in amount owing by contract customers in FPE 2017 due to increase in work done for our projects at EkoCheras and CitiZen;
- (iii) RM6.21 million decrease in payables mainly due to payments made to suppliers;
- (iv) Interest received of RM0.06 million;
- (v) Interest paid of RM0.55 million; and
- (vi) RM0.94 million in payment of tax.

Retention sum, recognised as part of trade receivables, is a portion of progress payment (up to a maximum 5% of the contract sum) withheld by the customer for securing the due performance of our Company. Release of the retention sum is usually done in two portions, i.e. upon the issuance of the Certificate of Practical Completion issued by the project architect engaged separately by the project owner as the case may be, and the remainder released after expiry of the defects liability period which ranges from 12 months to 28 months commencing from the issuance of Certificate of Practical Completion. Retention sum is also applied by our Company to our subcontractors.

Accordingly, our Company's working capital cycle and cash flow is affected by these retention sums.

12. FINANCIAL INFORMATION (cont'd)**Net cash from/(used in) investing activities**

For FYE 2014, we recorded net cash from investing activities of RM1.47 million mainly due to proceeds of RM3.03 million from the disposal of our Company's freehold land and building comprising a unit of bungalow located at Taman Yarl, Kuala Lumpur and our Company's leasehold building comprising a unit of apartment at Equine Park, Selangor. Our Company also recorded proceeds of RM0.02 million from its disposal of 20% equity interest in AESB. These were partially offset by purchase of motor vehicles (net of hire purchase financing) and furniture, fittings and equipment of RM0.23 million, cash advances to a director for personal use of RM1.33 million, advances to AESB of RM0.02 million and investment in PISB of RM90.

For FYE 2015, we recorded net cash used in investing activities of RM3.30 million due to purchase of property, plant and equipment of RM4.63 million, comprising a leasehold building of RM4.38 million at No.18, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur which is used as our Company's headquarters, furniture and fittings of RM0.11 million and motor vehicles of RM0.62 million less hire purchasing financing of RM0.47 million. These were partially offset by cash inflow from repayment of cash advances from a director of RM1.33 million and proceeds from disposal of our Company's entire equity interest in PISB of RM90.

For FYE 2016, we recorded net cash from investing activities of RM0.25 million comprising proceeds from disposal of AESB of RM0.35 million and proceeds from disposal of property, plant and equipment of RM0.30 million, which was partially offset by purchase of motor vehicles (net of hire purchase financing) and furniture, fittings and equipment of RM0.40 million.

For FPE 2017, we recorded net cash used in investing activities of RM1.31 million due to purchase of property, plant and equipment comprising a 1 ½ storey terrace factory located at No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan.

Net cash (used in)/from financing activities

For FYE 2014, our Company recorded net cash used in financing activities of RM2.46 million comprising:-

- (i) RM1.19 million in net repayment of bank borrowings (including RM2.26 million repayment of term loans; RM1.63 million in drawdown of term loan; RM0.16 million in net repayment of bankers' acceptances; RM0.24 million net repayment of bank factoring; and RM0.16 million in repayment of hire purchase payables);
- (ii) RM1.49 million in dividend payments; and
- (iii) RM0.20 million in repayment to a director;

Partially mitigated by cash inflow of RM0.42 million from issuance of share capital.

For FYE 2015, our Company recorded net cash from financing activities of RM7.71 million comprising:-

- (i) RM9.69 million in net drawdown of bank borrowings (including RM5.86 million in net drawdown of bank factoring; RM4.41 million in drawdown in term loans; RM0.40 million in repayment of term loans; RM0.31 million in repayment of hire purchase payables; and RM0.13 million in net drawdown of bankers' acceptances);

Partially offset by cash outflow from:-

- (i) RM1.00 million in dividend payment;
- (ii) Additional RM1.12 million fixed deposits pledged as security for credit facilities; and

12. FINANCIAL INFORMATION (cont'd)

(iii) Advances from a director of RM0.14 million.

For FYE 2016, our Company recorded net cash used in financing activities of RM7.77 million comprising:-

- (i) RM3.58 million in net repayment of bank borrowings (including RM1.82 million net repayment of bank factoring; RM0.64 million in repayment of term loan; RM0.55 million in net repayment of bankers' acceptances and RM0.57 million in repayment of hire purchase payables);
- (ii) RM1.05 million in dividend payments;
- (iii) Additional RM3.00 million fixed deposits pledged as security for credit facilities; and
- (iv) Repayment to a director of RM0.14 million.

For FPE 2017, our Company recorded net cash used in financing activities of RM2.26 million, comprising the following:-

- (i) Repayment of bank factoring of RM2.36 million;
- (ii) Repayment of hire purchase of RM0.13 million;
- (iii) Net drawdown of term loan of RM0.88 million; and
- (iv) Additional fixed deposits of RM0.66 million pledged as security for credit facilities.

12.5.3 Borrowings

Our Company's total outstanding borrowings as at 31 May 2017 are as follows:-

Statement of total outstanding borrowings	Interest rate terms		Audited
	Fixed rate (%)	Floating rate (%)	Outstanding as at 31.5.2017
			RM'000
Current			
Term loans ⁽¹⁾	-	8.85 to 10.00	716
Bank factoring	-	8.65	3,251
Bank overdrafts	-	7.85 to 10.00	3,898
Hire purchase payables	4.47 to 6.80		295
			<u>8,160</u>
Non-current			
Term loans ⁽¹⁾	-	8.85 to 10.00	5,168
Hire purchase payables	4.47 to 6.80	-	578
			<u>5,746</u>
Total borrowings			<u>13,906</u>

Note:-

(1) Our term loans comprise separate facilities with varying tenure, details as follows. The remaining tenure / maturity periods of our Company's outstanding borrowings as at 31 May 2017 are as follows:-

12. FINANCIAL INFORMATION (cont'd)

i.	Term loan 1	: 5 years commencing from May 2015
ii.	Term loan 2	: 20 years commencing from March 2015 (fully repaid during FPE 2017)
iii.	Term loan 3	: 15 years commencing from May 2017
iv.	Bank factoring	: 1 month to 5 months
v.	Bank overdrafts	: Repayable on demand
vi.	Hire purchase payables	: 5 months to 57 months

Similar to any common credit arrangements with financial institutions, some of our Company's outstanding borrowings are repayable on demand at the discretion of the financial institutions.

We obtained our borrowings from various Malaysian based financial institutions. Term loan 1 is unsecured and used for working capital purposes. Term loan 2 was arranged to finance the acquisition of our Company's leasehold building i.e. our current headquarters and was secured by our Company's leasehold building and a lien over the fixed deposits of our Company. Term loan 2 was fully repaid in the 5-month FPE 2017 and refinanced by term loan 3. Term loan 3 is arranged to finance the acquisition of a 1 ½ storey terrace factory located at No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan and refinance our Company's leasehold building i.e. our current headquarters. Term loan 3 is secured by our Company's leasehold building, our factory building in Balakong and a lien over the fixed deposits of our Company. Both our term loans are jointly and severally guaranteed by Dato' Lai and Choong GS.

In addition, the bankers' acceptances, bank factoring and bank overdrafts are utilised for our daily operations and working capital purposes. The bank overdrafts are secured by a lien over the fixed deposits of our Company and a legal charge over our leasehold building. The bank factoring is secured over the assignment of contract proceeds from certain contracts. The bankers' acceptances (with nil balance as at 31 December 2016) were secured by a legal charge over our leasehold building i.e. our current headquarters. The bankers' acceptances, bank factoring and bank overdrafts are jointly and severally guaranteed by Dato' Lai and Choong GS. Our hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase.

The following table sets out the maturity profile of our total borrowings as of the end of the respective financial years/period as follows:-

	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.5.2017</u>
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances				
Within 1 year / Total contractual cash flow	418	553	-	-
Total carrying amount	418	553	-	-
Bank factoring				
Within 1 year / Total contractual cash flow	1,562	7,427	5,606	3,251
Total carrying amount	1,562	7,427	5,606	3,251
Bank overdrafts				
Within 1 year / Total contractual cash flow	116	258	3,610	3,898

12. FINANCIAL INFORMATION (cont'd)

Total carrying amount	116	258	3,610	3,898
	31.12.2014	31.12.2015	31.12.2016	31.5.2017
	RM'000	RM'000	RM'000	RM'000
Term loans				
Within 1 year	237	983	983	1,283
2 to 5 years	951	3,569	2,780	3,828
More than 5 years	852	2,445	2,325	2,931
Total contractual cash flow	2,040	6,997	6,088	8,042
Total carrying amount	1,634	5,635	5,000	5,884
	31.12.2014	31.12.2015	31.12.2016	31.5.2017
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables				
Within 1 year	331	414	342	333
2 to 5 years	944	1,078	784	655
More than 5 years	54	8	5	-
Total contractual cash flow	1,329	1,500	1,131	988
Total carrying amount	1,167	1,324	1,000	873
Total carrying amount of our borrowings	4,897	15,197	15,216	13,906
Gearing ratio ⁽¹⁾	0.69	1.43	0.94	0.73

Note:-

(1) Computed based on total interest-bearing borrowings over our total equity.

As at 31 May 2017, we do not have any borrowings which are denominated in foreign currency. Our Company has not defaulted on payments of interest or principal sums on any of our borrowings throughout period under review.

Furthermore, our Company is not in breach of any terms and conditions or covenants associated with the credit arrangements or borrowings which can materially affect our Company's business, financial performance or financial position.

12.5.4 Financial instruments

Financial instruments, from an accounting perspective, may include trade and other receivables, cash and bank balances, trade payables, other payables and accrued expenses, amount owing to a Director and borrowings as shown on our statements of financial position. The abovementioned financial instruments are used in our Company's ordinary course of business.

As at 31 May 2017, our Company does not use any financial instrument for hedging purposes.

12. FINANCIAL INFORMATION (cont'd)**12.5.5 Material commitments for capital expenditure****(i) Historical capital expenditure**

The following sets out our capital expenditure incurred for the financial years/period indicated:-

	FYE 2014	FYE 2015	FYE 2016	1 January 2017 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Building	-	4,372	-	1,300
Furniture, fittings and equipment	57	111	237	40
Motor vehicles	1,136	619	410	19
Total	1,193	5,102	647	1,359

We incurred significant capital expenditure in FYE 2015 to purchase the leasehold building that is our current headquarters at No.18, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur. We further incurred significant capital expenditure in FPE 2017 to purchase the freehold 1 ½ storey terrace factory located at No. 86, Jalan Taming 5, Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan which is used as our warehouse.

(ii) Existing material capital commitments

As at the LPD, our material capital commitments are as follows:-

	As at the LPD
	RM'000
Property	1,647

The property relates to a 3-storey shop office located at Lot No. 128236, Mukim Klang, Daerah Klang, Selangor Darul Ehsan.

We will fund the purchase of the property via bank borrowings which has been obtained. The property is intended to be used as warehouse to store our materials, additional office space and/or for rental income.

(iii) Planned capital expenditure

Our Company's planned capital commitments as at the LPD are disclosed in Section 4.7.2 of this Prospectus. We expect to meet our material capital commitments through our cash and cash equivalents, cash generated from future operations and funding from other financing activities (*if required*) as well as RM2.20 million from the proceeds from the Public Issue.

Other than the above, there are no material capital commitments incurred or known to be incurred by us that have not been provided for, which upon becoming enforceable, may have a material impact on our business, financial performance or financial position.

12. FINANCIAL INFORMATION (cont'd)**12.5.6 Off-balance sheet arrangements**

We do not have any off-balance sheet arrangements which are reasonably likely to have a material effect on our business, financial performance or financial position.

12.5.7 Material litigation

Our Company has not, in the 12 months immediately preceding the date of this Prospectus been engaged in any governmental, legal, litigation or arbitration proceedings including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our business, financial performance or financial position.

12.5.8 Contingent liabilities

Save as disclosed below, as at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on our business, financial performance or financial position.

	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>FYE 2016</u>	<u>As at the LPD</u>
	RM '000	RM '000	RM '000	RM '000
Guarantee given to third parties in respect of performance bonds for our Company's projects	1,065	2,058	4,400	4,016

12.5.9 Material acquisitions and divestitures

Save as disclosed in Section 12.5.5 of this Prospectus as well as Notes 7.2 and 7.27 of the Accountants' Report, there has not been any material acquisitions and divestitures undertaken by our Company for the period under review.

12.5.10 Key financial ratios

The following table sets forth certain key financial ratios of our Company based on the audited financial statements of our Company for the financial periods indicated:-

	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>FYE 2016</u>	<u>FPE 2016</u>	<u>FPE 2017</u>
Trade receivables turnover period for contract customers (days)	72.6	77.0	84.7	46.9	47.7
Trade receivables turnover period for sale of goods customers (days)	55.5	216.9	193.4	208.0	46.8
Trade payables turnover period for materials suppliers (days)	162.9	144.0	182.9	137.2	130.5
Trade payables turnover period for subcontractors (days)	9.9	30.0	28.1	30.2	5.2
Inventory turnover period (days)	9.3	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Current ratio (times)	1.4	1.3	1.3	1.4	1.5
Gearing ratio (times)	0.69	1.43	0.94	0.94	0.73

Note:-

(1) Not applicable because our Company has no inventory balance as at the respective financial year/period end.

12. FINANCIAL INFORMATION (cont'd)**(i) Trade receivables turnover period****(a) Contract customers**

	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables ⁽¹⁾	9,916	16,999	20,070	10,844	12,084
Revenue for the financial year/period	49,832	80,570	86,534	35,117	38,539
Trade receivables turnover period (days) ⁽²⁾	72.6	77.0	84.7	46.9	47.7

Notes:-

- (1) Being the closing trade receivables from contract customers as at the end of the respective financial year/period, excluding retention sums of RM11.22 million (31 December 2015: RM7.83 million; 31 December 2014: RM4.31 million; 31 May 2017: RM12.35 million; 31 May 2016: RM10.20 million).
- (2) Trade receivables multiplied by 365 days (FPE 2017: 152 days) over contract revenue for the financial year/period.

The credit period granted to our contract customers is 60 days and we also extend a further goodwill credit period to our contract customers of 30 days making it a total credit period of 90 days. This is to facilitate our customers' internal process involving the verification of the project architect's certification by various internal departments before payment is processed. However, for certain contracts of smaller value and projects of shorter duration (i.e. within 12 months), customers may be granted a credit term of 30 days.

For FYEs 2014 to 2016 as well as FPE 2017, our trade receivables turnover period was within the range of credit period granted to our contract customers.

(b) Sale of goods customers

	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables ⁽¹⁾	1,083	3,880	3,492	3,418	1,622
Revenue for the financial year/period	7,122	6,528	6,590	2,498	5,270
Trade receivables turnover period (days) ⁽²⁾	55.5	216.9	193.4	208.0	46.8

Notes:-

- (1) Being the closing trade receivables from sale of goods customers as at the end of the respective financial year/period.
- (2) Trade receivables multiplied by 365 days (FPE 2017: 152 days) over sale of goods revenue for the financial year/period.

Our Company only sells materials to some of our subcontractors for use in our projects. The credit period granted to our sale of goods customers is 45 days. These subcontractors are the subcontractors with whom we have established business relationship and consistently deal with for our projects. The materials we sell to our subcontractors are standard and loose items such as trunking and wiring for use in our projects. In FYE 2015, due to the uncertainties in

12. FINANCIAL INFORMATION (cont'd)

pricing of materials and supplies during the transition period leading up to the adoption of GST, we supply these materials in advance to some of our subcontractors at our subcontractors' request. While we supply the materials to our subcontractors in advance, our subcontractors only pay us for such materials upon completion of the related works. We continued the practice of supplying these materials in advance to some of our subcontractors in FYE 2016 pursuant to their requests. This led to higher trade receivable turnover periods for FYE 2015 and FYE 2016.

The amounts involved for the supply of these materials were not significant as compared to our contract revenue. We continued supplying materials to our subcontractors in advance in 2016 but have since 2017 gradually moved away from this practice, which led to lower trade receivables for sale of goods despite higher sales in FPE 2017.

As at 31 May 2017, our Company's total trade receivables ageing analysis is as follows:-

	0 – 60 days	61- 90 days	91 to 180 days	More than 180 days	Retention sum	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables (gross)	11,389	1,154	1,163	-	12,350	26,056
Less: Accumulated impairment losses	-	-	-	-	-	-
Trade receivables (net)	11,389	1,154	1,163	-	12,350	26,056
% of total trade receivables	43.7	4.4	4.5	-	47.4	100.0
Subsequent collections up to the LPD	(10,656)	(1,131)	(1,117)	-	-	(12,904)
Trade receivables net of subsequent collection	733	23	46	-	12,350	13,152
% of total trade receivables net of subsequent collections	5.6	0.2	0.3	-	93.9	100.0

There is still a gap between the contractual terms and the actual collection period as indicated in the total trade receivables ageing analysis (excluding retention sum) in FPE 2017 above. This is in respect of certain receivables aged more than 90 days which have been fully collected as at the LPD.

Nonetheless, our Company tries to ensure that our receivables are collected within the credit period.

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12. FINANCIAL INFORMATION (cont'd)**(ii) Trade payables turnover period****(a) Materials suppliers**

	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables ⁽¹⁾	10,713	16,148	18,526	10,691	13,907
Cost of sales ⁽²⁾	24,007	40,928	36,966	11,842	16,204
Trade payables turnover period (days) ⁽³⁾	162.9	144.0	182.9	137.2	130.5

Notes:-

- (1) Being the closing trade payable balances owing to our materials suppliers as at the end of the respective financial year/period.
- (2) Total cost of sales for the respective financial year/period excluding salaries and wages of RM2.29 million for FYE 2016 (FYE 2015: RM1.50 million; FYE 2014: RM1.13 million; FPE 2016: RM1.40 million; FPE 2017: RM1.53 million) and excluding subcontractor costs of RM37.95 million for FYE 2016 (FYE 2015: RM33.35 million; FYE 2014: RM22.84 million, FPE 2016: RM17.66 million; FPE 2017: RM18.11 million);
- (3) Trade payables multiplied by 365 days (FPE 2017: 152 days) over cost of sales for the financial year/period.

The trade credit terms granted by our suppliers to our Company range from 30 to 120 days depending on the nature of the goods and services procured. The majority of the credit terms granted by our materials suppliers are 90 to 120 days. For smaller items such as hardware which includes tools, screw, nuts and plywood, our Company is given 30 to 45 days credit period.

However, there are suppliers who, due to our relationship with them, allow us an extended period of time beyond the credit terms granted to us to settle the trade payables. Notwithstanding the longer payment period extended to us, we have not experienced any disruptions in supplies from our materials suppliers nor claims for the financial period under review. Our suppliers generally take cognisance of the nature of our business, our past payment records and our relationship with them when they provide us with the extended payment terms.

(b) Subcontractors

	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables ⁽¹⁾	617	2,738	2,925	3,509	616
Subcontractor costs	22,836	33,345	37,947	17,662	18,109
Trade payables turnover period (days) ⁽²⁾	9.9	30.0	28.1	30.2	5.2

Notes:-

- (1) Being the closing trade payables owing to our subcontractors as at the end of the respective financial year, excluding retention sum of RM4.64 million (31 December 2015: RM2.69 million; 31 December 2014: RM1.23 million; 31 May 2017: RM5.24 million; 31 May 2016: RM3.51 million).
- (2) Trade payables multiplied by 365 days (FPE 2017: 152 days) over subcontractor costs for the financial year/period.

12. FINANCIAL INFORMATION (cont'd)

The majority of the credit terms granted by our subcontractors are 45 days.

The trade payables turnover period is shorter than the credit terms granted by our subcontractors because we normally endeavour to pay our subcontractors earlier to facilitate the payment of monthly wages for their direct labour as we outsource labour services to them.

As at 31 May 2017, our Company's total trade payables ageing analysis is as follows:-

	0 – 90 days	91 to 120 days	More than 120 days	Retention sum	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	11,855	2,666	2	5,241	19,764
% of total trade payables	60.0	13.5	(1)	26.5	100.0
Subsequent payments up to the LPD	(10,344)	(2,666)	(2)	(100)	(13,112)
Trade payables net of subsequent payments	1,511	-	-	5,141	6,652
% of total trade payables net of subsequent payments	22.7	-	-	77.3	100.0

Note:-

(1) Negligible

There is still a gap between the contractual terms and the actual payment period as indicated in the trade payables ageing analysis (excluding retention sum) in FPE 2017 above. This is in respect of certain payables aged more than 90 days which have been fully settled as at the LPD.

Nonetheless, our Company tries to ensure that we make timely payments to our suppliers and subcontractors.

(iii) Inventory turnover period

	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Inventories ⁽¹⁾	167	-	-	-	-
Cost of goods sold ⁽²⁾	6,586	5,931	5,843	2,113	4,366
Inventory turnover period (days)⁽³⁾	9.3	N/A⁽⁴⁾	N/A⁽⁴⁾	N/A⁽⁴⁾	N/A⁽⁴⁾

Notes:-

(1) Closing inventories as at the end of the respective financial year/period.

(2) Cost of goods sold for materials made available for use of our subcontractors for our projects.

(3) Inventories multiplied by 365 days (FPE 2017: 152 days) over cost of goods sold for the financial year/period.

(4) Not applicable due to nil inventories as at the end of the respective financial year/period.

12. FINANCIAL INFORMATION (cont'd)**(iv) Current ratio**

	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>FYE 2016</u>	<u>FPE 2016</u>	<u>FPE 2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current assets	24,054	48,197	61,790	40,680	54,365
Current liabilities	16,812	38,303	46,951	28,365	37,020
Net current assets	7,242	9,894	14,839	12,315	17,345
Current ratio (times)⁽¹⁾	1.4	1.3	1.3	1.4	1.5

Note:-

(1) Computed based on current assets over current liabilities.

Our Company's current ratio increased slightly to 1.5 times as at 31 May 2017 due to repayments made in bank factoring.

(v) Gearing ratio

	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.5.2016</u>	<u>31.5.2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Total borrowings	4,897	15,197	15,216	12,613	13,906
Total equity	7,070	10,618	16,124	13,481	18,967
Gearing ratio (times)⁽¹⁾	0.69	1.43	0.94	0.94	0.73

Note:-

(1) Computed based on total interest-bearing borrowings over our total equity.

Our gearing ratio increased from 0.69 times as at 31 December 2014 to 1.43 times as at 31 December 2015 mainly due to drawdown of term loans to finance the purchase of leasehold building that is used as our headquarters and utilisation of bank factoring for working capital purposes. Subsequently, our gearing ratio decreased to 0.94 times as at 31 December 2016 and 0.73 times as at 31 May 2017 as we continued to generate profits which contributed to a higher total equity base.

12.5.11 Financial risk management objectives and policies

Our Company's activities are exposed to interest rate risk, credit risk and liquidity risk. Our Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Company's financial performance.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risks and subsequent action plans to manage these risks. Our management has established a framework and process to monitor the exposures to implement appropriate measures in a timely and effective manner.

(i) Credit risk

Our Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset recognised on our statements of financial position reduced by the effects of any netting arrangements with counterparties.

12. FINANCIAL INFORMATION (cont'd)

To mitigate the risk of a counterparty default, we monitor the receivables' balances on an ongoing basis to ensure that they are within the prescribed limits. In terms of our bank balances and fixed deposits, we spread our risks by dealing with a few parties which are regulated financial institutions in Malaysia. We believe that the possibility of non-performance by the financial institutions is remote on the basis of their financial strength.

(ii) Liquidity and cash flow risk

Our Company's exposure to liquidity risk arises mainly from general funding and business activities. We practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

(iii) Interest rate risk

For the period under review, the majority of our interest-bearing borrowings are term loans, bank factoring, bankers' acceptances, bank overdrafts and hire purchase payables which are used in our ordinary course of business. Accordingly, the finance costs incurred on our interest-bearing borrowings were within our Company's affordability level vis-à-vis our financial position. Our Company's financial performance for the period under review was not materially affected by fluctuations in interest rates. However, major increases in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Company.

(iv) Foreign currency risk

Our transactions are solely denominated in RM.

12.6 CAPITALISATION AND INDEBTEDNESS

The following table summarises our pro forma capitalisation and indebtedness based on the unaudited statement of financial position of our Company as at 31 August 2017 and giving effect to the completion of our IPO and the utilisation of proceeds having occurred on 31 August 2017. The pro forma financial information below does not represent our Company's actual capitalisation and indebtedness as at 31 August 2017 and is provided for illustration purposes only.

	<u>Unaudited</u>	<u>Pro forma</u>
	<u>As at 31.8.2017</u>	<u>After IPO and utilisation of proceeds</u>
	RM'000	RM'000
Indebtedness		
<u>Current</u>		
- Term loans	697	697
- Bank factoring	3,607	3,607
- Bank overdrafts	3,854	3,854
- Hire purchase	307	307
	<u>8,465</u>	<u>8,465</u>

12. FINANCIAL INFORMATION (cont'd)

	Unaudited	Pro forma
	As at 31.8.2017	After IPO and utilisation of proceeds
	RM'000	RM'000
Non-current		
- Term loans ⁽¹⁾	4,989	3,389
- Hire purchase	589	589
	5,578	3,978
Total indebtedness⁽²⁾	14,043	12,443
Total shareholders' equity / capitalisation ⁽³⁾	20,441	38,528
Total capitalisation and indebtedness	34,484	50,971
Gearing ratio (times) ⁽⁴⁾	0.69	0.32

Notes:-

- (1) Assuming part of the IPO proceeds are used for partial repayment of borrowings drawn down (RM1.60 million for repayment of term loan for working capital purposes).
- (2) Total indebtedness includes current and non-current borrowings. Some of these borrowings are secured against the Company's leasehold building and fixed deposits with licensed banks. Our borrowings are jointly and severally guaranteed by Dato' Lai and Choong GS.
- (3) Including RM1.374 million for prepaid listing expenses and RM0.213 million prepaid for setting up of an additional office in Kuala Lumpur.
- (4) Computed based on total interest-bearing borrowings over our total equity.

12.7 TREASURY POLICIES

We have been financing our operations and growth through a combination of cash generated from our operating activities, credit extended to our Company by suppliers, credit facilities from financial institutions as well as our existing cash and bank balances. Our funding policy is to obtain the most suitable type of financing and most favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The trade credit terms granted by suppliers to our Company range from 30 to 120 days depending on the nature of the goods or services procured. We also have short-term and long-term borrowings from various financial institutions. Our short-term borrowings comprise term loans, bank factoring, bank overdrafts and hire purchase, which are for our daily operations and working capital purpose. Our long-term borrowings comprise term loans and hire purchase payables obtained for the purchase of leasehold building and motor vehicles respectively. The interest rates for our term loans are based on the prevailing base financing rate or cost of fund plus a margin agreed upon by the financial institutions when the respective financing facilities were granted.

Our Company does not generally hedge against interest rate risks.

12.8 INFLATION

There was no material impact from inflation on our Company's financial performance for the period under review. However, there can be no assurance that any significant increase in future inflation rate will not adversely affect our Company's business, financial performance or financial condition.

12. FINANCIAL INFORMATION *(cont'd)*

A project can take up to 36 months to complete. Accordingly, prices of key materials at the time of submission of tender bids or signing of contracts may not reflect prices that we will eventually pay during the implementation of our projects. Our contracts are fixed price contracts; as such, we are not able to pass on any increases in construction cost.

12.9 GOVERNMENT / ECONOMIC / FISCAL / MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our Company's operations, are set out in Section 5 of this Prospectus.

12.10 ORDER BOOK

Our balance of revenue to be recognised from our order book as at 31 May 2017 amounts to RM216.9 million.

Balance of revenue expected to be recognised from our order book in:

	RM'million
FYE 2017	77.96
FYE 2018	107.32
FYE 2019	31.64
Total	216.92

Our balance of revenue to be recognised from our order book as at LPD is RM209.9 million.

12.11 PROSPECTS AND TRENDS

The financial performance of our Company for FYE 2017 has so far been and/or is expected to be mainly influenced by the significant factors affecting our Company's financial performance as described in Section 12.3 above. Except as disclosed in this Section 12, the IMR Report in Section 8 of this Prospectus and the "Risk factors" in Section 5 of this Prospectus, our Directors confirm to the best of their knowledge and belief after due enquiry, there are no:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations;
- (ii) material commitment for capital expenditure save as disclosed in Section 12.5.5 above;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits save for the future plans and business strategies in Section 7.3 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of our future financial performance and position; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our liquidity and capital resources.

12. FINANCIAL INFORMATION *(cont'd)*

12.12 DIVIDEND POLICY

Since we do not have any subsidiaries as at the LPD, our Company's income, and therefore, our ability to pay dividends is not dependent on the dividends we receive from subsidiaries.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends in future, however, such payments will depend upon a number of factors, including our Company's financial performance, capital expenditure requirements, general financial condition, timing and quantum of the dividends and any other factors considered relevant by our Board.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:-

- (i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plans;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows;
- (i) any material impact of tax laws and regulatory requirements; and
- (ii) general economic condition.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Company, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Company.

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12. FINANCIAL INFORMATION (cont'd)

12.13 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION



SIEW BOON YEONG & ASSOCIATES

Chartered Accountants [AF: 0660]

9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.

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Member Firm Of
Malaysian Institute Of Accountants
(Incorporated in Malaysia)
Institut Akuntansi Malaysia
Chartered Accountants

Date: 10 OCT 2017

The Board of Directors
Kejuruteraan Asastera Berhad
No. 18, Jalan Radin Bagus 9,
Bandar Baru Sri Petaling,
57000 Kuala Lumpur

Dear Sirs,

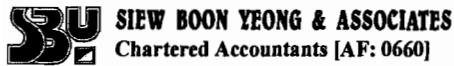
**KEJURUTERAAN ASASTERA BERHAD (“KAB” OR “Company”)
REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of pro forma financial information of KAB (*previously known as Kejuruteraan Asastera Sdn. Bhd.*) as at 31 May 2017 for which the Directors are solely responsible. The pro forma financial information consists of the Pro Forma Statements of Financial Position as at 31 May 2017 together with the accompanying notes thereon (which we have stamped for the purpose of identification), as set out in the accompanying statements. The pro forma financial information has been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering (“IPO”) and the listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in the Prospectus Guideline issued by the Securities Commissions Malaysia (“Prospectus Guideline”) and are described in the Notes 1 and 2 of the pro forma financial information (“Applicable Criteria”).

The pro forma financial information has been compiled by the Directors to illustrate the impact of the transactions as set out in Note 3 of the pro forma financial information of the Company as at 31 May 2017. As part of this process, information about the Company’s financial position has been extracted by the Directors from the audited financial statements of the Company for the financial period from 1 January 2017 to 31 May 2017.

12. FINANCIAL INFORMATION (cont'd)



Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information on the basis of the Applicable Criteria as described in the Notes 1, 2 and 3 to the pro forma financial information.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guideline, about whether the pro forma financial information has been compiled, in all material aspects, by the Directors on the basis of the Applicable Criteria as described in the Notes 1, 2 and 3 of the pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements, (ISAE) 3420 - Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and adopted by Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the pro forma financial information on the basis of the Applicable Criteria as described in the Notes 1, 2 and 3 to the pro forma financial information.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

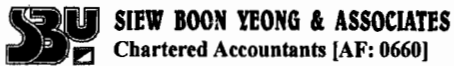
- (i) The related pro forma adjustments give appropriate effect to those criteria; and
- (ii) The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12. FINANCIAL INFORMATION (cont'd)




Opinion

In our opinion, the pro forma financial information as at 31 May 2017 which were prepared for illustrative purpose only have been properly compiled on the basis and assumptions as set out in the accompanying notes of the pro forma financial information using financial statements prepared by the Directors in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia and such basis and assumptions are consistent with both the format of the financial statements and the accounting policies of KAB unless otherwise stated.


Other Matters

We understand that this letter will be used solely for the purposes for inclusion in the Prospectus of KAB in connection with the IPO and listing of and quotation for the entire issued share capital of KAB on the ACE Market of Bursa Malaysia Securities Berhad. This letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any other party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully



Siew Boon Yeong & Associates
Firm No: AF 0660
Chartered Accountants



Dato' Siew Boon Yeong
Approved Number: 01321/07/2018 J
Partner of Firm

12. FINANCIAL INFORMATION (cont'd)

**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017**

1. INTRODUCTION

The pro forma financial information for Kejuruteraan Asastera Berhad (“KAB” or “Company”) (*previously known as Kejuruteraan Asastera Sdn. Bhd.*) has been prepared for inclusion in the Prospectus in connection with the initial public offering (“IPO”) and listing of and quotation for the entire issued share capital of KAB on the ACE Market of Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION

The pro forma financial information has been prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia and with the requirements of the Prospectus Guideline issued by the Securities Commission Malaysia, based on the audited Statement of Financial Position of KAB as at 31 May 2017.

The pro forma financial information have been prepared based on basis consistent with the accounting policies adopted by KAB in the preparation of its audited financial statements.

The pro forma financial information is presented in Ringgit Malaysia (“RM”).

The pro forma financial information, because of its nature, may not be reflective of the Company’s actual financial position. Furthermore, such information does not purport to predict the future financial position of the Company.

3. LISTING SCHEME

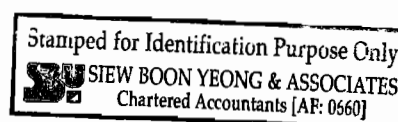
3.1 Listing Scheme

The details of the IPO are set out below:

The IPO consist of up to 112,000,000 ordinary shares in KAB (“Shares”) comprising:-

- (a) Public issue of 80,000,000 new Shares (“Issue Shares”) comprising:-
 - i. 16,000,000 Issue Shares to the Malaysian public;
 - ii. 8,000,000 Issue Shares to eligible persons;
 - iii. 56,000,000 Issue Shares by way of private placement to institutional and selected investors; and
- (b) Offer for sales of up to 32,000,000 existing shares by the Offeror by way of private placement to institutional and selected investors;

at an issue/offer price of RM0.25 per Share payable in full on application pursuant to the listing of KAB on the ACE Market of Bursa Malaysia Securities Berhad.



12. FINANCIAL INFORMATION (cont'd)**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
(CONT'D)****3. LISTING SCHEME (continued)****3.2 Utilisation Of Proceeds From IPO**

Gross proceeds from the IPO of RM20,000,000 are expected to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'000
(i) Working capital	Within 24 months	12,100
(ii) Capital expenditure ⁽¹⁾	Within 18 months	2,200
(iii) Setting up a proposed new branch office in Johor Bahru and an additional office in Kuala Lumpur	Within 12 months	600
(iv) Repayment of bank borrowings	Within 12 months	1,600
(v) Estimated listing expenses ⁽²⁾	Immediate	3,500
Total		20,000

Notes:

⁽¹⁾ This comprise the purchase of motor vehicles, machineries, equipment, tools, office equipment, computers and software.


⁽²⁾ This comprise professional fees, fee to authorities, underwriting and selling commission, placement and brokerage fees, printing, advertisement and other expenses.

12. FINANCIAL INFORMATION (cont'd)

KEJURUTERAAN ASASTERA BERHAD
 PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
 (CONT'D)

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017

	Audited Statement of Financial Position as at 31 May 2017 RM	Adjustments for Public Issue RM	Pro Forma I After Public Issue RM	Adjustments for Utilisation of Proceeds from IPO RM	Pro Forma II After Pro Forma I and Utilisation of Proceeds from IPO RM
ASSETS					
Non-current Assets					
Property, plant and equipment	7,425,954	-	7,425,954	2,200,000	9,625,954
Current Assets					
Trade receivables	26,056,436	-	26,056,436	-	26,056,436
Other receivables, deposits and prepayments	2,713,628	-	2,713,628	-	2,713,628
Amount owing by contract customers	11,555,623	-	11,555,623	-	11,555,623
Fixed deposits with a licensed bank	4,776,371	-	4,776,371	-	4,776,371
Cash and bank balances	9,263,260	20,000,000	29,263,260	(7,300,000)	21,963,260
Total Assets	54,365,318	20,000,000	74,365,318	(7,300,000)	67,065,318
	61,791,272	20,000,000	81,791,272	(5,100,000)	76,691,272
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	12,000,000	20,000,000	32,000,000	-	32,000,000
Retained profits	6,967,371	-	6,967,371	(3,500,000)	3,467,371
Total equity attributable to owners of the Company	18,967,371	20,000,000	38,967,371	(3,500,000)	35,467,371
Total Equity	18,967,371	20,000,000	38,967,371	(3,500,000)	35,467,371


Stamped for Identification Purpose Only

 SIEW BOON YEONG & ASSOCIATES
 Chartered Accountants [AF: 0660]

12. FINANCIAL INFORMATION (cont'd)

KEJURUTERAAN ASASTERA BERHAD
 PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
 (CONT'D)

4. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017 (continued)

	Audited Statement of Financial Position as at 31 May 2017 RM	Pro Forma I		Adjustments for Utilisation of Proceeds from IPO RM	Pro Forma II After Pro Forma I and Utilisation of Proceeds from IPO RM
		Adjustments for Public Issue RM	After Public Issue RM		
LIABILITIES					
Non-current Liabilities					
Hire purchase payables	577,936	-	577,936	-	577,936
Term loans	5,167,816	-	5,167,816	(1,600,000)	3,567,816
Deferred tax liabilities	57,795	-	57,795	-	57,795
	5,803,547	-	5,803,547	(1,600,000)	4,203,547
Current Liabilities					
Trade payables	19,763,938	-	19,763,938	-	19,763,938
Other payables and accruals	897,112	-	897,112	-	897,112
Amount owing to contract customers	7,003,895	-	7,003,895	-	7,003,895
Hire purchase payables	294,710	-	294,710	-	294,710
Short term borrowings	7,865,067	-	7,865,067	-	7,865,067
Current tax liabilities	1,195,632	-	1,195,632	-	1,195,632
	37,020,354	-	37,020,354	-	37,020,354
Total Liabilities	42,823,901	-	42,823,901	(1,600,000)	41,223,901
Total Equity and Liabilities	61,791,272	20,000,000	81,791,272	(5,100,000)	76,691,272
Number of Shares	240,000,000	80,000,000	320,000,000		320,000,000
Net assets per Share (RM)	0.08		0.12		0.11
Total borrowings (RM)	13,905,529		13,905,529	(1,600,000)	12,305,529
Gearing ratio (times)	0.73		0.36		0.35

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 SIEW BOON YEONG & ASSOCIATES
 Chartered Accountants [AF: 0660]

12. FINANCIAL INFORMATION (cont'd)**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
(CONT'D)****5. PRO FORMA I**

Pro Forma I incorporates the effects of the public issue of 80,000,000 new Shares.

The public issue of the new Shares have the following impact on the Pro Forma Statements of Financial Position:-

	Increase/(Decrease)	
	Effect on Total Assets RM	Effect on Total Equity RM
Cash and bank balances	20,000,000	-
Share capital	-	20,000,000
	20,000,000	20,000,000

6. PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and effects on the utilisation of proceeds from IPO.

The following are the utilisation of proceeds from IPO:

	RM
Working capital ⁽¹⁾	12,700,000
Property, plant and equipment	2,200,000
Repayments of term loans	1,600,000
Estimated expenses of the IPO	3,500,000
	20,000,000

Note:

⁽¹⁾ *Includes expenditures of RM600,000 which have been earmarked for setting up a proposed new branch office in Johor Bahru and an additional office in Kuala Lumpur.*

The estimated expenses in relation to the IPO of RM3,500,000 will be debited to the retained profits.

12. FINANCIAL INFORMATION (cont'd)**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
(CONT'D)****6. PRO FORMA II (continued)**

The utilisation of proceeds from IPO have the following impact on the Pro Forma Statements of Financial Position:-


	Increase/(Decrease)	
	Effect on Total Assets RM	Effect on Total Equity and Liabilities RM
Property, plant and equipment	2,200,000	-
Term loans	-	(1,600,000)
Cash and bank balances	(7,300,000)	-
Retained profits	-	(3,500,000)
	(5,100,000)	(5,100,000)

7. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION**7.1 Property, Plant And Equipment**

	RM
As at 31 May 2017/Pro Forma I	7,425,954
Add: Purchase of property, plant and equipment	2,200,000
As per Pro Forma II	9,625,954

7.2 Cash And Bank Balances

	RM
As at 31 May 2017	9,263,260
Add: Proceeds from IPO	20,000,000
As per Pro Forma I	29,263,260
Less: Utilisation of IPO proceeds	
- Purchase of property, plant and equipment	(2,200,000)
- Repayment of term loans	(1,600,000)
- Payment of estimated IPO expenses	(3,500,000)
As per Pro Forma II	21,963,260

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12. FINANCIAL INFORMATION (cont'd)**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
(CONT'D)****7. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (continued)****7.3 Share Capital**


	Number of Shares	RM
As at 31 May 2017		
Existing issued share capital	240,000,000	12,000,000
New issuance of shares to public	80,000,000	20,000,000
As per Pro Forma I/II	<u>320,000,000</u>	<u>32,000,000</u>

7.4 Retained Profits

	RM
As at 31 May 2017/Pro Forma I	6,967,371
Less: Estimated IPO expenses	(3,500,000)
As per Pro Forma II	<u>3,467,371</u>

7.5 Term Loans

	RM
As at 31 May 2017/Pro Forma I	
Term Loans – Non-current liabilities	5,167,816
Less: Repayment of term loans	(1,600,000)
As per Pro Forma II	<u>3,567,816</u>

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Chartered Accountants [AF: 0660]

12. FINANCIAL INFORMATION (cont'd)

**KEJURUTERAAN ASASTERA BERHAD
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2017
(CONT'D)**

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated
01 JUN 2017

On behalf of the Board,



Dato' Lai Keng On

Director

Date: 10 OCT 2017

13. ACCOUNTANTS' REPORT



SIEW BOON YEONG & ASSOCIATES

Chartered Accountants [AF: 0660]

9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.

Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my



Date: 10 OCT 2017

The Board of Directors
Kejuruteraan Asastera Berhad
No. 18, Jalan Radin Bagus 9,
Bandar Baru Sri Petaling,
57000 Kuala Lumpur.

Dear Sirs,

REPORT ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF KEJURUTERAAN ASASTERA BERHAD ("KAB" OR "COMPANY")

This Report has been prepared by us, a firm of approved company auditors, for inclusion in the Prospectus of KAB, and it is for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia.

We have audited the financial information of KAB (previously known as Kejuruteraan Asastera Sdn. Bhd.) which comprises the statements of financial position of KAB as at 31 December 2014, 2015, 2016 and 31 May 2017, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial years ended 31 December 2014, 2015, 2016 and for the period from 1 January 2017 to 31 May 2017, and a summary of significant accounting policies and other explanatory information as set out on pages 13 to 60. This historical financial information has been prepared for inclusion in the Prospectus of KAB in connection with the initial public offering ("IPO") and listing of and quotation for the entire issued share capital of KAB on the ACE Market of Bursa Malaysia Securities Berhad.

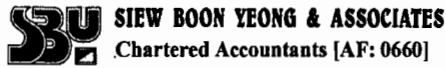
Directors' Responsibility for the Financial Information

The Directors of KAB are responsible for the preparation of the financial information so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"). The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility for the Audit of Financial Information

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our work in accordance with the approved standards on auditing in Malaysia. We comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

13. ACCOUNTANTS' REPORT (cont'd)



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial information contained in the Accountants' Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information contained in the Accountants' Report gives, for the purposes of inclusion in the Prospectus of KAB, a true and fair view of the financial position as at 31 December 2014, 2015, 2016 and 31 May 2017 and of its financial performance and cash flows for the said financial years/period in accordance with the MFRSs and IFRSs.


Other Matters

This Report has been prepared solely to comply with Prospectus Guidelines issued by Securities Commission Malaysia and for the inclusion in the Prospectus of KAB in connection with the IPO and listing of and quotation for the entire issued share capital of KAB on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purpose. We do not assume responsibility to any other person for the content of this Report.

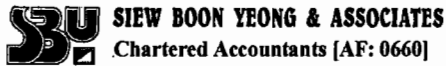
We did not come across any significant events between the date of the most recent audited financial statements used in the preparation of the Accountants' Report and the date of this Report, which would affect materially the contents of this Report.

Yours faithfully,


SIEW BOON YEONG & ASSOCIATES
Firm Number: AF 0660
Chartered Accountants


DATO' SIEW BOON YEONG
Approved Number: 01321/07/2018J
Chartered Accountant

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT ("THIS REPORT")

1. INTRODUCTION

This Report has been prepared by Siew Boon Yeong & Associates, an approved company auditor, for inclusion in the Prospectus of Kejuruteraan Asastera Berhad ("KAB" or "Company") in connection with the proposed listing of and quotation for the enlarged issued share capital of KAB on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Proposed Listing"), and shall not be relied on for any other purposes. Details of the listing scheme are disclosed in Section 2 of this Report.

2. DETAILS OF THE LISTING SCHEME

The Proposed Listing consists of up to 112,000,000 ordinary shares in the Company ("Shares") comprising:-

- (a) Public issue of 80,000,000 new Shares ("Issue Shares") comprising:-
 - i. 16,000,000 Issue Shares to the Malaysian public;
 - ii. 8,000,000 Issue Shares to eligible persons;
 - iii. 56,000,000 Issue Shares by way of private placement to institutional and selected investors; and
- (b) Offer for sale of up to 32,000,000 existing shares pursuant to the offer for sale by the Managing Director of the Company, Dato' Lai Keng Onn ("Dato' Lai") by way of private placement to institutional and selected investors;

at an issue/offer price of RM0.25 per Share payable in full on application pursuant to the listing of KAB on the ACE Market of Bursa Malaysia Securities Berhad.

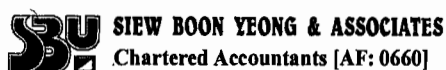
3. GENERAL INFORMATION

3.1 Incorporation of KAB

KAB was incorporated in Malaysia under the Companies Act, 1965 on 24 February 1997. On 26 May 2017, the Company was converted to a public limited company. Accordingly its name changed from Kejuruteraan Asastera Sdn. Bhd. to Kejuruteraan Asastera Berhad. Prior to the conversion to public limited company where the Company assumed its current name, the Company was a private limited company and was known as Kejuruteraan Asastera Sdn. Bhd.. The address of the registered office and principal place of business of KAB is Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur and No. 18, Jalan Radin Bagus 9, Bandar Baru Sri Petaling, 57000 Kuala Lumpur respectively.

3.2 Principal Activities

KAB is principally involved in the provision of electrical and mechanical engineering services in Malaysia.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT** (continued)**3. GENERAL INFORMATION** (continued)**3.3 Share Capital**

The changes in share capital and number of issued shares since the date of incorporation and up to the date of this Report were as follows:

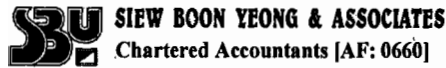
Date of Allotment	No. of Issued Ordinary Shares	Issued Share Capital RM	----- Cumulative Total -----	
			No. of Issued Ordinary Shares	Issued Share Capital RM
24.02.1997	2	2	2	2
11.08.1997	49,998	49,998	50,000	50,000
04.10.2000	50,000	50,000	100,000	100,000
28.07.2001	50,000	50,000	150,000	150,000
24.02.2003	226,500	226,500	376,500	376,500
15.04.2004	100,000	100,000	476,500	476,500
16.11.2007	100,000	100,000	576,500	576,500
14.05.2014	423,500	423,500	1,000,000	1,000,000
18.05.2017	19,000,000	-	20,000,000	1,000,000
30.05.2017	220,000,000	11,000,000	240,000,000	12,000,000

3.4 Dividends

The dividends paid and declared by KAB for the financial year ended ("FYE") 31 December 2014 to financial period ("FP") from 1 January 2017 to 31 May 2017 ("FP 2017") were as follows:

FYE	Date of Payment	No. of Issued Ordinary Shares	Dividend Per Share RM	Dividend Paid RM
2014	12.05.2014	576,500	0.7346	423,500
	15.08.2014	1,000,000	0.3400	340,000
	30.11.2014	1,000,000	0.7300	730,000
2015	15.12.2015	1,000,000	1.0000	1,000,000
2016	19.12.2016	1,000,000	1.0500	1,050,000

13. ACCOUNTANTS' REPORT *(cont'd)*



ACCOUNTANTS' REPORT *(continued)*

4. RELEVANT FINANCIAL YEARS AND AUDITORS

The audited financial statements of KAB for FYE 2014, FYE 2015, FYE 2016 and FP 2017 ("Relevant Financial Years/Period") were audited by us.

The financial statements for the Relevant Financial Years/Period were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") in Malaysia.

The audited financial statements of KAB for the Relevant Financial Years/Period were not subject to any audit qualification and did not contain any adverse comments by us.

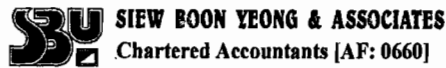
The historical financial information of KAB as presented in Section 5 for the Relevant Financial Years/Period are extracted from the audited financial statements, with appropriate reclassification made for the purpose of this Report.

For FYE 2014, KAB prepared consolidated financial statements that comprise the financial statements of KAB and the financial statements of its subsidiary companies incorporated in Malaysia namely Puncak Integrity Sdn. Bhd. ("PISB") and Ascension Engineering Sdn. Bhd. ("AESB").

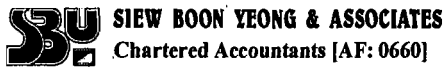
In FYE 2015, KAB disposed of its entire shareholding in PISB and PISB ceased to be the subsidiary company of KAB after the disposal. KAB prepared consolidated financial statements that comprise the financial statements of KAB and the financial statements of AESB.

In FYE 2016, KAB disposed of its entire shareholding in AESB and AESB ceased to be the subsidiary company of KAB after the disposal. As a result of the disposal of AESB, KAB is no longer required to prepare consolidated financial statements and the financial statements for FYE 2016 were prepared solely at the KAB company level.

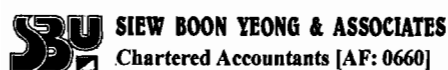
The financial information is prepared based on the continuing business of KAB in view that KAB has disposed of its subsidiary companies.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB****5.1 Statements of Financial Position of KAB**

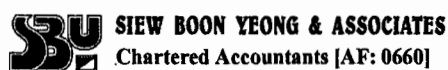
	Note	31.05.2017 RM	31.12.2016 RM	31.12.2015 RM	31.12.2014 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	7.1	7,425,954	6,372,813	6,695,698	2,155,320
Other investments	7.2	-	-	60,000	60,090
CURRENT ASSETS					
Inventories	7.3	-	-	-	166,579
Trade receivables	7.4	26,056,436	34,784,343	28,708,915	15,312,121
Other receivables and deposits and prepayments	7.5	2,713,628	1,270,401	1,741,970	3,762,580
Amount owing by contract customers	7.6	11,555,623	12,717,005	12,908,062	1,593,356
Amount owing by a director	7.7	-	-	-	1,329,460
Amount owing by AESB	7.8	-	-	-	16,213
Fixed deposits with licensed banks	7.9	4,776,371	4,113,084	1,117,740	238,078
Cash and bank balances		9,263,260	8,904,935	3,720,196	1,635,346
		54,365,318	61,789,768	48,196,883	24,053,733
TOTAL ASSETS		61,791,272	68,162,581	54,952,581	26,269,143

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.1 Statements of Financial Position of KAB (continued)**

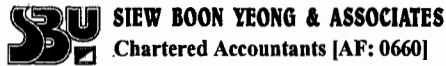
	Note	31.05.2017 RM	31.12.2016 RM	31.12.2015 RM	31.12.2014 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	7.10	12,000,000	1,000,000	1,000,000	1,000,000
Retained profits		6,967,371	15,123,678	9,618,442	6,070,289
Equity attributable to owners of the Company		18,967,371	16,123,678	10,618,442	7,070,289
TOTAL EQUITY		18,967,371	16,123,678	10,618,442	7,070,289
LIABILITIES					
NON-CURRENT LIABILITIES					
Hire purchase payables	7.11	577,936	696,899	958,701	875,975
Term loans	7.12	5,167,816	4,345,381	5,032,743	1,475,715
Deferred tax liabilities	7.13	57,795	45,851	40,274	35,001
		5,803,547	5,088,131	6,031,718	2,386,691
CURRENT LIABILITIES					
Trade payables	7.14	19,763,938	26,095,531	21,573,778	12,557,958
Other payables and accruals	7.15	897,112	770,764	588,082	248,842
Amount owing to contract customers	7.6	7,003,895	9,040,414	4,278,026	1,341,225
Amount owing to a director	7.7	-	-	142,143	-
Amount owing to AESB	7.8	-	-	2,061,827	-
Hire purchase payables	7.11	294,710	302,710	364,873	290,540
Short-term borrowings	7.16	7,865,067	9,871,008	8,840,681	2,254,594
Current tax liabilities		1,195,632	870,345	453,011	119,004
		37,020,354	46,950,772	38,302,421	16,812,163
TOTAL LIABILITIES		42,823,901	52,038,903	44,334,139	19,198,854
TOTAL EQUITY AND LIABILITIES		61,791,272	68,162,581	54,952,581	26,269,143

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.2 Statements of Profit or Loss and Other Comprehensive Income of KAB**

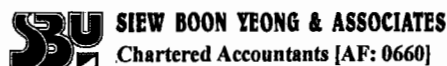
	<i>Note</i>	<i>FP 2017</i> RM	<i>FYE 2016</i> RM	<i>FYE 2015</i> RM	<i>FYE 2014</i> RM
Revenue	7.17	43,809,502	93,123,796	87,097,963	56,953,634
Cost of sales		<u>(35,839,401)</u>	<u>(77,199,747)</u>	<u>(75,768,507)</u>	<u>(47,969,309)</u>
Gross profit		7,970,101	15,924,049	11,329,456	8,984,325
Other operating income		64,970	459,201	32,574	355,558
Administrative expenses		<u>(3,364,835)</u>	<u>(6,234,666)</u>	<u>(4,598,353)</u>	<u>(3,579,775)</u>
Profit from operations		4,670,236	10,148,584	6,763,677	5,760,108
Finance costs	7.18	<u>(552,646)</u>	<u>(1,349,421)</u>	<u>(503,921)</u>	<u>(500,245)</u>
Profit before taxation	7.19	4,117,590	8,799,163	6,259,756	5,259,863
Income tax expense	7.20	<u>(1,273,897)</u>	<u>(2,243,927)</u>	<u>(1,711,603)</u>	<u>(1,385,830)</u>
Profit after taxation/Total comprehensive income for the period/year		<u><u>2,843,693</u></u>	<u><u>6,555,236</u></u>	<u><u>4,548,153</u></u>	<u><u>3,874,033</u></u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.3 Statements of Changes in Equity of KAB**

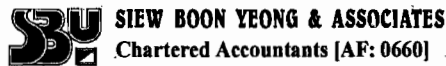
	Note	Non-distributable	Distributable	Total equity
		Share capital	Retained profits	
		RM	RM	
Balance at 1 January 2014		576,500	3,689,756	4,266,256
Transactions with owners:				
Issuance of share capital		423,500	-	423,500
Dividends	7.22	-	(1,493,500)	(1,493,500)
		423,500	(1,493,500)	(1,070,000)
Profit after taxation		-	3,874,033	3,874,033
Balance at 31 December 2014		1,000,000	6,070,289	7,070,289
Transactions with owners:				
Dividends	7.22	-	(1,000,000)	(1,000,000)
Profit after taxation		-	4,548,153	4,548,153
Balance at 31 December 2015		1,000,000	9,618,442	10,618,442
Transactions with owners:				
Dividends	7.22	-	(1,050,000)	(1,050,000)
Profit after taxation		-	6,555,236	6,555,236
Balance at 31 December 2016		1,000,000	15,123,678	16,123,678
Transactions with owners:				
Issuance of bonus shares		11,000,000	(11,000,000)	-
Profit after taxation		-	2,843,693	2,843,693
Balance at 31 May 2017		12,000,000	6,967,371	18,967,371

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.4 Statements of Cash Flows of KAB**

	<i>FP 2017</i> RM	<i>FYE 2016</i> RM	<i>FYE 2015</i> RM	<i>FYE 2014</i> RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	4,117,590	8,799,163	6,259,756	5,259,863
<i>Adjustments for:</i>				
Bad debts written off	-	156,615	-	-
Depreciation	239,449	721,040	561,634	442,114
Gain on disposal of investment in subsidiary companies	-	(290,000)	-	-
Gain on disposal of property, plant and equipment	-	(50,499)	-	(294,826)
Interest expenses	552,646	1,349,421	503,921	500,245
Interest income	(55,844)	(102,060)	(31,101)	(38,671)
Property, plant and equipment written off	14,001	-	-	22,357
<i>Operating profit before working capital changes</i>	4,867,842	10,583,680	7,294,210	5,891,082
Decrease in inventories	-	-	166,579	70,941
Net (increase)/decrease in amount owing by/to contract customers	(875,137)	4,953,445	(8,377,905)	423,265
Decrease/(increase) in receivables	7,284,680	(5,760,474)	(11,795,753)	(8,664,625)
(Decrease)/increase in payables	(6,205,245)	2,642,608	11,852,669	5,424,412
<i>Cash generated from/(used in) operations</i>	5,072,140	12,419,259	(860,200)	3,145,075
Interest paid	(552,646)	(1,349,421)	(503,921)	(500,245)
Interest received	55,844	102,060	31,101	38,671
Tax paid	(936,666)	(1,821,016)	(1,377,463)	(1,618,167)
Tax refund	-	-	5,140	-
<i>Net cash generated from/(used in) operating activities</i>	3,638,672	9,350,882	(2,705,343)	1,065,334

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.4 Statements of Cash Flows of KAB (continued)**

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary company	-	-	-	(90)
Purchase of property, plant and equipment (<i>Note A</i>)	(1,306,591)	(402,256)	(4,632,012)	(227,719)
Proceeds from disposal of investment in subsidiary company	-	350,000	90	20,000
Proceeds from disposal of property, plant and equipment	-	299,600	-	3,027,280
Repayment from/(advance to) a director	-	-	1,329,460	(1,329,460)
Advances to a subsidiary company	-	-	-	(16,213)
<i>Net cash (used in)/generated from investing activities</i>	<u>(1,306,591)</u>	<u>247,344</u>	<u>(3,302,462)</u>	<u>1,473,798</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	(1,050,000)	(1,000,000)	(1,493,500)
Fixed deposits pledged as securities	(663,287)	(2,995,344)	(1,117,740)	-
Drawdown of term loans	4,000,000	-	4,405,800	1,634,200
(Repayment to)/advance from a director	-	(142,143)	142,143	(203,803)
Net (repayment)/drawdown of bankers' acceptances	-	(552,716)	134,716	(163,000)
Net (repayment)/drawdown of bank factoring	(2,355,144)	(1,821,370)	5,864,808	(244,499)
Proceeds from issuance of share capital	-	-	-	423,500
Repayment of hire purchase payables	(126,963)	(568,965)	(312,941)	(155,939)
Repayment of term loans	(3,116,415)	(634,970)	(404,530)	(2,260,361)
<i>Net cash (used in)/generated from financing activities</i>	<u>(2,261,809)</u>	<u>(7,765,508)</u>	<u>7,712,256</u>	<u>(2,463,402)</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****5. HISTORICAL FINANCIAL INFORMATION OF KAB (continued)****5.4 Statements of Cash Flows of KAB (continued)**

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
<i>Net increase in cash and cash equivalents</i>	70,272	1,832,718	1,704,451	75,730
<i>Cash and cash equivalents at beginning of period/year</i>	<u>5,294,705</u>	<u>3,461,987</u>	<u>1,757,536</u>	<u>1,681,806</u>
<i>Cash and cash equivalents at end of period/year</i>	<u><u>5,364,977</u></u>	<u><u>5,294,705</u></u>	<u><u>3,461,987</u></u>	<u><u>1,757,536</u></u>

NOTES TO STATEMENT OF CASH FLOWS:**(A) Purchase of property, plant and equipment**

Aggregate cost	1,306,591	647,256	5,102,012	1,192,719
<i>Less: Hire purchase financing</i>	-	(245,000)	(470,000)	(965,000)
	<u>1,306,591</u>	<u>402,256</u>	<u>4,632,012</u>	<u>227,719</u>

(B) Cash and cash equivalents comprise:

Fixed deposits with licensed banks	4,776,371	4,113,084	1,117,740	238,078
Cash and bank balances	9,263,260	8,904,935	3,720,196	1,635,346
Bank overdrafts	<u>(3,898,283)</u>	<u>(3,610,230)</u>	<u>(258,209)</u>	<u>(115,888)</u>
	10,141,348	9,407,789	4,579,727	1,757,536
<i>Less: Fixed deposits pledged as securities</i>	<u>(4,776,371)</u>	<u>(4,113,084)</u>	<u>(1,117,740)</u>	<u>-</u>
	<u><u>5,364,977</u></u>	<u><u>5,294,705</u></u>	<u><u>3,461,987</u></u>	<u><u>1,757,536</u></u>

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of Preparation

This Report has been prepared based on the financial statements of KAB, which were drawn up so as to give a true and fair view of the financial position of the Company and of its financial performance and cash flows for the Relevant Financial Years/Period and were reported by us without qualification.

This Report is prepared on a basis consistent with the accounting policies adopted by the Company as disclosed in Note 6.2 of this Report.

The financial statements of the Company have been prepared in accordance with MFRSs and IFRSs for the Relevant Financial Years/Period.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

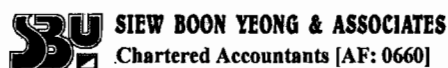
The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Company are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

For FYE 2014, KAB prepared consolidated financial statements that comprise the financial statements of KAB and the financial statements of its subsidiary companies incorporated in Malaysia namely Puncak Integrity Sdn. Bhd. ("PISB") and Ascension Engineering Sdn. Bhd. ("AESB").

In FYE 2015, KAB disposed of its entire shareholding in PISB and PISB ceased to be the subsidiary company of KAB after the disposal. KAB prepared consolidated financial statements that comprise the financial statements of KAB and the financial statements of AESB.

In FYE 2016, KAB disposed of its entire shareholding in AESB and AESB ceased to be the subsidiary company of KAB after the disposal. As a result of the disposal of AESB, KAB is no longer required to prepare consolidated financial statements and the financial statements for FYE 2016 were prepared solely at the KAB company level.

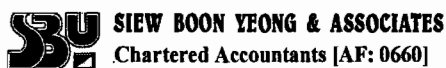
The financial information is prepared based on the continuing business of KAB in view that KAB has disposed of its subsidiary companies.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****6.1 Basis of Preparation (continued)****MFRSs that have been issued but are not yet effective**

The Company has not adopted the following standards and amendments that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 1 - Annual Improvements to MFRS 2014 – 2016 Cycle	1 January 2018
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 - Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 - Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.1 Basis of Preparation (continued)

The Company expects the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the Company recognises revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Company expects that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Right of return

The Company currently recognises provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Company expects to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

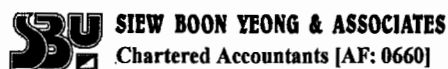
The Company plans to adopt the new standard on the required effective date using the full retrospective approach. The Company is currently performing a detailed analysis under MFRS 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.1 Basis of Preparation (continued)

The Company expects the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the Company recognises revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Company expects that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Right of return

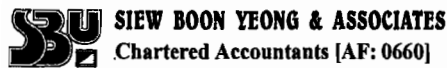
The Company currently recognises provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Company expects to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

The Company plans to adopt the new standard on the required effective date using the full retrospective approach. The Company is currently performing a detailed analysis under MFRS 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

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The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****6.2 Significant Accounting Policies****(a) Property, Plant And Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Property, plant and equipment are depreciated on a straight line basis, except for freehold land which is not depreciated, to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

	%
Freehold buildings	2
Leasehold building	2
Furniture, fittings and equipment	10 - 20
Motor vehicles	20
Renovation	20

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

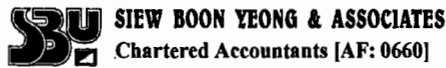
(b) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Company. The Company controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment unless the investment is classified as held for sale. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(c) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) *Financial Assets*

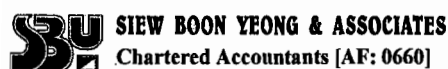
On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

• *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) *Financial Assets (continued)*

• *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

• *Loans and Receivables*

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

• *Available-for-sale Financial Assets*

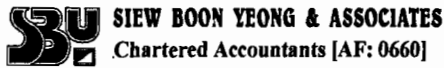
Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) *Financial Assets (continued)*

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

(ii) *Financial Liabilities*

Financial liabilities are recognised in the statements of financial position when, and only when the Company has become a party to the contractual provision of the financial instrument.

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

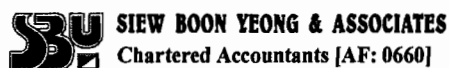
- *Financial Liabilities at Fair Value Through Profit or Loss*

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges or a derivative that is a financial guarantee contract.

- *Other Financial Liabilities*

Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****6.2 Significant Accounting Policies (continued)****(c) Financial Instruments (continued)****(iii) *Equity Instruments***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Impairment**(i) *Impairment of Financial Assets***

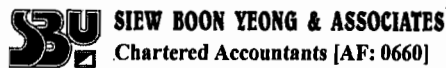
All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of the reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(d) Impairment (continued)

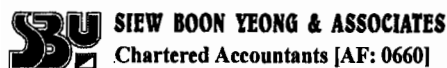
(ii) *Impairment of Non-financial Assets*

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of the reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(e) Amount Owing By/To Contract Customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the actual costs incurred for work performed to-date in relation to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to contract customers.

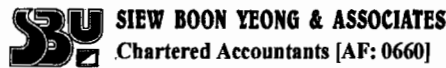
(f) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(g) Hire Purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under hire purchase agreements are recorded as liabilities. The interests are allocated to profit or loss over the year of the respective agreements based on the remaining balance of liability for each period during the hire purchase term. Assets acquired under hire purchase arrangements are depreciated over the expected useful lives of equivalent owned assets.

(h) Provisions For Liabilities

Provisions for liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of the reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

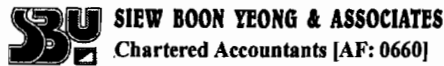
Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

(i) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

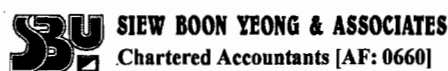
(j) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiary companies and fellow subsidiary companies);
 - b. has an interest in the entity that gives it significant influence over the entity;
 - or
 - c. has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venture;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(k) Revenue Recognition

- (i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Company's activities. Revenue from sale of goods and services are recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.
- (ii) Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on total costs incurred to date over the estimated total project costs.

- (iii) Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.
- (iv) Interest income is recognised on an accrual basis using the effective interest method.

(l) Income Tax Expense

Income taxes for the year/period comprise current and deferred taxes.

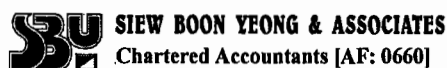
Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year/period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(l) Income Tax Expense (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(m) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

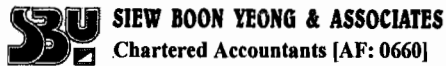
Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined Contribution Plan

The Company's contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further financial obligations.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Significant Accounting Policies (continued)

(n) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(o) Cash And Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.3 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

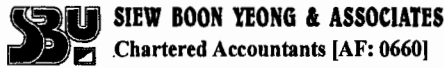
(a) Depreciation Of Property, Plant And Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6.3 Critical Accounting Estimates And Judgements (continued)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires variation claims only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

13. ACCOUNTANTS' REPORT (cont'd)



SIEW BOON YEONG & ASSOCIATES
Chartered Accountants [AF: 0660]

ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS

7.1 Property, Plant and Equipment

The details of property, plant and equipment are as follows:

Cost	Freehold land and buildings		Leasehold building		Furniture, fittings and equipment		Motor vehicles		Renovation		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2014	3,331,081	90,000	403,652	968,102	99,780	4,892,615					
Additions	-	-	57,059	1,135,660	-	1,192,719					
Disposals	(2,642,331)	(90,000)	(299)	-	-	(2,732,630)					
Written off	-	-	(172,930)	(10,000)	-	(182,930)					
At 31 December 2014	688,750	-	287,482	2,093,762	99,780	3,169,774					
Additions	-	4,371,905	111,047	619,060	-	5,102,012					
At 31 December 2015	688,750	4,371,905	398,529	2,712,822	99,780	8,271,786					
Additions	-	-	237,068	410,188	-	647,256					
Disposal	-	-	-	(1,003,000)	-	(1,003,000)					
At 31 December 2016	688,750	4,371,905	635,597	2,120,010	99,780	7,916,042					
Additions	1,300,000	-	6,591	-	-	1,306,591					
Written off	-	-	-	(114,214)	-	(114,214)					
At 31 May 2017	1,988,750	4,371,905	642,188	2,005,796	99,780	9,108,419					

13. ACCOUNTANTS' REPORT (cont'd)



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Chartered Accountants [AF: 0660]

ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

7.1 Property, Plant and Equipment (continued)

The details of property, plant and equipment are as follows: (continued)

	Freehold land and buildings		Leasehold building		Furniture, fittings and equipment		Motor vehicles		Renovation		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<i>Accumulated depreciation</i>												
At 1 January 2014	-	-	-	281,149	373,954	77,986	733,089					
Charge for the year	13,775	-	-	41,025	380,552	6,762	442,114					
Disposals	-	-	-	(176)	-	-	(176)					
Written off	-	-	-	(156,573)	(4,000)	-	(160,573)					
At 31 December 2014	13,775	-	-	165,425	750,506	84,748	1,014,454					
Charge for the year	13,775	78,838	39,235	423,640	6,146	561,634						
At 31 December 2015	27,550	78,838	204,660	1,174,146	90,894	1,576,088						
Charge for the year	13,775	87,249	58,626	555,299	6,091	721,040						
Disposal	-	-	-	(753,899)	-	(753,899)						
At 31 December 2016	41,325	166,087	263,286	975,546	96,985	1,543,229						
Charge for the period	7,906	36,433	27,895	166,028	1,187	239,449						
Written off	-	-	-	(100,213)	-	(100,213)						
At 31 May 2017	49,231	202,520	291,181	1,041,361	98,172	1,682,465						

13. ACCOUNTANTS' REPORT (cont'd)



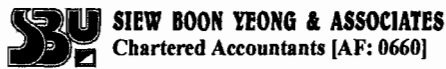
ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

7.1 Property, Plant and Equipment (continued)

The details of property, plant and equipment are as follows: (continued)

	Freehold land and buildings	Leasehold building	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM	RM	RM	RM	RM	RM
<i>Net carrying amount</i> At 31 May 2017	1,939,519	4,169,385	351,007	964,435	1,608	7,425,954
At 31 December 2016	647,425	4,205,818	372,311	1,144,464	2,795	6,372,813
At 31 December 2015	661,200	4,293,067	193,869	1,538,676	8,886	6,695,698
At 31 December 2014	674,975	-	122,057	1,343,256	15,032	2,155,320

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.1 Property, Plant and Equipment (continued)**

In 2014, the freehold land and building were disposed to a Director for RM2,880,000. The net carrying amount of the freehold land and building at the time of disposal was RM2,642,331. This disposal resulted in a gain on disposal of RM237,669.

As at 31 May 2017, the strata title of the freehold building with net carrying amount of RM641,685 (31.12.2016: RM647,425; 31.12.2015: RM661,200; 31.12.2014: RM674,975) has yet to be issued by the relevant authority.

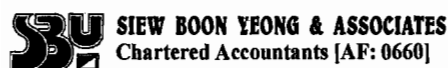
The freehold and leasehold buildings have been pledged to licensed banks as securities for banking facilities granted to the Company.

In 2015, motor vehicles with net carrying amount of RM207,300 (31.12.2014: RM268,000) are registered under the name of a Director.

In 2015, motor vehicles with net carrying amount of RM180,000 (31.12.2014: RM270,000) are registered under the name of a person connected to a Director.

The net carrying amount of property, plant and equipment includes the following assets held under hire purchase agreements:

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
Motor vehicles	<u>864,853</u>	<u>1,013,468</u>	<u>1,486,343</u>	<u>1,269,785</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.2 Other Investments**

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Unquoted shares, at cost				
At 1 January	-	60,000	60,090	80,000
Addition	-	-	-	90
Disposals	-	(60,000)	(90)	(20,000)
At 31 May/31 December	-	-	60,000	60,090

Details of the other investments, which were incorporated in Malaysia, are as follows:

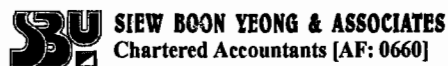
Name of other investments	Effective equity interest				Principal activities
	31.05.2017	31.12.2016	31.12.2015	31.12.2014	
	%	%	%	%	
AESB	-	-	60	60	Provision of extra low voltage products and services
PISB	-	-	-	90	Dormant

The financial position, financial performance and cash flows of AESB and PISB had been carved out from the financial information of KAB because on 19 July 2016, KAB disposed of its entire shareholding in AESB for RM350,000 and on 1 December 2015, KAB disposed of its entire shareholding in PISB for RM90.

In 2014, KAB disposed of 20,000 ordinary shares of RM1 each or 20% equity interest in AESB for a cash consideration of RM20,000. KAB's equity interest in AESB reduced from 80% to 60% after the disposal.

In 2014, KAB acquired 90% equity interest in PISB, a dormant company incorporated in Malaysia. As a result of the acquisition, PISB became a subsidiary company of KAB. However, in 2015 KAB disposed of its entire shareholding in PISB and PISB ceased to be the subsidiary company of KAB after the disposal.

In 2016, KAB disposed of its entire shareholding in AESB, a company incorporated in Malaysia. As a result, AESB ceased to be the subsidiary company of KAB after the disposal.

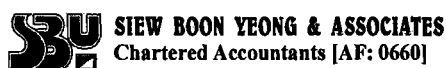
13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.2 Other Investments (continued)**

The effects of the disposals of AESB and PISB were as follows:

	31.12.2016 RM	31.12.2015 RM	31.12.2014 RM
<i>Proceeds from disposal of:</i>			
- AESB	350,000	-	20,000
- PISB	-	90	-
	<u>350,000</u>	<u>90</u>	<u>20,000</u>
<i>Less: Cost of other investments</i>	<u>(60,000)</u>	<u>(90)</u>	<u>(20,000)</u>
<i>Gain on disposal of other investments</i>	<u><u>290,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

7.3 Inventories

	31.05.2017 RM	31.12.2016 RM	31.12.2015 RM	31.12.2014 RM
Electrical materials, at cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,579</u>
<u>Recognised in profit or loss statement</u>				
Recognised as cost of sales	<u>15,650,496</u>	<u>34,554,092</u>	<u>38,762,614</u>	<u>23,289,256</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.4 Trade Receivables**

The Company's normal trade credit terms ranged from 30 to 120 days (31.12.2016: 30 to 120 days; 31.12.2015: 30 to 120 days; 31.12.2014: 30 to 120 days).

Retention sums, recognised as part of the trade receivables, is a portion of progress payment (up to a maximum of 5% of the contract sum) withheld by the customers for securing the due performance of the Company.

Included in trade receivables are retention sums of RM12,349,787 (31.12.2016: RM11,222,492; 31.12.2015: RM7,830,108; 31.12.2014: RM4,312,835). The retention sums are unsecured, interest-free and are expected to be collected as follows:

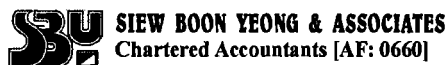
	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Within 1 year	4,679,467	4,151,233	626,837	697,517
Between 1 - 2 years	2,798,609	1,978,059	635,600	522,337
Between 2 - 3 years	3,171,567	3,414,905	4,590,119	2,565,879
Between 3 - 5 years	1,700,144	1,678,295	1,977,552	527,102
	<u>12,349,787</u>	<u>11,222,492</u>	<u>7,830,108</u>	<u>4,312,835</u>

7.5 Other Receivables, Deposits and Prepayments

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Other receivables	699,418	1,000,190	1,376,684	1,077,098
Deposits	548,781	270,211	365,286	2,685,482
Prepayments	1,465,429	-	-	-
	<u>2,713,628</u>	<u>1,270,401</u>	<u>1,741,970</u>	<u>3,762,580</u>

Included in other receivables are bank guarantees for performance bonds of RM246,870 (31.12.2016: RM539,246; 31.12.2015: RM1,185,150; 31.12.2014: RM1,065,198).

Included in other receivables for FYE 2015 was an amount of RM7,059 owing by a company in which a Director has an interest. The amount was unsecured, interest free and repayable on demand. This amount has been fully repaid in FYE 2016.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT** (continued)**7. NOTES TO THE FINANCIAL STATEMENTS** (continued)**7.6 Amount Owing By/(To) Contract Customers**

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Aggregate costs incurred to date	193,426,336	175,392,350	107,767,235	66,412,805
Add: Attributable profits	46,938,841	42,013,426	24,066,265	16,360,382
	240,365,177	217,405,776	131,833,500	82,773,187
Less: Progress billings	(235,813,449)	(213,729,185)	(123,203,464)	(82,521,056)
	<u>4,551,728</u>	<u>3,676,591</u>	<u>8,630,036</u>	<u>252,131</u>
Represented by:				
Amount owing by contract customers	11,555,623	12,717,005	12,908,062	1,593,356
Amount owing to contract customers	(7,003,895)	(9,040,414)	(4,278,026)	(1,341,225)
	<u>4,551,728</u>	<u>3,676,591</u>	<u>8,630,036</u>	<u>252,131</u>

7.7 Amount Owing By/To A Director

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand.

7.8 Amount Owing By/To AESB

The amounts owing are trade in nature, unsecured, interest-free and subject to Company's normal trade credit terms.

7.9 Fixed Deposits with Licensed Banks

The fixed deposits are pledged to licensed banks for banking facilities granted to the Company.

The fixed deposits with licensed banks earn effective interest rate at 2.65% (31.12.2016: 2.65%; 31.12.2015: 2.90%; 31.12.2014: 2.90%) per annum.

13. ACCOUNTANTS' REPORT (cont'd)



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Chartered Accountants [AF: 0660]

ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

7.10 Share Capital

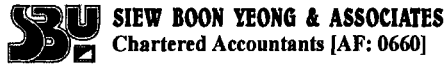
	31.05.2017	31.12.2016	31.12.2015	31.12.2014	31.05.2017	31.12.2016	31.12.2015	31.12.2014
		Number of ordinary shares			RM	RM	RM	RM
Issued share capital:								
At 1 January	1,000,000	1,000,000	1,000,000	576,500	1,000,000	1,000,000	1,000,000	576,500
Subdivision of shares	19,000,000	-	-	-	-	-	-	-
Issuance of bonus shares	220,000,000	-	-	-	11,000,000	-	-	-
Issued during the financial period/year	-	-	-	423,500	-	-	-	423,500
At 31 May/31 December	240,000,000	1,000,000	1,000,000	1,000,000	12,000,000	1,000,000	1,000,000	1,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

Implementation of Companies Act 2016

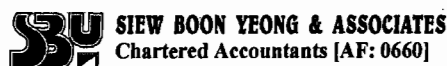
On 31 January 2017, the Companies Act 2016 ("CA 2016") came into operation. Consequently, entities shall comply with CA 2016 in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value. Section 618(2) of CA 2016 states that upon the commencement of Section 74 of CA 2016, the share premium account and capital redemption reserve shall become part of share capital.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.11 Hire Purchase Payables**

The hire purchase payables are repayable as follows:

	Future instalments payable	Undue interest	Principal payable
	RM	RM	RM
<i>31.05.2017</i>			
<i>Shown under current liabilities</i>			
Within 1 year	333,379	38,669	294,710
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	654,433	76,497	577,936
	987,812	115,166	872,646
<i>31.12.2016</i>			
<i>Shown under current liabilities</i>			
Within 1 year	342,494	39,784	302,710
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	783,926	91,417	692,509
More than 5 years	5,038	648	4,390
	788,964	92,065	696,899
	1,131,458	131,849	999,609
<i>31.12.2015</i>			
<i>Shown under current liabilities</i>			
Within 1 year	413,694	48,821	364,873
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	1,077,726	125,678	952,048
More than 5 years	7,750	1,097	6,653
	1,085,476	126,775	958,701
	1,499,170	175,596	1,323,574

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.11 Hire Purchase Payables (continued)**

	Future instalments payable	Undue interest	Principal payable
	RM	RM	RM
<i>31.12.2014</i>			
<i>Shown under current liabilities</i>			
Within 1 year	330,720	40,180	290,540
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	943,575	114,255	829,320
More than 5 years	54,418	7,763	46,655
	997,993	122,018	875,975
	<u>1,328,713</u>	<u>162,198</u>	<u>1,166,515</u>

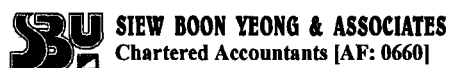
The effective interest rates of the hire purchase payables ranged from 4.47% to 6.80% (31.12.2016: 4.47% to 6.80%; 31.12.2015: 4.47% to 6.00%; 31.12.2014: 4.47% to 6.00%) per annum.

7.12 Term Loans

The term loans are repayable as follows:

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
<i>Shown under current liabilities</i>				
Within 1 year (<i>Note 7.16</i>)				
- secured	137,810	98,647	94,035	158,485
- unsecured	578,459	556,472	508,692	-
	716,269	655,119	602,727	158,485
<i>Shown under non-current liabilities</i>				
Between 2 to 5 years				
- secured	930,443	444,808	424,014	714,626
- unsecured	1,305,626	1,576,045	2,163,709	-
More than 5 years				
- secured	2,931,747	2,324,528	2,445,020	761,089
	5,167,816	4,345,381	5,032,743	1,475,715
	<u>5,884,085</u>	<u>5,000,500</u>	<u>5,635,470</u>	<u>1,634,200</u>

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

7.12 Term Loans (continued)

The term loans from licensed banks are denominated in RM.

Term loan 1 is unsecured and is guaranteed as follows:

- (i) Credit Guarantee Corporation (M) Bhd's guarantee under the Portfolio Guarantee Scheme of up to RM2.10 million, being 70% of the principal limit for the term loan; and
- (ii) Jointly and severally guaranteed by Dato' Lai and Choong Gaik Seng ("CGS").

Term loan 2 is secured and guaranteed as follows:

- (i) A lien over the fixed deposits of the Company;
- (ii) A legal charge over a leasehold building belonging to the Company; and
- (iii) Jointly and severally guaranteed by Dato' Lai and CGS.

Term loan 3 is secured and guaranteed as follows:

- (i) A legal charge over freehold and leasehold buildings belonging to the Company; and
- (ii) Jointly and severally guaranteed by Dato' Lai and CGS.

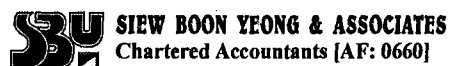
Term loan 4 is secured and guaranteed as follows:

- (i) A legal charge over freehold and leasehold buildings belonging to the Company; and
- (ii) Jointly and severally guaranteed by Dato' Lai and CGS.

The term loans bear interest rates ranging from 8.85% to 10.00% (31.12.2016: 4.85% to 8.85%; 31.05.2016: 4.85% to 8.85%; 31.12.2015: 4.85% to 8.85%; 31.12.2014: 4.20% to 4.85%) per annum.

The repayment terms of the term loans are as follows:

- Term loan 1 Repayable in 60 monthly instalments of RM62,100, effective from May 2015 to August 2016; thereafter from September 2016, the monthly instalment was revised to RM64,354.
- Term loan 2 Repayable in 240 monthly instalments of RM19,812, effective from March 2015.
- Term loan 3 Repayable in 180 monthly instalments, effective from July 2017.
- Term loan 4 Repayable in 180 monthly instalments, effective from July 2017.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.13 Deferred Tax Liabilities**

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
Balance at 1 January	45,851	40,274	35,001	24,500
Transfer from profit or loss (Note 7.20)	11,944	5,577	5,273	10,501
Balance at 31 May/31 December	<u>57,795</u>	<u>45,851</u>	<u>40,274</u>	<u>35,001</u>

The deferred tax liabilities are in respect of taxable temporary differences arising from the qualifying property, plant and equipment's total capital allowances claimed in excess of corresponding accumulated depreciation.

7.14 Trade Payables

The normal trade credit terms granted by the trade payables to the Company ranged from 30 to 120 days (31.12.2016: 30 to 120 days; 31.12.2015: 30 to 120 days; 31.12.2014: 30 to 120 days).

Retention sums, recognised as part of the trade payables, is a portion of progress payment (up to a maximum of 5% of the contract sum) withheld by KAB for securing the due performance of the subcontractors.

Included in trade payables are retention sums of RM5,240,869 (31.12.2016: RM4,645,050; 31.12.2015: RM2,687,888; 31.12.2014: RM1,227,504). The retention sums are unsecured, interest-free and are expected to be settled as follows:

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
Within 1 year	1,823,419	723,944	382,706	120,007
Between 1 - 2 years	1,591,966	1,598,101	847,444	168,748
Between 2 - 3 years	1,019,012	1,304,532	988,505	576,887
Between 3 - 5 years	806,472	1,018,473	469,233	361,862
	<u>5,240,869</u>	<u>4,645,050</u>	<u>2,687,888</u>	<u>1,227,504</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.15 Other Payables and Accruals**

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Other payables	254,849	134,100	11,710	-
Accruals	642,263	636,664	576,372	248,842
	<u>897,112</u>	<u>770,764</u>	<u>588,082</u>	<u>248,842</u>

7.16 Short Term Borrowings

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Term loans (Note 7.12)	716,269	655,119	602,727	158,485
Bank factoring	3,250,515	5,605,659	7,427,029	1,562,221
Bank overdrafts	3,898,283	3,610,230	258,209	115,888
Bankers' acceptances	-	-	552,716	418,000
	<u>7,865,067</u>	<u>9,871,008</u>	<u>8,840,681</u>	<u>2,254,594</u>

The short term borrowings from licensed banks are denominated in RM.

The bankers' acceptances are secured as follows:

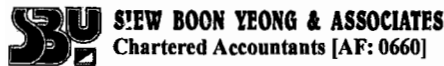
- (a) A legal charge over a leasehold building belonging to the Company; and
- (b) Jointly and severally guaranteed by Dato' Lai and CGS.

The bank factoring are secured as follows:

- (a) Assignment of contract proceeds from certain contracts; and
- (b) Jointly and severally guaranteed by Dato' Lai and CGS.

The bank overdrafts are secured as follows:

- (a) A lien over the fixed deposits of the Company;
- (b) A legal charge over freehold and leasehold buildings belonging to the Company;
- (c) Jointly and severally guaranteed by Dato' Lai and CGS; and
- (d) The Government of Malaysia or Syarikat Jaminan Pembiayaan Perniagaan's guarantee under the Services Sector Guarantee Scheme of up to RM2.45 million, being 70% of the principal limit for one of the bank overdrafts.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.16 Short Term Borrowings (continued)**

In FYE 2015, the bankers' acceptances bore effective interest rate at 6.08% (31.12.2014: 6.08%) per annum.

The bank factoring bears effective interest rate at 8.65% (31.12.2016: 8.65%; 31.12.2015: 8.85%; 31.12.2014: 8.85%) per annum.

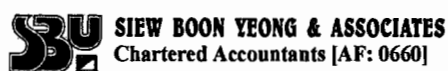
The bank overdrafts bear effective interest rates ranging from 7.85% to 10.00% (31.12.2016: 7.85% to 8.35%; 31.12.2015: 7.85% to 8.35%; 31.12.2014: 7.85% to 8.35%) per annum.

7.17 Revenue

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Sale of goods	5,271,610	6,589,888	6,528,159	7,122,072
Contract revenue	<u>38,537,892</u>	<u>86,533,908</u>	<u>80,569,804</u>	<u>49,831,562</u>
	<u><u>43,809,502</u></u>	<u><u>93,123,796</u></u>	<u><u>87,097,963</u></u>	<u><u>56,953,634</u></u>

7.18 Finance Costs

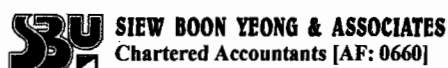
	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Bank factoring interest	189,025	816,630	119,426	298,533
Bank overdraft interest	107,158	129,621	6,403	4,426
Bankers' acceptance interest	-	-	23,511	17,824
Hire purchase interest	16,683	46,180	43,942	22,994
Term loan interest	<u>239,780</u>	<u>356,990</u>	<u>310,639</u>	<u>156,468</u>
	<u><u>552,646</u></u>	<u><u>1,349,421</u></u>	<u><u>503,921</u></u>	<u><u>500,245</u></u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.19 Profit Before Taxation**

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Profit before taxation is stated <i>after charging:</i>				
Auditors' remuneration				
- current period's/year's provision	15,000	50,000	60,000	30,000
- over provision in respect of prior period/year	-	(10,000)	-	(3,750)
Bad debts written off	-	156,615	-	-
Depreciation	239,449	721,040	561,634	442,114
Hire of machinery	10,000	14,780	46,742	2,944
Property, plant and equipment written off	14,001	-	-	22,357
Rental of premises	43,250	105,750	61,800	36,000
Employee benefits expense (Note 7.21)	3,255,045	6,329,801	4,236,896	3,003,833
<i>and crediting:</i>				
Gain on disposal of AESB	-	290,000	-	-
Gain on disposal of property, plant and equipment	-	50,499	-	294,826
Interest income	55,844	102,060	31,101	38,671
Rental income	-	-	735	22,000

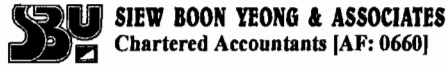
7.20 Income Tax Expense

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Malaysian income tax:				
- current year's provision	1,261,953	2,163,679	1,653,011	1,376,604
- under/(over) provision in respect of prior period/year	-	74,671	859	(19,232)
Transfer to deferred tax liabilities (Note 7.13)	11,944	5,577	5,273	10,501
Real property gains tax	-	-	52,460	17,957

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.20 Income Tax Expense (continued)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Profit before taxation	<u>4,117,590</u>	<u>8,799,163</u>	<u>6,259,756</u>	<u>5,259,863</u>
Income tax expense at Malaysian statutory tax rate of 24% (31.12.2016: 24%; 31.12.2015: 25%; 31.12.2014: 25%)	988,222	2,111,799	1,564,939	1,314,966
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	298,502	184,586	129,655	170,806
- income not subject to tax	(13,403)	(95,121)	-	(73,667)
- effect of change in tax rate	-	(1,386)	-	-
- under/(over) provision of deferred tax liabilities in respect of prior period/year	576	(5,622)	(11,310)	-
- lower tax rate for small and medium size industry	-	(25,000)	(25,000)	(25,000)
	285,675	57,457	93,345	72,139
• Under/(over) provision of taxation in respect of prior period/year	-	74,671	859	(19,232)
• Real property gains tax	-	-	52,460	17,957
	<u>1,273,897</u>	<u>2,243,927</u>	<u>1,711,603</u>	<u>1,385,830</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.21 Employee Benefits Expense**

The employee benefits expense recognised in profit or loss are as follows:

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Salaries and wages	2,286,459	4,765,153	3,310,425	2,301,220
Defined contribution plan	263,130	525,289	351,732	228,643
Other employee benefits	705,456	1,039,359	574,739	473,970
	<u>3,255,045</u>	<u>6,329,801</u>	<u>4,236,896</u>	<u>3,003,833</u>

Included in employee benefits expense are directors' remuneration who are the key management personnel of the Company:

	<i>FP 2017</i>	<i>FYE 2016</i>	<i>FYE 2015</i>	<i>FYE 2014</i>
	RM	RM	RM	RM
Directors' remuneration - other emoluments	<u>629,585</u>	<u>1,375,380</u>	<u>1,208,760</u>	<u>1,023,932</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.22 Dividends**

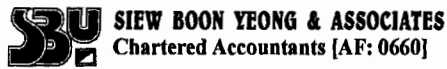
	<i>FP 2017</i> RM	<i>FYE 2016</i> RM	<i>FYE 2015</i> RM	<i>FYE 2014</i> RM
<i>In respect of the FYE 2014</i>				
Single-tier interim dividend of 73.46% on 576,500 ordinary shares, paid on 12 May 2014	-	-	-	423,500
Single-tier interim dividend of 34% on 1,000,000 ordinary shares, paid on 15 August 2014	-	-	-	340,000
Single-tier interim dividend of 73% on 1,000,000 ordinary shares, paid on 30 November 2014	-	-	-	730,000
<i>In respect of the FYE 2015</i>				
Single-tier interim dividend of 100% on 1,000,000 ordinary shares, paid on 15 December 2015	-	-	1,000,000	-
<i>In respect of the FYE 2016</i>				
Single-tier interim dividend of 105% on 1,000,000 ordinary shares, paid on 19 December 2016	-	1,050,000	-	-
	-	1,050,000	1,000,000	1,493,500

7.23 Related Parties Disclosures**(a) Identities of related parties**

Related parties can be individuals or other entities. Related parties of KAB include:

- i. The subsidiary companies which have been disposed of;
- ii. The company in which a Director has an interest; and
- iii. The Directors and other key management personnel.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company, members of senior management and chief executive officer of the Company.

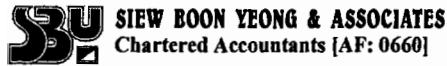
13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.23 Related Parties Disclosures (continued)**

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Company carried out the following transactions with the related parties during the Relevant Financial Years/Period:-

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Transactions with a subsidiary company which has been disposed of:				
- Sale of goods	-	77,955	451,194	21,597
- Contract costs	-	2,316,687	7,187,053	107,679
- Tender and documentation fees	-	-	-	3,580
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,580</u>
Transactions with a Director:				
- Disposal of a property	-	-	-	2,880,000
- Rental income	-	-	-	22,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Transactions with a company in which a Director has substantial financial interest:				
- Contract costs	-	-	-	128,142
- Purchase of a property	1,300,000	-	-	-
- Rental of premises	12,500	30,000	27,500	36,000
	<u>1,312,500</u>	<u>30,000</u>	<u>27,500</u>	<u>164,142</u>

- (c) Key management compensation

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Short-term employee benefits	589,025	1,284,900	1,726,417	1,157,640
Long-term employee benefits	40,560	90,480	135,804	94,236
	<u>629,585</u>	<u>1,375,380</u>	<u>1,862,221</u>	<u>1,251,876</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments**

The Company's activities are exposed to interest rate risk, credit risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Financial Risk Management Policies

The Company's policies in respect of the major areas of treasury activity are as follows:-

(i) *Interest Rate Risk*

The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Company's policies are to obtain the most favourable interest rates available.

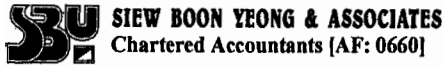
Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rate financial instruments is not disclosed as the interest-bearing financial instruments carry fixed interest rate and are measured at amortised cost.

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM	RM	RM
Effects on profit after taxation/equity				
Increase of 100 basis points	(4,073)	(9,905)	(3,450)	(3,580)
Decrease of 100 basis points	<u>4,073</u>	<u>9,905</u>	<u>3,450</u>	<u>3,580</u>

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

7.24 Financial Instruments (continued)

(a) Financial Risk Management Policies (continued)

(ii) *Credit Risk*

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

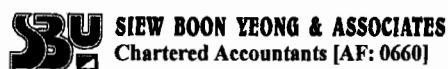
The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit Risk Concentration Profile

The Company has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amount owing by eight (31.12.2016: six; 31.12.2015: three; 31.12.2014: three) major customers constituting approximately 65% (31.12.2016: 54%; 31.12.2015: 66%; 31.12.2014: 66%) of the outstanding trade receivables of the Company at reporting date.

Exposure To Credit Risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the reporting date.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments (continued)****(a) Financial Risk Management Policies (continued)****(ii) Credit Risk (continued)****Ageing Analysis**

The ageing analysis of the Company's trade receivables at the reporting dates are as follows:-

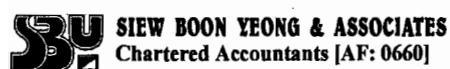
	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
Neither past due nor impaired				
- 0 to 60 days	11,389,062	19,372,817	19,919,928	10,668,928
- 61 to 90 days	1,153,902	1,806,998	540,280	213,604
	<u>12,542,964</u>	<u>21,179,815</u>	<u>20,460,208</u>	<u>10,882,532</u>
Past due but not impaired				
- 91 to 180 days	1,163,685	531,145	153,318	58,711
- more than 180 days	-	1,850,891	265,281	58,043
	<u>13,706,649</u>	<u>23,561,851</u>	<u>20,878,807</u>	<u>10,999,286</u>
Retention sums	<u>12,349,787</u>	<u>11,222,492</u>	<u>7,830,108</u>	<u>4,312,835</u>
	<u><u>26,056,436</u></u>	<u><u>34,784,343</u></u>	<u><u>28,708,915</u></u>	<u><u>15,312,121</u></u>

Trade receivables that are neither past due nor impaired are regular customers. The Company uses ageing analysis to monitor the credit quality of the trade receivables.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables. Trade receivables that are past due but not impaired have been fully collected as at the date of this report.

(iii) Liquidity Risk

The Company's exposure to liquidity risk arises mainly from general funding and business activities. The Company practises risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments (continued)****(a) Financial Risk Management Policies (continued)****(iii) Liquidity Risk (continued)**

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Effective Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand Or Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<i>31.05.2017</i>						
Trade payables	-	19,763,938	19,763,938	16,346,488	3,417,450	-
Other payables and accruals	-	897,112	897,112	897,112	-	-
Hire purchase payables	4.47 - 6.80	872,646	987,812	333,379	654,433	-
Short term borrowings	7.85 - 10.00	7,148,798	7,148,798	7,148,798	-	-
Term loans	8.85 - 10.00	5,884,085	8,042,564	1,283,010	3,827,807	2,931,747
		<u>34,566,579</u>	<u>36,840,224</u>	<u>26,008,787</u>	<u>7,899,690</u>	<u>2,931,747</u>
<i>31.12.2016</i>	%	RM	RM	RM	RM	RM
Trade payables	-	26,095,531	26,095,531	22,174,425	3,921,106	-
Other payables and accruals	-	770,764	770,764	770,764	-	-
Hire purchase payables	4.47 - 6.80	999,609	1,332,273	395,484	931,751	5,038
Short term borrowings	6.08 - 8.65	9,215,889	9,215,889	9,215,889	-	-
Term loans	4.85 - 8.85	5,000,500	6,087,370	982,944	2,779,898	2,324,528
		<u>42,082,293</u>	<u>43,501,827</u>	<u>33,539,506</u>	<u>7,632,755</u>	<u>2,329,566</u>

13. ACCOUNTANTS' REPORT (cont'd)



ACCOUNTANTS' REPORT (continued)

7. NOTES TO THE FINANCIAL STATEMENTS (continued)

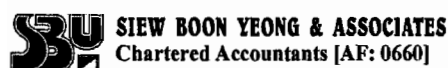
7.24 Financial Instruments (continued)

(a) Financial Risk Management Policies (continued)(iii) *Liquidity Risk (continued)*

	Effective Interest Rates	Carrying Amount	Contractual Undiscounted Cash Flows	On Demand Or Within 1 Year	1 - 5 Years	Over 5 Years
31.12.2015	%	RM	RM	RM	RM	RM
Trade payables	-	21,573,778	21,573,778	19,268,596	2,305,182	-
Other payables and accruals	-	588,082	588,082	588,082	-	-
Amount owing to a director	-	142,143	142,143	142,143	-	-
Amount owing to AESB	-	2,061,827	2,061,827	2,061,827	-	-
Hire purchase payables	4.47 - 6.00	1,323,574	1,499,170	413,694	1,077,726	7,750
Short term borrowings	6.08 - 8.85	8,237,954	8,237,954	8,237,954	-	-
Term loans	4.85 - 8.85	5,635,470	6,996,850	982,944	3,568,886	2,445,020
		<u>39,562,828</u>	<u>41,099,804</u>	<u>31,695,240</u>	<u>6,951,794</u>	<u>2,452,770</u>
31.12.2014	%	RM	RM	RM	RM	RM
Trade payables	-	12,557,958	12,557,958	11,450,461	1,107,497	-
Other payables and accruals	-	248,842	248,842	248,842	-	-
Hire purchase payables	4.47 - 6.00	1,166,515	1,328,713	330,720	943,575	54,418
Short term borrowings	6.08 - 8.85	2,096,109	2,096,109	2,096,109	-	-
Term loans	4.85 - 8.85	1,634,200	2,040,636	237,744	950,976	851,916
		<u>17,703,624</u>	<u>18,272,258</u>	<u>14,363,876</u>	<u>3,002,048</u>	<u>906,334</u>

(b) Capital Risk Management

The Company manages its capital to ensure that the Company will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments (continued)****(b) Capital Risk Management (continued)**

The Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as debt divided by total equity. Debt represents all the interest bearing borrowings.

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Hire purchase payables	872,646	999,609	1,323,574	1,166,515
Term loans	5,884,085	5,000,500	5,635,470	1,634,200
Bank factoring	3,250,515	5,605,659	7,427,029	1,562,221
Bankers' acceptances	-	-	552,716	418,000
Bank overdrafts	3,898,283	3,610,230	258,209	115,888
	<u>13,905,529</u>	<u>15,215,998</u>	<u>15,196,998</u>	<u>4,896,824</u>
Equity attributable to owners of the Company	<u>18,967,371</u>	<u>16,123,678</u>	<u>10,618,442</u>	<u>7,070,289</u>
Debt-to-equity ratio	<u>0.73</u>	<u>0.94</u>	<u>1.43</u>	<u>0.69</u>

(c) Classification Of Financial Instruments

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Financial Assets				
<u>Loans and Receivables</u>				
Trade receivables	26,056,436	34,784,343	28,708,915	15,312,121
Other receivables and deposits	1,248,199	1,270,401	1,741,970	3,762,580
Amount owing by a director	-	-	-	1,329,460
Amount owing by AESB	-	-	-	16,213
Fixed deposits with licensed banks	4,776,371	4,113,084	1,117,740	238,078
Cash and bank balances	9,263,260	8,904,935	3,720,196	1,635,346
	<u>41,344,266</u>	<u>49,072,763</u>	<u>35,288,821</u>	<u>22,293,798</u>

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments (continued)****(c) Classification Of Financial Instruments (continued)**

	<i>31.05.2017</i>	<i>31.12.2016</i>	<i>31.12.2015</i>	<i>31.12.2014</i>
	RM	RM	RM	RM
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade payables	19,763,938	26,095,531	21,573,778	12,557,958
Other payables and accruals	897,112	770,764	588,082	248,842
Amount owing to a director	-	-	142,143	-
Amount owing to AESB	-	-	2,061,827	-
Bank factoring	3,250,515	5,605,659	7,427,029	1,562,221
Bank overdrafts	3,898,283	3,610,230	258,209	115,888
Bankers' acceptances	-	-	552,716	418,000
Hire purchase payables	872,646	999,609	1,323,574	1,166,515
Term loans	5,884,085	5,000,500	5,635,470	1,634,200
	<u>34,566,579</u>	<u>42,082,293</u>	<u>39,562,828</u>	<u>17,703,624</u>

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values due to the relatively short-term nature except for the non-current portion of term loans and hire purchase payables.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Non-current portion of term loans

The non-current portion of term loans reasonably approximate their fair values as they are floating rate instruments that are repriced to market interest rates on or near the reporting date.

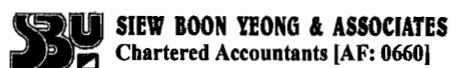
13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.24 Financial Instruments (continued)****(d) Fair Values of Financial Instruments (continued)**Non-current portion of hire purchase payables

	Carrying amount RM	Fair value RM
<i>31.05.2017</i>		
<u>Financial liabilities</u>		
Hire purchase payables (non-current portion)	<u>577,936</u>	<u>503,286</u>
<i>31.12.2016</i>		
<u>Financial liabilities</u>		
Hire purchase payables (non-current portion)	<u>696,899</u>	<u>616,573</u>
<i>31.12.2015</i>		
<u>Financial liabilities</u>		
Hire purchase payables (non-current portion)	<u>958,701</u>	<u>939,035</u>
<i>31.12.2014</i>		
<u>Financial liabilities</u>		
Hire purchase payables (non-current portion)	<u>875,975</u>	<u>743,432</u>

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the end of the financial period/year.

(e) Fair Value Hierarchy

As at 31 May 2017, 31 December 2016, 2015 and 2014, there were no financial instruments measured at fair value in the statements of financial position.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.25 Contingent Liabilities**

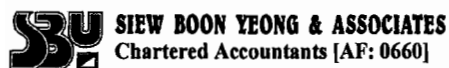
	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Guarantee given to third parties in respect of performance bonds for the Company's projects	<u>4,648,242</u>	<u>4,400,226</u>	<u>2,057,798</u>	<u>1,065,198</u>

7.26 Capital Commitment

	31.05.2017	31.12.2016	31.12.2015	31.12.2014
	RM	RM	RM	RM
Approved and contracted for: Purchase of property, plant and equipment	<u>2,171,060</u>	<u>2,232,290</u>	<u>-</u>	<u>1,269,867</u>

7.27 Significant Events Happened During The Relevant Financial Years/Period

- (i) On 21 July 2014, the Company disposed of 20,000 ordinary shares of RM1 each or 20% equity interest in AESB for a cash consideration of RM20,000. The Company equity interest in AESB had reduced from 80% to 60% after the disposal.
- (ii) On 18 August 2014, the Company subscribed for 90 new ordinary shares of RM1 each or 90% equity interest in PISB for a cash consideration of RM90.
- (iii) On 2 October 2014, the Company entered into a Sale and Purchase Agreement with third parties to purchase a three storey shop office located at Bandar Baru Seri Petaling, Kuala Lumpur for a total cash consideration of RM3,800,000.
- (iv) On 5 November 2014, the Company entered into a Sale and Purchase Agreement with Dato' Lai Keng Onn and Datin Alicia Chan Pey Kheng to dispose of a unit of bungalow located at Taman Yarl, Kuala Lumpur for a total cash consideration of RM2,880,000.
- (v) On 1 December 2015, the Company disposed of 90 ordinary shares of RM1 each or 90% equity interest in PISB for a cash consideration of RM90. Subsequent to the disposal, PISB ceased to be the subsidiary company of the Company.

13. ACCOUNTANTS' REPORT (cont'd)**ACCOUNTANTS' REPORT (continued)****7. NOTES TO THE FINANCIAL STATEMENTS (continued)****7.27 Significant Events Happened During The Relevant Financial Years/Period (continued)**

- (vi) On 19 July 2016, the Company disposed of 60,000 ordinary shares of RM1 each or 60% equity interest in AESB for a cash consideration of RM350,000. Subsequent to the disposal, AESB ceased to be a subsidiary company of the Company.

The effects of the disposal are as follows:

	FYE '2016 RM
Proceeds from disposal of AESB:	350,000
Less: Cost of investment	<u>(60,000)</u>
Gain on disposal	<u><u>290,000</u></u>

- (vii) The CA 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act, 1965.

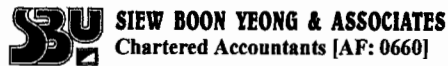
Amongst the key changes introduced under the CA 2016 that will affect the financial statements of the Company upon its initial adoption are:-

- a. Removal of the authorised share capital;
- b. Ordinary shares will cease to have par or nominal value; and
- c. Share premium account and capital redemption reserve will become part of the share capital.

The adoption of the CA 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Company for the financial year ending 31 December 2017.

- (viii) On 22 March 2017, the Company entered into a Sale and Purchase Agreement with a company in which a Director has substantial financial interests for the purchase of a piece of land together with a one and a half storey terrace factory for a total consideration of RM1,300,000.
- (ix) On 18 May 2017, the Company split its ordinary shares on the basis of twenty (20) shares for every existing share held to derive on the total enlarged number of ordinary shares of 20,000,000.
- (x) On 18 May 2017, the Company entered into a sale and purchase agreement with Vibrantline Sdn. Bhd. to purchase a 3 storey shop office held under Geran No. 190203, Lot No. 128236 Mukim Klang, District of Klang, State of Selangor measuring approximately 153 square meters for a purchase consideration of RM1,830,000.
- (xi) On 26 May 2017, the Company was converted into a public limited company. Subsequent to the conversion, the Company changed its name from Kejuruteraan Asastera Sdn. Bhd. to Kejuruteraan Asastera Berhad.

13. ACCOUNTANTS' REPORT *(cont'd)*



ACCOUNTANTS' REPORT *(continued)*

7. NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7.27 Significant Events Happened During The Relevant Financial Years/Period *(continued)*

(xii) On 29 May 2017, the Company issued 220,000,000 bonus shares amounting to RM12,000,000 through capitalisation of retained profits of the Company as at 31 December 2016.

7.28 Significant Event Happened Subsequent To FP 2017

Bursa Securities has, vide its letter dated 7 September 2017, approved the application of KAB for the proposed listing of and quotation for the entire issued share capital of KAB on the ACE Market of Bursa Securities.

8. AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements of KAB has been prepared in respect of any period subsequent to FP 2017.