

## **NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF TCS GROUP HOLDINGS BERHAD (“TCS” OR “COMPANY”) DATED 29 JUNE 2020 (“ELECTRONIC PROSPECTUS”)**

*(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)*

### **Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“**Website**”).

### **Availability and Location of Paper/ Printed Prospectus**

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/ printed copy of the Prospectus directly from TCS, RHB Investment Bank Berhad (“**RHB Investment Bank**”) or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

### **Jurisdictional Disclaimer**

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, RHB Investment Bank and TCS take no responsibility for the distribution of the Electronic Prospectus and/ or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

### **Close of Application**

Applications will be accepted from 10.00 a.m. on 29 June 2020 and will close at 5.00 p.m. on 10 July 2020. In the event there is any change to the timetable, the Company will advertise a notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

### **Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted**

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the Website and the use of the contents of the Website and/ or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind and shall not at any time be relied upon as such.

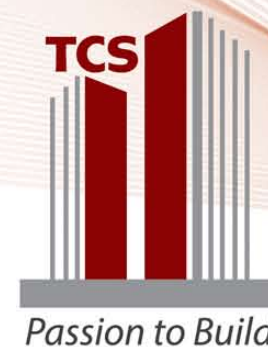




## TCS GROUP HOLDINGS BERHAD

(Registration No. 201901004613 (1313940-W))  
(Incorporated in Malaysia under the Companies Act, 2016)

No. 1 & 3, Bangunan TCS  
Jalan SP 1/1  
Bandar Saujana Putra  
42610 Jenjarom  
Selangor



# PROSPECTUS

TCS GROUP HOLDINGS BERHAD

PROSPECTUS

## TCS GROUP HOLDINGS BERHAD

(Registration No. 201901004613 (1313940-W))  
(Incorporated in Malaysia under the Companies Act, 2016)

INITIAL PUBLIC OFFERING ("IPO") OF UP TO 108,000,000 ORDINARY SHARES IN TCS GROUP HOLDINGS BERHAD ("TCS" OR "COMPANY") ("SHARES") AT AN IPO PRICE OF RM0.23 PER SHARE, PAYABLE IN FULL UPON APPLICATION COMPRISING:

- (I) PUBLIC ISSUE OF UP TO 90,000,000 NEW SHARES ("ISSUE SHARES") IN THE FOLLOWING MANNER:
- (A) UP TO 10,800,000 ISSUE SHARES TO THE MALAYSIAN PUBLIC;
  - (B) UP TO 7,200,000 ISSUE SHARES TO THE ELIGIBLE DIRECTORS AND EMPLOYEES OF TCS AND ITS SUBSIDIARIES ("TCS GROUP"), AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE TCS GROUP;
  - (C) UP TO 32,400,000 ISSUE SHARES TO INSTITUTIONAL AND SELECTED INVESTORS BY WAY OF PRIVATE PLACEMENT; AND
  - (D) UP TO 39,600,000 ISSUE SHARES TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY BY WAY OF PRIVATE PLACEMENT; AND
- (II) OFFER FOR SALE OF UP TO 18,000,000 EXISTING SHARES TO INSTITUTIONAL AND SELECTED INVESTORS BY WAY OF PRIVATE PLACEMENT;

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THIS PROSPECTUS, IN CONJUNCTION WITH THE LISTING AND QUOTATION OF THE ENLARGED TOTAL NUMBER OF 360,000,000 SHARES ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

Sole Principal Adviser, Sponsor, Sole Underwriter and  
Sole Placement Agent

**RHB** InvestmentBank

**RHB INVESTMENT BANK BERHAD**  
(Registration No. 197401002639 (19663-P))  
(A Participating Organisation of Bursa Securities)

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA SECURITIES. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THIS ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SECURITIES COMMISSION MALAYSIA ("SC").

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 32.

This Prospectus has been registered by the SC. The registration of this Prospectus should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on the part of TCS and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after six months from the date of this Prospectus.

THIS PROSPECTUS IS DATED  
29 JUNE 2020



All defined terms used in this Prospectus are defined under "Definitions" commencing on page xi, "Glossary of Technical Terms" commencing on page xviii and "Presentation of Information" commencing on page viii.

### **RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being our Sole Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

### **STATEMENTS OF DISCLAIMER**

Our Company has obtained the approval of Bursa Securities for the listing and quotation of our Shares. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Forms, has also been lodged with the ROC who takes no responsibility for its contents.

### **OTHER STATEMENTS**

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our IPO and this Prospectus are subject to the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept any liability in relation thereto whether or not any enquiry or investigation is made in connection with it. It is your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of this Prospectus and to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such country or jurisdiction which you may be subject to.

We will further assume that you have accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

This Prospectus is prepared and published solely for our IPO under the laws of Malaysia. Our Directors, Promoters, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone and take no responsibility for distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone to provide you with any information which is not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Directors, Promoters, Sole Principal Adviser, Sole Underwriter and Sole Placement Agent, any of their respective directors, or any other persons involved in our IPO. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our Shares being offered in our IPO in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation.

### **ELECTRONIC PROSPECTUS**

This Prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The contents of the electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us, our Sole Principal Adviser or Issuing House. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC, will prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Sole Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, files, information or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Sole Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Sole Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or other material provided by such parties; and
- (iii) any data, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files, information or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent that the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions may be viewed via web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

**INDICATIVE TIMETABLE**

An indicative timetable of our IPO is set out below:

<b>Event</b>	<b>Dates</b>
Opening date of our IPO	29 June 2020
Closing date of our IPO	10 July 2020
Balloting of Applications	14 July 2020
Allotment/ transfer of our IPO Shares to successful applicants	20 July 2020
Listing	23 July 2020

The application for our IPO Shares will open at 10.00 a.m. on 29 June 2020 and close at 5.00 p.m. on 10 July 2020. Late Applications will not be accepted.

In the event there is any change to the timetable, we will advertise a notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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## PRESENTATION OF INFORMATION

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All references to “our Company” or “TCS” in this Prospectus are to TCS Group Holdings Berhad. All references to “TCS Group”, “our Group”, “we”, “us”, “our” or “ourselves” in this Prospectus are to our Company and our subsidiaries as a whole, save for where the context otherwise requires. Unless the context otherwise requires, references to “Management” are to our Directors and Key Management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Directors and Key Management.

All references to “you” are to our prospective investors.

In this Prospectus, all references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between amounts listed and the totals in this Prospectus are due to rounding. Other abbreviations and acronyms used herein are defined in the “Definitions” section and technical terms used herein are defined in the “Glossary of Technical Terms” section appearing after that section. Words denoting the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, bodies corporate and corporations.

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

References to a time of a day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. We have appointed Protégé to provide an independent market and industry review relating to an overview of the economy and industry in which we operate in. In compiling their data for the review, Protégé relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on it.

Reference to the “LPD” in this Prospectus is to 31 May 2020, being the latest practicable date prior to the registration of this Prospectus with the SC.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our business strategies, trends and competitive position;
- (ii) our plans and objectives for future operations;
- (iii) our financial position;
- (iv) potential growth opportunities;
- (v) our future earnings, cash flows and liquidity;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation and regulation;
- (iii) interest rates, tax rates and exchange rates;
- (iv) delays, cost overruns, shortages in labour and other changes that impact the execution of our expansion plans;
- (v) the competitive environment in the industry in which we operate;
- (vi) reliance on approvals, licenses and permits;
- (vii) project risks;
- (viii) possible delays in completion of construction projects;
- (ix) availability and fluctuations in prices of raw materials;
- (x) fixed and contingent obligations and commitments; and
- (xi) any other factors beyond our control which include terrorist acts, pandemics, epidemics or natural disasters.

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**FORWARD-LOOKING STATEMENTS (CONT'D)**

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Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 of this Prospectus on "Risk Factors", Section 6 of this Prospectus on "Impact of COVID-19 on our Group" and Section 12.3 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Should we become aware of any subsequent significant change or new matter arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares that will affect a matter disclosed in this Prospectus, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).



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**DEFINITIONS**


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The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:

<b>ACE Market</b>	:	ACE Market of Bursa Securities
<b>Act</b>	:	Companies Act, 2016
<b>ADA</b>	:	Authorised depository agent
<b>Application</b>	:	Application for our IPO Shares under the Retail Offering by way of Application Form, Electronic Share Application or Internet Share Application
<b>Application Form</b>	:	Collectively, White Application Form and Pink Application Form
<b>ATM</b>	:	Automated teller machine
<b>Authorised Institution</b>	<b>Financial</b> :	Authorised financial institution participating in the Internet Share Application with respect to payments for our IPO Shares
<b>Board</b>	:	Board of directors of our Company
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>CAGR</b>	:	Compound annual growth rate
<b>CDB Realty</b>	:	CDB Realty Sdn Bhd (Registration No. 201201027968 (1012454-X))
<b>CDS</b>	:	Central depository system
<b>CIDB</b>	:	Construction Industry Development Board
<b>CIDB Act</b>	:	Construction Industry Development Board Act, 1994
<b>CMSA</b>	:	Capital Markets and Services Act, 2007
<b>Constitution</b>	:	Constitution of our Company
<b>COVID-19</b>	:	Coronavirus disease 2019
<b>Director(s)</b>	:	Director(s) of our Company
<b>EBITDA</b>	:	Earnings before interest, tax, depreciation and amortisation
<b>Electronic Prospectus</b>	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/ or an electronic storage medium, including but not limited to CD-ROMs ( <i>compact disc read-only memory</i> )
<b>Electronic Share Application</b>	:	Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM

**DEFINITIONS (CONT'D)**

<b>Eleventh Malaysia Plan</b>	:	Malaysia's five-year development plan which outlines the country's growth strategies from 2016 to 2020
<b>Eligible Persons</b>	:	Collectively, our Directors and employees of our Group, and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
<b>EPF</b>	:	Employees Provident Fund
<b>EPS</b>	:	Earnings per share
<b>Equity Guidelines</b>	:	Equity Guidelines issued by the SC
<b>FYE</b>	:	Financial year ended / ending 31 December, as the case may be
<b>FYE Under Review</b>	:	FYE 31 December 2016, FYE 31 December 2017, FYE 31 December 2018 and FYE 31 December 2019
<b>GP</b>	:	Gross profit
<b>IJM Group</b>	:	Collectively, IJM Corporation Berhad and its subsidiaries
<b>IMR Report</b>	:	Independent market research report dated 15 June 2020 prepared by Protégé
<b>Institutional Offering</b>	:	Offering of up to 90,000,000 IPO Shares at our IPO Price comprising: <ul style="list-style-type: none"> <li>(i) the Public Issue of up to 32,400,000 Issue Shares to institutional and selected investors;</li> <li>(ii) the Public Issue of up to 39,600,000 Issue Shares to identified Bumiputera investors approved by the MITI; and</li> <li>(iii) the Offer for Sale of up to 18,000,000 Offer Shares to institutional and selected investors,</li> </ul> subject to the clawback and reallocation provisions as set out in this Prospectus
<b>Internet Participating Financial Institution</b>	:	Participating financial institution in the Internet Share Application
<b>Internet Share Application</b>	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
<b>IPO</b>	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
<b>IPO Price</b>	:	IPO price of RM0.23 per IPO Share
<b>IPO Shares</b>	:	Collectively, Issue Shares and Offer Shares
<b>Issue Shares</b>	:	New Shares to be issued by our Company pursuant to the Public Issue

**DEFINITIONS (CONT'D)**

<b>Issuing House</b>	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X))
<b>Key Management</b>	:	Key management personnel of our Group comprising Dato' Ir Tee Chai Seng, Datin Koh Ah Nee, Ooi Kee An, Yap Choo Cheng, Liew Kok Yoong, Ho Chee Woei, Koo Yoke Ping and Ng Lee Foong
<b>Kia Ace Development</b>	:	Kia Ace Development Sdn Bhd
<b>Listing</b>	:	Admission to the Official List and the listing and quotation of our enlarged total number of 360,000,000 Shares on the ACE Market
<b>Listing Requirements</b>	:	ACE Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	31 May 2020, being the latest practicable date prior to the registration of this Prospectus with the SC
<b>Malaysian Public</b>	:	Citizens of Malaysia, and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
<b>Manda'rina</b>	:	Manda'rina Sdn Bhd
<b>Market Day</b>	:	Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
<b>MCO</b>	:	A movement control order implemented as a preventive measure by the federal government of Malaysia to curb the outbreak of COVID-19
<b>MIA</b>	:	Malaysian Institute of Accountants
<b>MITI</b>	:	Ministry of International Trade and Industry
<b>MPM Project Management</b>	:	MPM Project Management Sdn Bhd
<b>Murni Lapisan</b>	:	Murni Lapisan Sdn Bhd
<b>MyIPO</b>	:	Intellectual Property Corporation of Malaysia
<b>NA</b>	:	Net assets
<b>NBV</b>	:	Net book value
<b>NLC</b>	:	National Land Code, 1965
<b>Offer for Sale</b>	:	Offer for sale by the Selling Shareholders of up to 18,000,000 Offer Shares at our IPO Price, representing 5.00% of our enlarged total number of 360,000,000 Shares to institutional and selected investors by way of private placement, subject to our Issue Shares being fully taken up first
<b>Offer Shares</b>	:	The existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale

**DEFINITIONS (CONT'D)**

<b>Official List</b>	:	A list specifying all securities listed on Bursa Securities
<b>Participating Financial Institution</b>	:	Participating financial institution for the Electronic Share Application
<b>PAT</b>	:	Profit after tax
<b>PBT</b>	:	Profit before tax
<b>Pink Application Form</b>	:	Application form for the application of our Issue Shares allocated for the Eligible Persons as set out in Section 3.3.1(ii) of this Prospectus
<b>Pre-IPO Reorganisation</b>	:	The acquisitions by our Company and our subsidiary, TCS Construction as set out in Section 5.3 of this Prospectus
<b>Promoter(s)</b>	:	Collectively, Dato' Ir Tee Chai Seng and Datin Koh Ah Nee
<b>Prospectus</b>	:	This prospectus dated 29 June 2020 issued by our Company
<b>Prospectus Guidelines</b>	:	Prospectus Guidelines issued by the SC
<b>Protégé or IMR</b>	:	Protégé Associates Sdn Bhd (Registration No. 200401037256 (675767-H))
<b>Public Issue</b>	:	The public issue of up to 90,000,000 Issue Shares at our IPO Price, representing 25.00% of our enlarged total number of 360,000,000 Shares comprising the following: <ul style="list-style-type: none"> <li>(i) the Retail Offering of up to 18,000,000 Issue Shares; and</li> <li>(ii) the Institutional Offering of up to 72,000,000 Issue Shares,</li> </ul> subject to clawback and reallocation provisions as set out in this Prospectus
<b>QESH</b>	:	Quality, environment, safety and health
<b>Reporting Accountants</b>	:	Grant Thornton Malaysia PLT (201906003682 & AF 0737)
<b>Retail Offering</b>	:	Offering of up to 18,000,000 Issue Shares to the Malaysian Public at our IPO Price comprising: <ul style="list-style-type: none"> <li>(i) up to 10,800,000 Issue Shares to the Malaysian Public, of which at least 50.00% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and/ or institutions; and</li> <li>(ii) up to 7,200,000 Issue Shares to the Eligible Persons</li> </ul>
<b>RHB Investment Bank or Sole Principal Adviser, Sponsor or Sole Underwriter or Sole Placement Agent</b>	:	RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))
<b>ROC</b>	:	Registrar of Companies



**DEFINITIONS (CONT'D)**

<b>Rules of Bursa Depository</b>	:	Rules of Bursa Depository as issued pursuant to the SICDA
<b>SC</b>	:	Securities Commission Malaysia
<b>Selling Shareholder(s)</b>	:	Collectively, Dato' Ir Tee Chai Seng and Datin Koh Ah Nee
<b>Setia Precast</b>	:	Setia Precast Sdn Bhd
<b>Share Registrar</b>	:	Boardroom Share Registrars Sdn Bhd (Registration No. 199601006647 (378993-D))
<b>SICDA</b>	:	Securities Industry (Central Depositories) Act, 1991
<b>SIRIM QAS</b>	:	SIRIM QAS International Sdn Bhd
<b>SOCSSO</b>	:	Social security organisation
<b>SP Setia Group</b>	:	Collectively, SP Setia Berhad and its subsidiaries
<b>Subsidiaries</b>	:	Collectively, TCS Construction and TCS Bina
<b>TCS or Company</b>	:	TCS Group Holdings Berhad (Registration No. 201901004613 (1313940-W))
<b>TCS Bina</b>	:	TCS Bina Sdn Bhd (Registration No. 201701013895 (1228060-H))
<b>TCS Construction</b>	:	TCS Construction Sdn Bhd (Registration No. 199801010644 (466772-H))
<b>TCS Group or Group</b>	:	Collectively, our Company and our Subsidiaries
<b>TCS Share(s) or Share(s)</b>	:	Ordinary share(s) in our Company
<b>Tropicana Aman</b>	:	Tropicana Aman Sdn Bhd
<b>Tropicana Group</b>	:	Collectively, Tropicana Corporation Berhad and its subsidiaries
<b>Tropicana Metropark</b>	:	Tropicana Metropark Sdn Bhd
<b>UM Land Group</b>	:	Collectively, United Malayan Land Berhad and its subsidiaries
<b>Underwriting Agreement</b>	:	Underwriting agreement dated 12 June 2020 entered into between our Company and our Sole Underwriter for the underwriting of 18,000,000 Issue Shares under the Retail Offering
<b>USA</b>	:	United States of America
<b>White Application Form</b>	:	Application form for the application of our Issue Shares allocated to the Malaysian Public as set out in Section 3.3.1(i) of this Prospectus
<b><u>Currency and unit</u></b>		
<b>RM and sen</b>	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
<b>%</b>	:	Per centum

**DEFINITIONS (CONT'D)****On-going projects**

- Hermington Project** : 479 units of one block of 46 storeys of condominium with eight storeys of car parking podium and 478 units of one block of 49 storeys affordable homes on Jalan Indrahana 3, Mukim Petaling, Kuala Lumpur for QBeez Holdings Sdn Bhd
- Putrajaya Sentral Project** : 672 units of two blocks of 34 storeys of serviced apartment with one basement car park and four storeys of car parking podium at PT 13108, Precinct 7, Wilayah Persekutuan Putrajaya for Cahaya Nusantara Sdn Bhd
- Riana South Project** : 536 units of one block of 27 storeys condominium and one block of 28 storeys condominium with five storeys of car parking building at Jalan Manda'rina Damai, Mukim Petaling, Wilayah Persekutuan Kuala Lumpur for BEP Akitek Sdn Bhd on behalf of Manda'rina
- Setia City Residences Project** : 780 units of three blocks of 35 storeys serviced apartments with seven storeys of car parking podium at Bandar Setia Alam, Shah Alam, Selangor for Setia Precast
- Suria Pantai Project** : 896 units of two blocks of 35 storeys affordable homes with seven storeys of car parking building at Jalan Pantai Dalam, Wilayah Persekutuan Kuala Lumpur for Murni Lapisan
- Tropicana Urban Homes Project** : 766 units of four blocks of 18 storeys affordable homes with seven storeys of car parking building at Tropicana Aman, Mukim Tanjong Dua Belas, Daerah Kuala Langat, Selangor for Tropicana Aman
- Woodbury Project** : 356 units of double storey terrace houses on part of Lot 11605, Mahkota Hills, Mukim Lenggeng, Negeri Sembilan for Kia Ace Development

**Completed projects**

- Albury 1 Project** : 331 units of single storey terrace houses at Mahkota Hills, Mukim Lenggeng, Seremban, Negeri Sembilan for Kia Ace Development
- Albury 2 Project** : 382 units of double storey terrace houses at Mahkota Hills, Mukim Lenggeng, Seremban, Negeri Sembilan for Kia Ace Development
- Bandar Seri Coalfields Project** : 101 units of two and three storeys shop offices at Bandar Seri Coalfields, Mukim Ijok, Daerah Kuala Selangor, Selangor for KL Kepong Country Homes Sdn Bhd
- Cengal and Berlian Project** : 40 units of double storey bungalows and 44 units of double storey semi-detached houses at Bandar Puncak Alam, Mukim Ijok, Daerah Kuala Selangor, Selangor for Worldwide Holdings Bhd

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**DEFINITIONS (CONT'D)**


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- GEMS International School Project** : International School – GEMS at Tropicana Metropark, Subang Jaya, Mukim Damansara, Daerah Petaling, Selangor for Tropicana Metropark
- Jati 4 Project** : 69 units of one, two and three storeys of shop offices at Bandar Puncak Alam, Mukim Ijok, Daerah Kuala Selangor, Selangor for Worldwide Holdings Bhd
- KTCC Mall Project** : One block of five storeys shopping complex consisting of four levels of retail space and one level of car parking podium, and one basement car park at Muara Selatan Bandar Kuala Terengganu, Kuala Terengganu, Terengganu for MPM Project Management
- Little GEMS Project** : International School – Little GEMS at Tropicana Metropark, Subang Jaya, Mukim Damansara, Daerah Petaling, Selangor for GEMS Maju Sdn Bhd
- Saujana Avenue Project** : 75 units of three and four storeys of shop offices at Bandar Saujana Putra, Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor for Temasya Mayang Sdn Bhd
- Saujana Prima Project** : 196 units of double-storey terrace houses on Plot G, Lot 20407, PN 11211, Bandar Saujana Putra, Mukim Tanjung Dua Belas, Kuala Langat, Selangor for Saujana Prima Development Sdn Bhd

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**GLOSSARY OF TECHNICAL TERMS**


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<b>As-built drawings</b>	: A revised set of drawing submitted by a contractor upon completion of a project, which reflects all the changes made in the specifications and working drawings during the construction process, detailing the exact dimensions, geometry and location of all elements of the work completed under the contract
<b>BIM</b>	: Building Information Modelling refers to a digital modelling platform which incorporates key building elements into building designs and can be used to simulate scheduling, estimation and fabrication processes. The modelling platform provides a virtual reality insight throughout the stages of the building construction with integrated information as well as prompting deviations/ exceptions for realignment/ rectification
<b>CCC</b>	: Certificate of completion and compliance issued by local authorities or principal submitting person (whichever is applicable)
<b>CIDB Green Card</b>	: A compulsory registration card issued by CIDB for personnel who are involved in site construction activity, detailing the personnel's job and degree of expertise
<b>CIDB SCORE</b>	: A programme developed by CIDB in cooperation with SME Corporation Malaysia with the aim to evaluate contractors' capacity and capability in the construction industry
<b>CMGD</b>	: Certificate of Making Good Defects, issued to the contractor by the architect on behalf of the customer after identified defects have been rectified upon expiry of the defects liability period
<b>CPC</b>	: Certificate of Practical Completion, issued to the contractor by the architect on behalf of the customer when the contractor has completed its assigned obligations and handed over the works to the customer
<b>Defects liability period</b>	: A warranty period where a contractor is required to repair or make good defects at their own cost and expense for defects in the work performed
<b>ISO</b>	: International Organisation for Standardisation
<b>Letter of award</b>	: A formal acceptance of an award of a project by a customer to the contractor
<b>M&amp;E</b>	: Mechanical and electrical
<b>Master work programme</b>	: Master work programme details the work activities at work site, sequence of work and identified key milestones of a project according to project requirements and specifications



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**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

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- QLASSIC** : Quality Assessment System in Construction is a system or method which is used to measure and evaluate the workmanship quality of a building construction work which was developed by CIDB
- SHASSIC** : Safety and Health Assessment System in Construction is a system used to benchmark the level of safety and health performance of the construction industry in Malaysia which was developed by CIDB

**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Nationality/ Gender</b>	<b>Designation</b>	<b>Residential Address</b>
Tan Sri Dato' Sri Izzuddin bin Dali	Malaysian/ Male	Independent Non-Executive Chairman	No. 60, Jalan Sepah Puteri 5/2 Kota Damansara 47810 Petaling Jaya Selangor
Dato' Ir Tee Chai Seng	Malaysian/ Male	Managing Director (Non-Independent)	No. 11, Jalan Setia Tropika U13/20B Setia Eco Park Setia Alam 40170 Shah Alam Selangor
Datin Koh Ah Nee	Malaysian/ Female	Executive Director (Non-Independent)	No. 11, Jalan Setia Tropika U13/20B Setia Eco Park Setia Alam 40170 Shah Alam Selangor
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Malaysian/ Male	Independent Non-Executive Director	No. 4, Jalan Damai Kasih 5 Alam Damai Cheras 56000 Kuala Lumpur
Ooi Guan Hoe	Malaysian/ Male	Independent Non-Executive Director	No. 100, Casaman, Cangkat Intisari Desa Parkcity 52200 Kepong Kuala Lumpur

**1. CORPORATE DIRECTORY (CONT'D)****AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Ooi Guan Hoe	Chairman	Independent Non-Executive Director
Tan Sri Dato' Sri Izzuddin bin Dali	Member	Independent Non-Executive Chairman
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Member	Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Chairman	Independent Non-Executive Director
Tan Sri Dato' Sri Izzuddin bin Dali	Member	Independent Non-Executive Chairman
Ooi Guan Hoe	Member	Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Chairman	Independent Non-Executive Director
Tan Sri Dato' Sri Izzuddin bin Dali	Member	Independent Non-Executive Chairman
Ooi Guan Hoe	Member	Independent Non-Executive Director

**RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Sri Dato' Sri Izzuddin bin Dali	Chairman	Independent Non-Executive Chairman
Dato' Ir Tee Chai Seng	Member	Managing Director
Ooi Guan Hoe	Member	Independent Non-Executive Director

**1. CORPORATE DIRECTORY (CONT'D)**

- COMPANY SECRETARIES** : Tan Tong Lang  
Professional qualification: The Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**")  
(MAICSA membership no. 7045482)
- Thien Lee Mee  
Professional qualification: Licensed Secretary ("**LS**")  
(LS membership no. 0009760)
- Suite 10.02, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur
- Tel. No.: (603) 2298 0263  
Fax. No.: (603) 2298 0268
- REGISTERED OFFICE** : Suite 10.02, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur
- Tel. No.: (603) 2298 0263  
Fax. No.: (603) 2298 0268
- HEAD OFFICE** : No. 1 & 3, Bangunan TCS  
Jalan SP 1/1  
Bandar Saujana Putra  
42610 Jenjarom  
Selangor
- Tel. No.: (603) 5103 8899  
Fax. No.: (603) 5103 7366  
Email: general@tcsgroup.com.my  
Website: www.tcsgroup.com.my
- SOLE PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : RHB Investment Bank Berhad  
Level 10, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur
- Tel. No.: (603) 9287 3888  
Fax. No.: (603) 9287 2233/3355/4770
- AUDITORS AND REPORTING ACCOUNTANTS** : Grant Thornton Malaysia PLT  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Tel. No.: (603) 2692 4022  
Fax. No.: (603) 2732 5119
- Partner-in-charge: Lui Lee Ping  
Professional qualification: Member of Malaysian Institute of Accountants ("**MIA**")  
Approval no.: 03334/11/2021(J)  
(MIA membership no.: 29126)



**1. CORPORATE DIRECTORY (CONT'D)**

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**SOLICITORS FOR OUR LISTING** : Wong Beh & Toh  
Level 19, West Block  
Wisma Golden Eagle Realty  
142-C, Jalan Ampang  
50450 Kuala Lumpur

Tel. No.: (603) 2713 6050

Fax. No.: (603) 2713 6052

**INDEPENDENT RESEARCHER**            **MARKET** : Protégé Associates Sdn Bhd  
Suite C-09-12, Plaza Mont' Kiara  
2, Jalan Kiara  
Mont' Kiara  
50480 Kuala Lumpur

Tel. No.: (603) 6201 9301

Fax. No.: (603) 6201 7302

Managing Director : Seow Cheow Seng  
Master in Business Administration from Charles Stuart University,  
Australia  
Bachelor of Business specialising in Marketing from RMIT  
University, Australia

**ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor

Tel No.: (603) 7890 4700

Fax No.: (603) 7890 4680

**SHARE REGISTRAR** : Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor

Tel No.: (603) 7890 4700

Fax No.: (603) 7890 4670

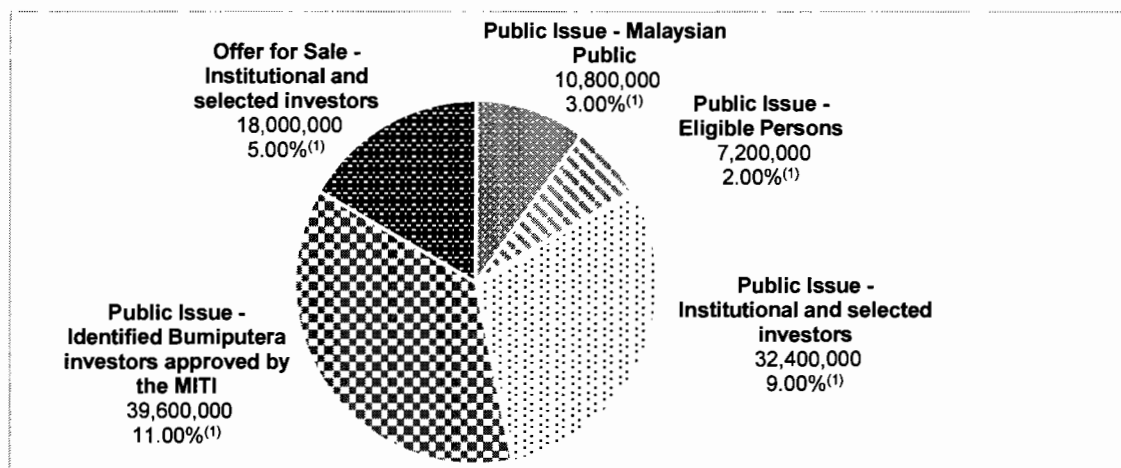
**LISTING SOUGHT** : ACE Market

## 2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

### 2.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO comprises the Public Issue and Offer for Sale of up to 108,000,000 IPO Shares at our IPO Price of RM0.23 per Share. Our IPO Shares will be allocated in the following manner, subject to the clawback and reallocation provisions:



**Note:**

(1) Based on the enlarged total number of 360,000,000 Shares after our IPO.

Please refer to Section 3.3 of this Prospectus for further details of our IPO.

Enlarged total number of Shares upon Listing	360,000,000
<b>Market capitalisation</b> based on our IPO Price and the enlarged total number of 360,000,000 Shares upon Listing	RM82,800,000
<b>Pro forma consolidated NA</b> as at 31 December 2019 after our Pre-IPO Reorganisation but before our Public Issue (rounded to nearest thousand)	RM41,885,767
<b>Pro forma consolidated NA</b> as at 31 December 2019 after our Pre-IPO Reorganisation, Public Issue and the intended use of proceeds (rounded to nearest thousand)	RM59,085,767
<b>Pro forma consolidated NA per Share</b> as at 31 December 2019 after our Pre-IPO Reorganisation, Public Issue and the intended use of proceeds	RM0.16

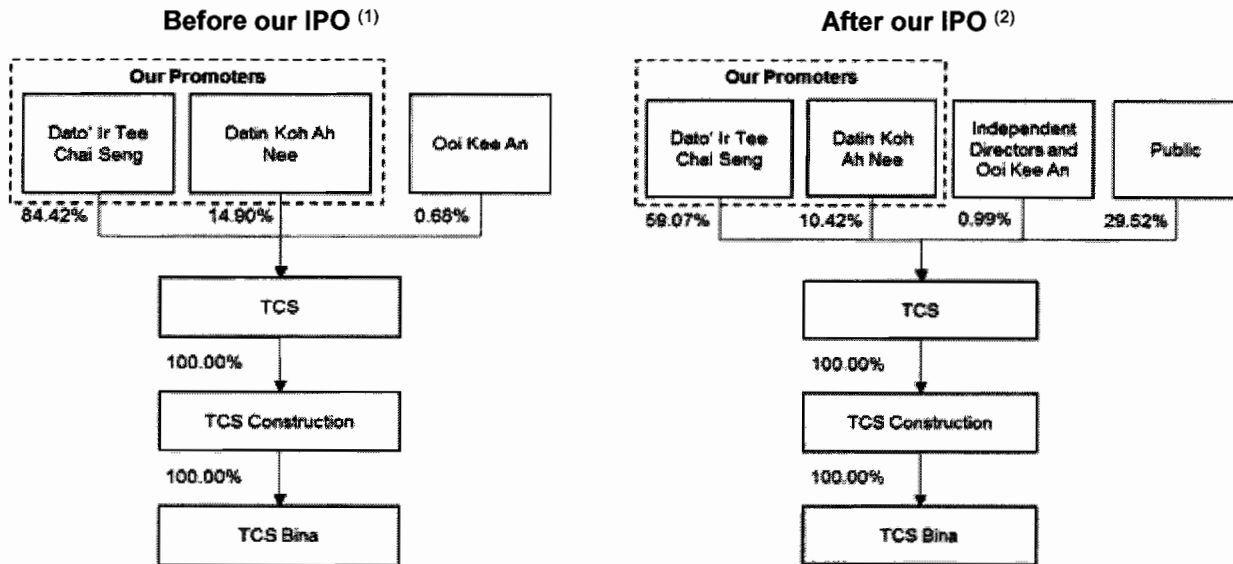
A moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters. Further information on moratorium restrictions is disclosed under Section 9.4 of this Prospectus.

### 2.2 BACKGROUND INFORMATION OF OUR GROUP AND BUSINESS OPERATIONS

Our Company was incorporated in Malaysia on 11 February 2019 under the Act as a public company limited by shares under the name of TCS Group Holdings Berhad. We are an investment holding company and through our Subsidiaries, we are principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia.

## 2. PROSPECTUS SUMMARY (CONT'D)

Our shareholders and Group structure before our IPO but after our Pre-IPO Reorganisation, and after our IPO is set out below:



### Notes:

- (1) Based on the total number of 270,000,000 Shares before our IPO.
- (2) Based on the enlarged total number of 360,000,000 Shares after our IPO and assuming full subscription of the Pink Form Shares reserved for the Eligible Persons.

We have been operating in the construction industry in Malaysia for about 21 years under the leadership and guidance of our Managing Director, Dato' Ir Tee Chai Seng. He has been instrumental in charting our business direction and managing our strategic development. After Dato' Ir Tee Chai Seng acquired TCS Construction in 1998, which was incorporated under the name of Technomatrix Sdn Bhd, we began our operations in 1999 as a subcontractor carrying out selected civil and structural works in townships and landed property developments such as building of roads, water and sewerage treatment plants, water tanks and reticulation systems.

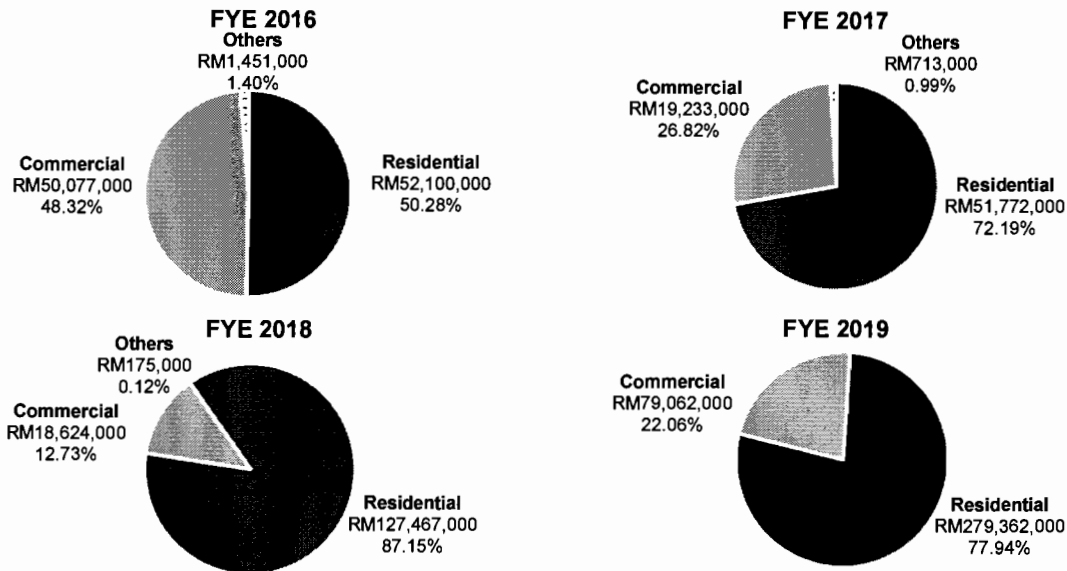
As a subcontractor for civil and structural works, we were mainly responsible for specific sections of a construction project. Whilst maintaining our involvement in civil and structural projects in townships and landed property developments, we gradually expand our scope of work and started to participate in building construction projects.

From the commencement of our business until 2012, we undertook and completed numerous projects, covering construction of roads, water and sewerage treatment plants, water tanks, reticulation systems, electrical substations, show-units, landed residential houses and shop offices. During that period, our projects were less complex, on a smaller scale, generally with a contract sum of less than RM20.00 million and had shorter timeframe as compared to our on-going projects.

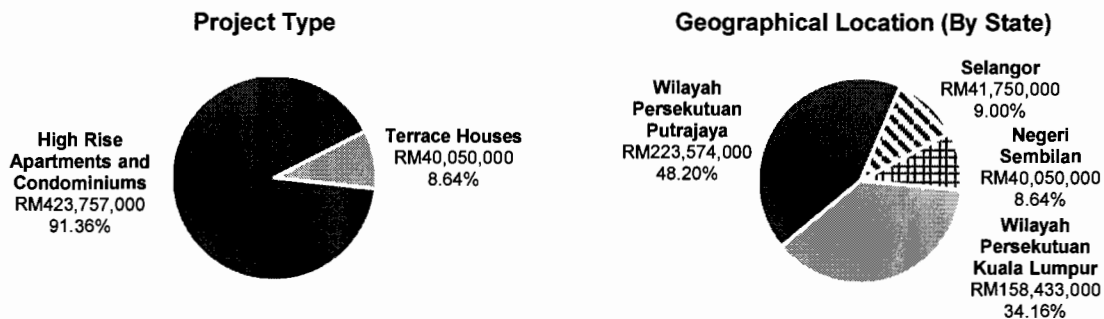
With a stronger capability and capacity, we began to undertake larger building construction projects in 2013, namely our Saujana Avenue Project with a contract value of RM44.60 million and Saujana Prima Project with a contract value of RM39.31 million as a main contractor. Our customers for these two projects are property development companies which our Managing Director was a director and is still a shareholder. Further, we expanded into construction of purpose-built building in 2015 when we secured our GEMS International School Project worth RM46.04 million. As a main contractor, we play a central coordinator role in our building construction projects in planning and managing the overall construction projects to ensure successful handover to our customers within the contract period.

## 2. PROSPECTUS SUMMARY (CONT'D)

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



As at 30 April 2020, we have seven on-going projects with an outstanding order book of RM463.81 million, all of which were secured in the years 2017 to 2019, comprising:



Currently, both our Subsidiaries are registered with CIDB as Grade G7 contractors, which allow us to tender for construction projects that are of unlimited value. In addition, we are allowed to participate in tenders by the Government or in Government related projects as TCS Construction also holds the certificate of Governmental Procurement Works issued by CIDB and certificate of registration issued by Ministry of Finance. Please refer to Section 6.12 of this Prospectus for details on our major approvals, licenses, permits and registrations.

Moving forward, it is our firm intention to remain focused on our business as a pure play construction company by focusing on high rise residential and commercial projects, and to venture into infrastructure construction services.

The table below summarises our Group's key milestones and achievements since our inception:

Year	Key milestones and achievements
1998	• Dato' Ir Tee Chai Seng acquired TCS Construction which was incorporated under the name of Technomatrix Sdn Bhd
2015	• Expanded into our first purpose-built building, GEMS International School Project with a contract value of RM46.04 million
2017	• Secured our first two high rise residential construction projects, Suria Pantai Project and Riana South Project worth RM141.73 million and RM119.72 million, respectively
2018	• Secured our first shopping mall construction project, KTCC Mall Project with a contract sum of RM101.00 million
2019	• Secured our Putrajaya Sentral Project with a contract sum of RM223.89 million

Further details of our Group and business are set out in Sections 5 and 6 of this Prospectus.

## 2. PROSPECTUS SUMMARY (CONT'D)

### 2.3 IMPACT OF COVID-19 ON OUR GROUP AND MEASURES TO COMMENCE AND CONTINUE OUR BUSINESS OPERATIONS

Due to the COVID-19 pandemic, the Government had on 16 March 2020 implemented a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. As a result, we had to temporarily suspend our operations at both our construction sites and head office. As at the date of this Prospectus, we have fully resumed operations at full workforce at our head office and at all construction sites for our on-going projects. For our Putrajaya Sentral Project, we have yet to commence operations. Please refer to Section 4.1.9 for further details on risks relating to outbreak of COVID-19 which we are exposed to and Section 6.1 of this Prospectus for details of the impact of COVID-19 on our Group, our supply chain and our projects.

As part of the requirement to commence our operations, all our employees and construction workers (including our subcontractors' construction workers) at our construction sites have undergone testing for COVID-19 to ensure that they are not infected. As at the LPD, all our employees and construction workers (including our subcontractors' construction workers who are working at our construction sites) have tested negative for COVID-19. We have also implemented new COVID-19 safety and health instructions and procedures, and social distancing guidelines imposed by the Government, relevant authorities and local councils governing the jurisdiction our projects are situated at. Further details on the measures to commence and continue our business operations are set out in Section 6.1 of this Prospectus.

### 2.4 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. A summary of the key risk factors is set out below:

- (i) **Our historical GP margin is not a guarantee of our future performance.** Our Group's GP margin may fluctuate for each financial year. For instance our Group's overall GP margin increased from 13.80% for FYE 2016 to 20.88% for FYE 2017, and then decreased to 14.04% and 10.53% for FYE 2018 and FYE 2019 respectively.

Our overall GP margin is dependent on our projects mix, and each of our project's GP and GP margins may differ depending on the scope of work, technical specifications, project duration and costs. During the FYE Under Review, our completed projects were mainly landed properties with a smaller contract sum as opposed to our on-going projects, which mainly comprise high rise properties with a larger contract sum. In general, our construction projects with a higher contract sum will have a lower GP margin, and hence our GP margin in the future may be lower as most of our on-going projects have larger contract sums.

Further, our overall GP and GP margins, and their sustainability is largely dependent on our efficiency in implementing our projects as well as factors beyond our control, such as project delays and termination, and fluctuations in prices and unavailability of construction materials.

We cannot ensure that we will be able to sustain our historical or current levels of GP margin, or achieve or maintain our profitability in the future if there is a decline in overall GP margin of our future projects.

- (ii) **Our profitability may be adversely affected by properties which we have purchased.** It is our firm intention to remain focused on our business as a pure play construction company. Further, it is not our business model or policy to acquire properties in our customers' property development projects as a precondition for securing a project or to accept pre-arranged payment-in-kind from our customers for our construction services. During the FYE Under Review, we purchased six properties from our customers' property development projects as support to their business with a view of fostering and/ or maintaining good business relationship. We may either dispose and/ or rent out the properties we purchased when we no longer require the properties as our site office. This will subject us to inherent risks such as fluctuation in property prices and rental rates, and we may only realise capital gain, if any, upon disposal.

## 2. PROSPECTUS SUMMARY (CONT'D)

As such, in the event that we are not able to recoup our cost in the properties in the future, our profitability may be adversely affected.

- (iii) **Our cash flows may be adversely affected by delays in collections or non-recoverability of trade receivables.** This may result in a material adverse impact on our financial condition, our ability to pay our suppliers, and potentially delay the progress of our projects. Our average trade receivables turnover period (net of retention sum) was higher in FYE 2017 and FYE 2018 than the normal credit terms granted to our customers. This was mainly due to slow repayment from our customers as detailed in Section 12.7.1 of this Prospectus. The current property overhang situation, dampened property market and the outbreak of COVID-19 may cause our customers to experience a decline in their business performance, and in turn subject us to risk of delays in collections, non-recoverability of trade receivables, or incur material impairment loss for outstanding payments owed to us by our customers. This may affect our working capital to meet operating requirements. As a result, it may impair our ability to service our bank borrowings, which include term loans we have taken to finance the purchase of six properties amounting to RM10.33 million from our customers' property development projects.

- (iv) **We are dependent on our Managing Director and other Key Management for our continued success and growth.** Our Group's continuous success and growth is dependent on our Key Management, in particular, our Managing Director, Dato' Ir Tee Chai Seng, who has been actively involved in our Group's operations since the founding of our business. Over the past years, Dato' Ir Tee Chai Seng has been instrumental in charting our business direction and managing our strategic development. He is also key to our existing relationships with our customers and in securing new projects for our Group.

Our Managing Director, Dato' Ir Tee Chai Seng has extended his personal guarantees for banking facilities, lease liabilities, trade supplies and/ or projects to our Group. Further, Dato' Ir Tee Chai Seng has procured the issuance of a bank guarantee by CDB Realty, a company owned by Dato' Ir Tee Chai Seng and Datin Koh Ah Nee, payable to TCS Construction to cover the estimated amount of liquidated ascertained damages of RM5.40 million for our KTCC Mall Project for an initial period of two years from 23 June 2020 to 22 June 2022, and is renewable upon its expiry up to 22 June 2023 or such longer period subject to terms and conditions in the offer letter from the bank and as may be stipulated by the bank. Dato' Ir Tee Chai Seng and/ or persons connected with him will not seek to recover any compensation from TCS Group for any amounts paid under the bank guarantee, and any amounts which are required to be paid on behalf of TCS Construction if required by law to be made by TCS Construction. As such, we are dependent on our Managing Director. For further details, please refer to Section 10.1.3 of this Prospectus.

Hence, the loss of our Managing Director and/ or any of our other Key Management without a suitable and timely replacement or our inability to attract or retain qualified and skilled key management may adversely affect our continued ability to maintain our Group's operational and financial performance, and to achieve our future plans.

- (v) **We are exposed to project delays, potential reduction or revision in our scope of works and termination risks.** Our Subsidiary, TCS Construction had on 15 August 2019 issued a letter to MPM Project Management confirming substantial and practical completion of the scope of work stipulated in the contract for our KTCC Mall Project (which mainly entails reinforced concrete structural works, brickwall and plastering works, and construction of electrical substations) and requested for joint inspection to facilitate issuance of the CPC by the architect. However, on 16 April 2020 TCS Construction received a certificate of non-completion dated 1 December 2019 from MPM Project Management in relation to an alleged non-completion of our scope of work specified in the contract for our KTCC Mall Project by the alleged extended completion date of 30 November 2019 and claim for liquidated ascertained damages of RM100,000.00 per day for the period during which the works are alleged to be incomplete ("**KTCC Mall Dispute**"). We are disputing the issuance of the certificate of non-completion as we have completed our scope of works for our KTCC Mall Project by the completion date, i.e. 15 August 2019. The CCC was issued to the KTCC Mall on 23 January 2020. Please refer to Section 15.6 of this Prospectus for further details.

## 2. PROSPECTUS SUMMARY (CONT'D)

In addition, our customers may reduce and/or revise our scope of works, which will result in us generating a lower revenue from such affected project. The contract sum of our KTCC Mall Project is subject to change mainly due to various changes in design and specifications. We expect the contract sum to be revised when the final accounts are finalised and the KTCC Mall Dispute is resolved. As such, during the FYE Under Review, we recognised revenue from our KTCC Mall Project to the extent of total contract costs incurred. In the event we are not able to recover any further amounts in relation to our KTCC Mall Project, the estimated loss to be recognised in relation to this project is RM1.71 million. Please refer to Section 12.3.2(e) of this Prospectus for further details on the potential revision in our KTCC Mall Project contract sum.

Further details on the risk faced by our business and operations, the industry we operate in and our Shares are set out in Section 4 of this Prospectus.

### 2.5 COMPETITIVE STRENGTHS

- (i) **We are committed in maintaining good quality in our projects.** We continuously aim to provide our customers quality services as their trust and satisfaction are pivotal to our business. To this front, we have had our quality management system, occupational health and safety management system, and environmental management system assessed and accredited with ISO 9001:2015, ISO 45001:2018 and ISO14001:2015, respectively by SIRIM QAS.

Further, as a testament to the quality of our works, we have been awarded with a High QLASSIC Achievement Awards for our GEMS International School Project, and both a High QLASSIC Achievement Awards and a Best QLASSIC Achievement Awards for our Albury 1 Project.

- (ii) **We have built established working relationships with our customers, suppliers and subcontractors.** Our track record of delivering quality construction services has allowed us to establish good working relationships with our customers which puts us in a position to sustain and further develop our business with them. For instance, we have received invites to tender for projects from our repeat customers whom we have established working relationships with, namely Worldwide Holdings Bhd (length of relationship: 12 years), UM Land Group (six years) and Tropicana Group (six years). We also actively maintain working relationships with our suppliers and subcontractors that enable us to enjoy a continuous supply of raw materials and services at competitive pricing.
- (iii) **We have an experienced management team.** Our Group is led by our Managing Director who has over 36 years of experience in design, project management, property development, civil and structural engineering consultancy and site supervision. He is supported by our Key Management who are experienced in their respective fields. Their collective experience and knowledge of the construction industry have formed a solid foundation for our Group to further grow our business and expand our market presence.

Further details on our competitive strengths are set out in Section 6.2 of this Prospectus.

### 2.6 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM20.70 million from the Public Issue will be utilised by our Group in the following manner:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
	(RM'000)	%	
Purchase of new construction machinery and equipment	13,000	62.80	Within 36 months
Working capital for our construction projects	4,200	20.29	Within 24 months
Estimated Listing expenses	3,500	16.91	Within 3 months
<b>Total</b>	<b>20,700</b>	<b>100.00</b>	



## 2. PROSPECTUS SUMMARY (CONT'D)

Our Company will not receive any proceeds from the Offer for Sale. Further details of the proposed utilisation of proceeds are set out in Section 3.7 of this Prospectus.

### 2.7 FUTURE PLANS AND PROSPECTS

Our Group's future plans are set out below:

- (i) **We plan to further grow our building construction activities.** Our Group intends to further grow our building construction activities by participating in tenders for high rise buildings (residential and commercial), purpose-built buildings (such as private hospitals and schools) and institutional buildings (such as government hospitals). As part of this expansion plan, we intend to allocate RM4.20 million or 20.29% of funds raised from our IPO as working capital for our Hermington Project. This will free up our working capital and enable us to tender for and/ or take on additional projects. If the earmarked funds for our Hermington Project are not utilised, the proceeds allocated under this category would be allocated to our Putrajaya Sentral Project or other future construction projects to be identified by our Group.
- (ii) **We intend to expand our infrastructure construction services.** We intend to expand our infrastructure construction services to include major roads, highways and bridges. We believe that the experience gained from our past civil works projects has equipped us with the necessary knowledge and technical skills to handle and complete infrastructure construction projects. Further, we believe that our Managing Director's past experience and knowledge will lend credence to our future tenders for infrastructure construction projects.  
  
As part of this expansion plan, we intend to hire experienced civil and structural engineers, on a permanent basis, to be part of the new project team to manage our future infrastructure projects, which we expect to establish within 24 months from our Listing and will be funded via our internally generated funds and/or borrowings.
- (iii) **We intend to purchase machinery and equipment to support our expansion plans.** In order to enhance our capability to tender for large scale projects and cater for new projects secured, we intend to purchase new construction machinery and equipment. The purchase of these new construction machinery and equipment is expected to increase our capacity and flexibility in meeting the needs of our future construction projects as it allows us to use these construction machinery and equipment as and when required without delays or incurring additional costs to rent from external parties.

According to the IMR Report, the local construction industry in Malaysia is expected to contract by 3.2% in 2020 due to lower property demand and disruption in construction activities following the COVID-19 pandemic and lockdown measures. However, the local construction industry is expected to rebound in 2021 by a growth rate of 4.1% on the back of infrastructure activities with the Government reiterating its position to continue implementing large scale infrastructure projects which have high multiplier effects. In addition, the Government had already announced various economic stimulus and assistance packages to strengthen the economy. The size (revenue) of the construction industry in Malaysia is projected to reach RM77.29 billion in 2024, while the size (revenue) of the real estate construction market in Malaysia is RM29.59 billion in 2019 and is expected to grow to RM33.23 billion in 2024. Premised on the above, we believe that our prospects in the building construction industry are favorable.

Further details on our future plans and prospects, and the IMR Report are set out in Sections 6.4 and 7 of this Prospectus, respectively.

**2. PROSPECTUS SUMMARY (CONT'D)**

**2.8 OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

**2.8.1 Shareholdings of our Promoters and substantial shareholders**

Details of our Promoters' and substantial shareholders' shareholdings in our Company before and after our IPO are as follows:

	As at date of incorporation <sup>(1)</sup>		As at the LPD and before our IPO <sup>(2)</sup>		After our IPO <sup>(4)</sup>	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of shares (%)	No. of shares (%)	No. of shares (%)	No. of shares (%)	No. of shares (%)	No. of shares (%)
<b>Promoters and substantial shareholders<sup>(5)</sup></b>						
Dato' Ir Tee Chai Seng	-	-	227,938,377	40,224,419 <sup>(3)</sup>	212,638,377	37,524,419 <sup>(3)</sup>
Datin Koh Ah Nee	-	-	40,224,419	227,938,377 <sup>(3)</sup>	37,524,419	212,638,377 <sup>(3)</sup>
<b>Substantial shareholders<sup>(5)(6)</sup></b>						
Shaari bin Hashim	1	50.00	-	-	-	-
Lee Han Woon	1	50.00	-	-	-	-

**Notes:**

- (1) Based on the total number of two Shares.
- (2) Based on the total number of 270,000,000 Shares before our IPO.
- (3) Deemed interested in shares held by spouse pursuant to Section 8 of the Act.
- (4) Based on the enlarged total number of 360,000,000 Shares after our IPO.
- (5) All of our Promoters and substantial shareholders are Malaysian.
- (6) Shaari bin Hashim and Lee Han Woon each transferred their Shares to Dato' Ir Tee Chai Seng on 30 October 2019.

## 2. PROSPECTUS SUMMARY (CONT'D)

### 2.8.2 Directors and Key Management

<b>Name</b>	<b>Designation</b>
<b>Directors</b>	
Tan Sri Dato' Sri Izzuddin bin Dali	Independent Non-Executive Chairman
Dato' Ir Tee Chai Seng	Managing Director
Datin Koh Ah Nee	Executive Director
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Independent Non-Executive Director
Ooi Guan Hoe	Independent Non-Executive Director
<b>Key Management</b>	
Ooi Kee An	General Manager
Yap Choo Cheng	Chief Financial Officer
Liew Kok Yoong	Group Accountant
Ho Chee Woei	Senior Contract Manager
Koo Yoke Ping	Corporate Affairs Manager
Ng Lee Foong	Purchasing Manager

Further details of our Promoters, substantial shareholders, Directors, and Key Management and their shareholdings in our Company are set out in Section 8 of this Prospectus.

### 2.9 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the consolidated financial information of our Group for the FYE Under Review.

	<b>Audited</b>			
	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>	<b>FYE 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Consolidated statements of profit or loss and other comprehensive income</b>				
Revenue	103,628	71,718	146,266	358,424
GP	14,298	14,977	20,535	37,728
Profit from operations	6,699	8,169	12,964	22,398
PBT	6,841	8,524	13,062	21,912
Profit attributable to owners of the company	5,091	6,179	9,688	15,657
<b>Consolidated statements of cash flows</b>				
Net cash from/ (used in) operating activities	8,215	12,653	(6,171)	25,270
Net cash used in investing activities	(5,112)	(1,842)	(12,043)	(9,862)
Net cash from/ (used in) financing activities	2,488	(224)	5,314	(5,006)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,591</b>	<b>10,587</b>	<b>(12,900)</b>	<b>10,402</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>1,340</b>	<b>6,931</b>	<b>17,518</b>	<b>4,618</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>6,931</b>	<b>17,518</b>	<b>4,618</b>	<b>15,020</b>

**2. PROSPECTUS SUMMARY (CONT'D)**

	<b>Audited</b>			
	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>	<b>FYE 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other selected financial information</b>				
EBITDA	7,386	8,902	15,019	27,194
GP margin (%)	13.80	20.88	14.04	10.53
PBT margin (%)	6.60	11.89	8.93	6.11
PAT margin (%)	4.91	8.63	6.71	4.37

For detailed financial information relating to our Group, see Sections 12 to 14 of this Prospectus.

**2.10 DIVIDEND POLICY**

Our Group presently does not have a fixed dividend policy. However, it is the intention of our Board to maintain a stable stream of dividends, and at the same time preserve adequate reserves for our future growth.

As we are an investment holding company, our ability to pay dividends is dependent on our Subsidiaries, which in turn will depend on various factors, including their financial performance and condition, working capital needs and availability of cash, capital expenditure and business expansion plans, the covenants in our Subsidiaries' existing loan agreements, and the general economic and business conditions, and such other relevant factors.

Our future dividends are at our Board's discretion and we may only make a distribution to our shareholders if we comply with the requirements as set out in Sections 131 and 132 of the Act, which require:

- (i) our distribution to be made out of profits available; and
- (ii) our Group is solvent and able to pay our debts as and when they become due within 12 months immediately after our distribution.

Further details of our dividend policy are set out in Section 12.10 of this Prospectus.

### 3. DETAILS OF THE LISTING

#### 3.1 OPENING AND CLOSING OF APPLICATIONS

The Application for our IPO Shares will open at 10.00 a.m. on 29 June 2020 and close at 5.00 p.m. on 10 July 2020. Late Applications will not be accepted.

#### 3.2 INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Event	Dates
Opening date of our IPO	29 June 2020
Closing date of our IPO	10 July 2020
Balloting of the Applications	14 July 2020
Allotment/ transfer of our IPO Shares to successful applicants	20 July 2020
Listing	23 July 2020

#### 3.3 DETAILS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions.

##### 3.3.1 Public Issue

A total of up to 90,000,000 Issue Shares representing approximately 25.00% of the enlarged total number of 360,000,000 Shares are offered at our IPO Price. Our Issue Shares will be allocated in the following manner:

##### (i) Malaysian Public

Up to 10,800,000 Issue Shares, representing 3.00% of the enlarged total number of 360,000,000 Shares will be made available for application by the Malaysian Public through a balloting process, of which at least 50.00% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and/ or institutions.

##### (ii) Eligible Persons

Up to 7,200,000 Issue Shares, representing 2.00% of the enlarged total number of 360,000,000 Shares will be made available for application by Eligible Persons.

A summary of the allocation of 7,200,000 Issue Shares to Eligible Persons is set out below:

Eligibility	No. of persons	Aggregate number of Issue Shares allocated
Eligible Directors <sup>(1)</sup>	3	1,500,000
Eligible employees <sup>(2)</sup>	132	4,380,000
Persons who have contributed to the success of our Group <sup>(3)</sup>	96	1,320,000
<b>Total</b>	<b>231</b>	<b>7,200,000</b>

**3. DETAILS OF THE LISTING (CONT'D)****Notes:**

## (1) Eligible Directors

The criteria for allocation to our Eligible Directors (save for our Directors who are also Selling Shareholders) are based on their respective roles and responsibilities in our Group and they will collectively be allocated a total of 1,500,000 Issue Shares as follows:

<b>Name</b>	<b>Designation</b>	<b>Number of Issue Shares allocated</b>
Tan Sri Dato' Sri Izzuddin bin Dali	Independent Non-Executive Chairman	500,000
Dato' Seri Ir Mohamad Othman bin Zainal Azim	Independent Non-Executive Director	500,000
Ooi Guan Hoe	Independent Non-Executive Director	500,000
<b>Total</b>		<b>1,500,000</b>

## (2) Eligible employees

## (a) Key Management

The criteria for allocation to our Key Management are based on their respective roles and responsibilities in our Group and they will collectively be allocated a total of 1,200,000 Issue Shares as follows:

<b>Name</b>	<b>Designation</b>	<b>Number of Issue Shares allocated</b>
Ooi Kee An	General Manager	200,000
Yap Choo Cheng	Chief Financial Officer	200,000
Liew Kok Yoong	Group Accountant	200,000
Ho Chee Woei	Senior Contract Manager	200,000
Koo Yoke Ping	Corporate Affairs Manager	200,000
Ng Lee Foong	Purchasing Manager	200,000
<b>Total</b>		<b>1,200,000</b>

### 3. DETAILS OF THE LISTING (CONT'D)

(b) Other eligible employees

The criteria for allocation to our other eligible employees (save for our Key Management) are set out below and they will collectively be allocated a total of 3,180,000 Issue Shares:

- confirmed and employed on a full time basis;
- length of service;
- seniority and job responsibility; and
- past contribution to our Group's success.

(3) Persons who have contributed to the success of our Group

The criteria for allocation to persons who have contributed to the success of our Group are set out below and they will collectively be allocated a total of 1,320,000 Issue Shares:

- their contribution to the success of our Group; and
- length of business relationship.

None of our substantial shareholders, Directors or Key Management has indicated to us on their intention to subscribe for our IPO Shares.

To the best of our knowledge and belief, there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

**(iii) Private placement to institutional and selected investors**

Up to 32,400,000 Issue Shares, representing 9.00% of the enlarged total number of 360,000,000 Shares will be made available by way of private placement to institutional and selected investors.

**(iv) Private placement to identified Bumiputera investors approved by the MITI**

Up to 39,600,000 Issue Shares, representing 11.00% of the enlarged total number of 360,000,000 Shares will be made available by way of private placement to identified Bumiputera investors approved by the MITI.

The Public Issue will increase our issued share capital from RM26,244,002 comprising 270,000,000 Shares to up to RM46,944,002 comprising 360,000,000 Shares.



### 3. DETAILS OF THE LISTING (CONT'D)

#### 3.3.2 Offer for Sale

Subject to our Issue Shares being fully taken up first, the Selling Shareholders are offering an aggregate of up to 18,000,000 Offer Shares, representing 5.00% of the enlarged total number of 360,000,000 Shares by way of private placement to institutional and selected investors at our IPO Price.

The Offer Shares to be offered by each Selling Shareholder and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Material relationship with our Group	As at the LPD and before our IPO		Offer Shares Offered		After our IPO <sup>(3)</sup>					
		Indirect		Direct		Indirect					
		No. of Shares	% <sup>(1)</sup>	No. of Shares	%	No. of Shares	% <sup>(3)</sup>				
Dato' Ir Tee Chai Seng	Director, substantial shareholder and Key Management	227,938,377	84.42	40,224,419 <sup>(2)</sup>	14.90	15,300,000	5.67 <sup>(1)</sup> / 4.25 <sup>(3)</sup>	212,638,377	59.07	37,524,419 <sup>(2)</sup>	10.42
Datin Koh Ah Nee	Director, substantial shareholder and Key Management	40,224,419	14.90	227,938,377 <sup>(2)</sup>	84.42	2,700,000	1.00 <sup>(1)</sup> / 0.75 <sup>(3)</sup>	37,524,419	10.42	212,638,377 <sup>(2)</sup>	59.07

#### Notes:

- (1) Based on the total number of 270,000,000 Shares before our IPO.
- (2) Deemed interested in shares held by spouse pursuant to Section 8 of the Act.
- (3) Based on the enlarged total number of 360,000,000 Shares after our IPO.

### 3. DETAILS OF THE LISTING (CONT'D)

#### 3.3.3 Summary of our IPO Shares to be allocated and underwriting

A summary of our IPO Shares allocated under the Retail Offering and Institutional Offering (subject to clawback and reallocation provisions set out in Section 3.3.4 below) is as follows:

	Public Issue		Offer for Sale		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Retail Offering</b>						
Malaysian Public	10,800,000	3.00	-	-	10,800,000	3.00
Eligible Persons	7,200,000	2.00	-	-	7,200,000	2.00
<b>Institutional Offering</b>						
Institutional and selected investors	32,400,000	9.00	18,000,000	5.00	50,400,000	14.00
Identified Bumiputera investors approved by the MITI	39,600,000	11.00	-	-	39,600,000	11.00
<b>Total</b>	<b>90,000,000</b>	<b>25.00</b>	<b>18,000,000</b>	<b>5.00</b>	<b>108,000,000</b>	<b>30.00</b>

The Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

The Retail Offering will be allocated on a fair and equitable manner, and the basis of allocation for our Issue Shares shall take into account the desirability of distributing our Issue Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market in our Shares. Applicants for the Institutional Offering will be selected in such manner as may be determined by our Sole Placement Agent, in consultation with our Company, to be in the best interest of our Company. Our Sole Placement Agent, in consultation with our Company, has the absolute discretion to decide whether to accept or reject any placement application.

There is no over-allotment or "greenshoe" option which will increase the number of our IPO Shares.

Details on the underwriting arrangement are set out in Section 3.9 of this Prospectus.

### 3. DETAILS OF THE LISTING (CONT'D)

#### 3.3.4 Clawback and reallocation

Our IPO shall be subject to the minimum subscription as detailed in Section 3.3.5 below and the following clawback and reallocation provisions:

- (i) in the event any Issue Shares allocated to the identified Bumiputera investors approved by the MITI ("**MITI Tranche**") are not fully taken up by them, the Issue Shares not taken up may be allocated to institutional investors under the Institutional Offering.

If after the above reallocation, the MITI Tranche is still not fully taken up under the Institutional Offering, and there is a corresponding over-application for Issue Shares by the Bumiputera public investors under the Retail Offering, our IPO Shares will be clawed back from the remaining MITI Tranche and firstly allocated to the Bumiputera public investors under the Retail Offering, followed by the order of priority as specified under item (ii) below;

- (ii) subject to item (i) above, in the event there is an under-subscription in the Institutional Offering and there is an over-subscription in the Retail Offering, our IPO Shares not taken up may be clawed back from the Institutional Offering and be reallocated to the Retail Offering in the following order of priority:
  - (a) firstly, to the Malaysian Public; and
  - (b) secondly, to the Eligible Persons allocated on a fair and equitable basis in the manner as set out in items (iv)(a) and (b) below.
- (iii) in the event that there is an under-subscription in the Retail Offering and there is an over-subscription in the Institutional Offering, our IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering;
- (iv) any Issue Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess Issue Shares (if any) in addition to their pre-determined allocation of Issue Shares ("**Excess Shares**"). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
  - (a) firstly, allocation on a proportionate basis to Eligible Persons who have applied for Excess Shares based on the number of Excess Shares applied for; and
  - (b) secondly, to minimise odd lots.

Any allocated Issue Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering. Any Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be taken up by our Sole Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and Institutional Offering at the closing date of our IPO.

#### 3.3.5 Minimum subscription

Our Company will comply with the 25.0% public spread requirement of the Listing Requirements or as approved by Bursa Securities and the number of Shares required to be held by public shareholders for our IPO. As such, the proceeds to be raised by our Company shall be RM20.70 million based on 90,000,000 Public Shares (representing 25.0% of the enlarged total number of Shares upon Listing) at our IPO Price of RM0.23 per Share.

### 3. DETAILS OF THE LISTING (CONT'D)

In this regard, if there is an under-subscription for our IPO Shares (but is in excess of the 90,000,000 Shares offered under the Public Issue), the subscriptions received for our IPO Shares will first be applied towards subscribing in full the Issue Shares under the Public Issue. In such a situation, any shortfall between the total subscriptions for our IPO Shares and our Issue Shares will result in the Selling Shareholders reducing the number of Offer Shares offered under the Institutional Offering accordingly. For avoidance of doubt, if subscriptions received are sufficient to fully cover our Public Issue, the IPO shall proceed.

#### 3.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

<b>Details</b>	<b>No. of Shares</b>	<b>RM</b>
Total number of Shares as at the date of this Prospectus	270,000,000	26,244,002
New Shares to be issued pursuant to the Public Issue	90,000,000	20,700,000
<b>Enlarged total number of Shares upon Listing</b>	<b>360,000,000</b>	<b>46,944,002</b>
Offer for Sale	18,000,000	4,140,000
IPO Price		0.23
<b>Pro forma consolidated NA per Share</b> as at 31 December 2019 after our Pre-IPO Reorganisation, Public Issue and the intended use of proceeds		0.16
<b>Market capitalisation upon Listing</b> based on our IPO Price and the enlarged total number of 360,000,000 Shares upon Listing		82,800,000

As at the date of this Prospectus, we have only one class of shares, being ordinary shares. Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder presents either in person, by proxy, by attorney or by other duly authorised representative shall have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held.

### 3. DETAILS OF THE LISTING (CONT'D)

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

Our IPO Price of RM0.23 per IPO Share was determined and agreed upon between our Directors and our Promoters, together with RHB Investment Bank, being our Sole Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent, after taking into consideration the following factors:

- (i) financial performance and operating history of our Group, where we recorded an EPS of approximately RM0.04 per Share for FYE 31 December 2019 based on the enlarged total number of 360,000,000 Shares and PAT attributable to owners of RM15.66 million, which translates to a net price-to-earnings multiple of approximately 5.75 times;
- (ii) our detailed financial performance and operating history as described in Sections 12 and 6 of this Prospectus respectively;
- (iii) our competitive strengths as well as our future plans and prospects of our Group as described in Sections 6.2 and 6.4 of this Prospectus;
- (iv) overview and outlook of the construction industry in which our Group operates as well as the prevailing market conditions as described in Section 7 of this Prospectus; and
- (v) the market performance of Bursa Securities and anticipated demand for our IPO Shares.

You should also note that the market price of our Shares upon Listing is subject to market forces and other uncertainties which may affect the price of our Shares. You are reminded to consider the risk factors as set out in Section 4 of this Prospectus before deciding to invest in our Shares.

#### 3.6 DILUTION

Dilution is computed as the difference between our IPO Price paid by you for our Issue Shares and the pro forma consolidated NA per Share of our Group immediately after our IPO. The following table illustrates the effect in our Group's pro forma consolidated NA for each Share to our shareholders:

	<u>RM</u>
IPO Price	0.23
Pro forma consolidated NA per Share as at 31 December 2019 after our Pre-IPO Reorganisation but before our Public Issue	0.16
Pro forma consolidated NA per Share as at 31 December 2019 after our Pre-IPO Reorganisation, the Public Issue and the intended use of proceeds	0.16
Increase in the pro forma consolidated NA per Share attributable to existing shareholders	-
Dilution in the pro forma consolidated NA per Share to new investors	0.07
Dilution in the pro forma consolidated NA per Share to new investors as a percentage of our IPO Price	30.43%

Please refer to Section 13 of this Prospectus for further details of our Group's pro forma consolidated NA per Share as at 31 December 2019.

**3. DETAILS OF THE LISTING (CONT'D)**

Save as disclosed below, there is no substantial disparity between our IPO Price and effective cash cost of our Shares acquired by our Promoters, Directors, substantial shareholders or Key Management, or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation to the date of this Prospectus:

<u>Name</u>	<u>No. of Shares held before our IPO</u>	<u>No. of Shares from our IPO</u>	<u>Total consideration</u>	<u>Average effective cost for each Share</u>
			<u>RM</u>	<u>RM</u>
<b>Promoters, Directors and substantial shareholders</b>				
Dato' Ir Tee Chai Seng	227,938,377	-	22,155,612	0.10
Datin Koh Ah Nee	40,224,419	-	3,909,814	0.10
<b>Key Management</b>				
Ooi Kee An	1,837,204	200,000	224,576	0.11

**3.7 UTILISATION OF PROCEEDS**

The total gross proceeds of approximately RM20.70 million from the Public Issue will be utilised by our Group in the following manner:

<u>Utilisation of proceeds</u>	<u>Note</u>	<u>Amount of proceeds</u>		<u>Estimated timeframe for utilisation from the date of our Listing</u>
		<u>(RM '000)</u>	<u>%</u>	
Purchase of new construction machinery and equipment	(1)	13,000	62.30	Within 36 months
Working capital for our construction projects	(2)	4,200	20.29	Within 24 months
Estimated Listing expenses	(3)	3,500	16.91	Within 3 months
<b>Total</b>		<b>20,700</b>	<b>100.00</b>	

**3. DETAILS OF THE LISTING (CONT'D)****Notes:****(1) Purchase of new construction machinery and equipment**

We intend to utilise RM13.00 million for the purchase of new construction machinery and equipment and the breakdown of the estimated purchase cost for each type of machinery and equipment is as follows:

<b>Machinery / Equipment</b>	<b>Purpose</b>	<b>Estimated timeframe</b>	<b>No. of unit(s)</b>	<b>Estimated</b>
				<b>Total purchase cost (RM '000)</b>
Self-climbing protection platform	A protection screen and platform that protects working environment from weather conditions and safeguards against falls in work areas	Within 36 months	2	6,000
Tower crane	A type of fixed crane to transport construction materials and equipment	Within 36 months	2	2,400
Heavy-duty scaffolding	A temporary platform that is used during construction to support workers and materials	Within 36 months	1	3,000
Excavator	Used for land clearing purposes and excavation purposes	Within 36 months	4	700
Trucks	Used for transporting materials	Within 36 months	7	900
<b>Total</b>				<b>13,000</b>

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



### 3. DETAILS OF THE LISTING (CONT'D)

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The timing of the purchase of these construction machinery and equipment depends on the timing when we secure our new construction projects. Further, if our existing construction machinery and equipment that are currently used at our on-going project sites are freed-up, and are similar to those identified for purchase by our Group, we may transfer those existing construction machinery and equipment to the new construction site(s). In such event, we may no longer need to purchase those identified construction machinery and equipment and those earmarked funds will be reallocated to purchase other construction machinery and equipment to be identified by our Group to meet the demands of our other new construction projects to be secured.

The estimated purchase cost of these construction machinery and equipment is subject to changes. Nonetheless, we intend to use only up to RM13.00 million of the proceeds from the Public Issue to finance the purchase of these new construction machinery and equipment. Any shortfall will be funded via internally generated funds and/ or bank borrowings.

Further information on our future plans and prospects are disclosed in Section 6.4 of this Prospectus.

#### (2) Working capital for our construction projects

We intend to utilise RM4.20 million as working capital for our construction projects.

We secured the Hermington Project in December 2018 for the construction of 479 units of one block of 46 storeys of condominium with eight storeys of car parking podium and 478 units of one block of 49 storeys affordable homes on Jalan Indrahana 3, Mukim Petaling, Kuala Lumpur.

As at 30 April 2020, we were carrying out the main building and structural works for our Hermington Project which represents completion of about 35.67% of the entire project and we expect to complete the main building and structural works by second quarter of 2021. Upon receiving the gross proceeds from our IPO, we intend to utilise the whole of RM4.20 million allocated to partly defray the costs related to the main building and structural works, which include payments to our subcontractors for their services, such as bar bending works, carpentry works, concreting works, and supply and installation of formworks, and purchase of steel and concrete from our suppliers, as well as payments for our construction workers' salaries and wages for our Hermington Project.

Typically, we anticipate our projects' cash flows to be self-sustainable after the phase of completion of main building and structural works, estimated at completion of about 60.00% to 70.00% of the entire project. On this basis, if our Hermington Project's cash flows have become self-sustainable and no longer requires such funding for its working capital, the proceeds allocated under this category would be reallocated to our Putrajaya Sentral Project, which we secured in November 2019 or other future construction projects to be identified by our Group. Our Putrajaya Sentral Project involves the construction of 672 units of two blocks of 34 storeys of serviced apartments with four storeys of carparking podium at Precinct 7, Wilayah Persekutuan Putrajaya.

Further information on the Hermington Project and Putrajaya Sentral Project is disclosed in Section 6.3.1 of this Prospectus.

### 3. DETAILS OF THE LISTING (CONT'D)

#### (3) Estimated listing expenses

The following estimated expenses and fees incidental to our Listing amounting to approximately RM3.50 million shall be borne by our Company:

<b>Expenses</b>	<b>RM'000</b>
Professional fees <sup>(1)</sup>	2,175
Underwriting commission, brokerage fee and placement fee	683
Other fees and expenses relating to our Listing and contingencies <sup>(2)</sup>	597
Regulatory fees	45
<b>Total</b>	<b>3,500</b>

#### Notes:

- (1) This includes advisory fees for, among others, our Principal Adviser, legal advisers, Reporting Accountants and IMR.
- (2) This includes any other incidental charges or related expenses in connection with our IPO, such as printing and advertising fee.

In the event of any shortfall or excess in the actual listing expenses as compared to the amount allocated, such amount will be adjusted accordingly against the portion allocated for working capital requirements.

Pending the eventual utilisation of the proceeds from the Public Issue for the above intended purposes, we intend to place the proceeds raised (including accrued interest, if any) or the balance thereof in interest-bearing accounts with licenced financial institutions in Malaysia and/ or money market deposit instruments/ funds.

Our Company will not receive any proceeds from the Offer for Sale. Based on our IPO Price of RM0.23 per Offer Share, the gross proceeds from the Offer for Sale of RM4.14 million will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear the entire incidental expenses and fees relating to the Offer for Sale, amounting to about RM124,200.

### 3.8 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES

#### 3.8.1 Underwriting Commission

We have entered into the Underwriting Agreement with our Sole Underwriter for the underwriting of our Issue Shares under the Retail Offering ("**Underwritten Shares**"), subject to the clawback and reallocation provisions. We will pay an underwriting commission at 3.00% of the total value of the Underwritten Shares.

#### 3.8.2 Brokerage Fee

We will pay the brokerage fee in respect of our Issue Shares under the Retail Offering, at the rate of 1.00% of our IPO Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/ or the Issuing House.

### 3. DETAILS OF THE LISTING (CONT'D)

RHB Investment Bank, being our Sole Placement Agent is entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or the Selling Shareholders.

#### 3.8.3 Placement Fee

Our Placement Agent has agreed to place out 72,000,000 Issue Shares to institutional and selected investors, including identified Bumiputera investors approved by the MITI and 18,000,000 Offer Shares to institutional and selected investors. Our Company will pay a placement fee of up to 3.00% of the total value of Issue Shares successfully placed out by our Placement Agent.

The Selling Shareholders will bear the placement fee for 18,000,000 Offer Shares.

### 3.9 DETAILS OF UNDERWRITING ARRANGEMENT

We had on 12 June 2020, entered into the Underwriting Agreement with our Sole Underwriter to underwrite the 18,000,000 Issue Shares under the Retail Offering. The salient terms of the Underwriting Agreement are as follows:

- (i) The obligation of our Sole Underwriter to underwrite the Underwritten Shares under the Underwriting Agreement is conditional on the performance by our Company of our obligations under the Underwriting Agreement and is conditional on the following:
  - (a) our Sole Underwriter receiving certificate in the form or substantially in the form contained in Schedule 2 (Certificate by Company) of the Underwriting Agreement, one dated the date of registration of this Prospectus and the other dated the closing date of the application of our IPO Shares ("**Closing Date**"), both of which are to be signed by our Director (on behalf of our Board) stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence to the representations, warranties and undertakings as set out in the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of this Prospectus and Closing Date respectively that:
    - there is no occurrence of any change or any development likely to result in a prospective change in the financial position, business operations or conditions (financial or otherwise) of our Group taken as a whole and from that set out in this Prospectus which would or is likely to have a material adverse effect;
    - there is no occurrence of any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings set out in the Underwriting Agreement untrue or inaccurate, misleading or incorrect, not complied with, failure to be performed in any respect or result in a breach of the Underwriting Agreement by our Company;
    - there shall have occurrence of any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates, which in the opinion of our Sole Underwriter, would have or is likely to have material adverse effect on:
      1. the condition (financial or otherwise), contractual commitments, general affairs, management, business, assets, liquidity, liabilities, prospects, earnings, shareholders' equity, business undertakings, properties or results of operations of our Company and/or our Group;

### 3. DETAILS OF THE LISTING (CONT'D)

2. the ability of our Company and/or the Selling Shareholders to perform in any respect our obligations under or with respect to, or to consummate the transactions contemplated by this Prospectus, the placement mandate or the Underwriting Agreement;
3. the ability of our Company and/or our Group to conduct our businesses as described in this Prospectus; or
4. our IPO;

(whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day, on or after the date of the Underwriting Agreement and prior to the Closing Date, lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

- there is no breach by our Company of any of our obligations under the Underwriting Agreement;
  - all undertakings, representations, warranties and covenants of our Company under the Underwriting Agreement has been complied with and not breached; and
  - our Company has satisfied all the conditions as set out in (i) on our part to be performed.
- (b) the Underwriting Agreement being signed by the relevant authorised signatories to the Underwriting Agreement and stamped within the statutory time frame;
  - (c) the issue of this Prospectus not later than one month from the date of the Underwriting Agreement or such later date as our Sole Underwriter and our Company may from time to time agree in writing;
  - (d) the registration of this Prospectus and such other documents as may be required in accordance with the CMSA in relation to our IPO with the SC and its lodgement with the ROC by the issuance of this Prospectus;
  - (e) all necessary approvals remaining in full force and effect and that all conditions to the approvals (except for any which can only be complied with after our IPO has been completed) have been complied with;
  - (f) the approval of Bursa Securities for the admission of our Company to the Official List and our Listing being obtained on terms acceptable to our Sole Underwriter and the approval of Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after our IPO has been completed) have been complied with;
  - (g) our Sole Underwriter being satisfied that our Company will, following completion of our IPO, be admitted to the Official List and our enlarged issued share capital listed and quoted on the ACE Market no later than three months from the date of the Underwriting Agreement unless mutually agreed to in writing by the parties;

**3. DETAILS OF THE LISTING (CONT'D)**

- (h) the execution of the placement mandate and such agreement as may be determined by the placement mandate are in force and not having been terminated or rescinded pursuant to the provisions thereof (whereby for the avoidance of doubt, the execution of the placement mandate by our Sole Placement Agent shall be at the sole discretion of our Sole Placement Agent);
- (i) our Sole Underwriter receiving a copy duly certified by our Director or secretary of our Company to be a true and accurate copy and in full force and effect, of a resolution of our Directors:
- approving this Prospectus (including a confirmation that our Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in this Prospectus), the Underwriting Agreement, our Listing and the transactions contemplated by it;
  - authorising the issuance of this Prospectus;
  - authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company;
  - approving our IPO and our Listing and the transactions contemplated by each of the same;
  - approving the allotment and issue of our IPO Shares under our IPO; and
  - confirming that our Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in this Prospectus.
- (j) all the resolutions referred to in sub-clause (i) above remaining in full force and effect as at the Closing Date and none having been rescinded or revoked or varied;
- (k) our IPO not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with our IPO and/or our Listing have been obtained and are in force up to the Closing Date;
- (l) our Sole Underwriter being satisfied that our Company has complied with and that our IPO is in compliance with the policies, guidelines and requirements of Bursa Securities, SC and all other securities laws and regulations, including all revisions, amendments and/or supplements to it;
- (m) there being no occurrence of any event which occurs after the date of the Underwriting Agreement and on or prior to the Closing Date, which if it had occurred before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings set out in the Underwriting Agreement untrue or inaccurate;
- (n) there not having occurred on or prior to the Closing Date any breach of and/or failure to perform any of the undertakings by our Company contained in the Underwriting Agreement;
- (o) there not being any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to our Listing or in connection with our Group which is still subsisting or unresolved to the satisfaction of our Sole Underwriter;

**3. DETAILS OF THE LISTING (CONT'D)**

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- (p) there having been, as at Closing Date, no registration or lodgement of any amendment, supplement, or replacement to this Prospectus with the SC or the ROC without the prior written approval of our Sole Underwriter; and
- (q) our Sole Underwriter being satisfied with the arrangements of our Company to pay the expenses as set out in the Underwriting Agreement.

Our Sole Underwriter may, without prejudice to their power, rights and remedies under the Underwriting Agreement, at law or in equity, waive all or any of the conditions except for those required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement. Any condition so waived shall be deemed to have been satisfied in relation to it. For the avoidance of doubt, any such waiver by our Sole Underwriter shall be without prejudice to our Sole Underwriter's right to elect to treat any further or other breach, failure or event as releasing and discharging our Sole Underwriter from their obligations under the Underwriting Agreement and shall be without prejudice to the right of our Sole Underwriter to terminate the Underwriting Agreement by written notice given to our Company and in such event the provisions on termination as set out below shall apply.

- (ii) Notwithstanding anything contained in the Underwriting Agreement, our Sole Underwriter may terminate the Underwriting Agreement and withdraw its obligations upon the occurrence of any of the following:
  - (a) there is any breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement; or
  - (b) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or
  - (c) there is withholding of information from our Sole Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of our Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of our IPO, or the distribution or sale of our Shares issued or offered under our IPO; or
  - (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Group; or
  - (e) the Closing Date does not occur within three months from the date of the Underwriting Agreement, subject to the extension of Closing Date which is approved by our Sole Underwriter; or
  - (f) the occurrence of any force majeure event or any event or series of events beyond the reasonable control of our Sole Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which would have or can reasonably be expected to have a material adverse effect or which has or is likely to have the effect of making any obligation under the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to our IPO or pursuant to the underwriting of the Underwritten Shares; or

**3. DETAILS OF THE LISTING (CONT'D)**

- (g) there shall have occurred any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of our Sole Underwriter would have or is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the Index is, at the close of normal trading on Bursa Securities, on any Market Day, on or after the date of the Underwriting Agreement, and prior to the closing date, lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or
- (h) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have material adverse effect on our Group and/or materially prejudice the business or the operations of our Group, the success of our IPO, or our Listing or market conditions generally or which has or is likely to have the effect of making the Underwriting Agreement incapable of performance in accordance with its terms; or
- (i) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities; or
- (j) any government requisition or occurrence of any other nature which would have or is likely to have a material adverse effect on the business, operations and/or financial position or prospects of our Group or the success of our IPO; or
- (k) the Institutional Offering and/or the Retail Offering is stopped or delayed by our Company, the Selling Shareholders or any relevant authorities for any reason whatsoever (unless such delay has been approved by our Sole Underwriter); or
- (l) any commencement of legal proceedings or action against any member of our Group or the Selling Shareholders or any of our Directors, which in the opinion of our Sole Underwriter, would have or is likely to have a material adverse effect or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer our Shares; or
- (m) this Prospectus or Application Forms (i) having been terminated or rescinded in accordance with its terms; (ii) ceased to have any effect whatsoever, or (iii) varied or supplemented upon terms and such variation or supplementation would have or likely to have a material adverse effect; or
- (n) any of the resolutions or approvals referred to in Section 3.9(i)(i) is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is likely to have a material adverse effect; or
- (o) if the SC or any other relevant authority issues an order pursuant to Malaysian law such as to make it impracticable to market our IPO or to allot and/or transfer our IPO Shares; or
- (p) any other event in which a material adverse effect which have occurred or which in the opinion of our Sole Underwriter is likely to occur; or
- (q) in the event that our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to our Sole Underwriter or does not take place by 23 July 2020 or such other extended date as may be agreed in writing by our Sole Underwriter.



## 4. RISK FACTORS

**YOU SHOULD CAREFULLY CONSIDER THE RISKS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION.**

### 4.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 4.1.1 Our historical GP margin is not a guarantee of our future performance

Our Group's GP margin may fluctuate for each financial year. For instance, our Group's overall GP margin increased from 13.80% for FYE 2016 to 20.88% for FYE 2017, and then decreased to 14.04% and 10.53% for FYE 2018 and FYE 2019 respectively. For our segmental GP and GP margins, please refer to Section 12.3.3(c) of this Prospectus.

Our overall GP margin is dependent on our projects mix, and each of our project's GP and GP margins may differ depending on the scope of work, technical specifications, project duration and costs. During the FYE Under Review, our completed projects were mainly landed properties with a smaller contract sum as opposed to our on-going projects, which mainly comprise high rise properties with a larger contract sum. In general, our construction projects with a higher contract sum will have a lower GP margin, and hence our GP margin in the future may be lower as most of our on-going projects have larger contract sums.

In addition, all of our on-going projects and completed projects as set out in Sections 6.3.1 and 6.3.2 are fixed price contracts. Therefore, our overall GP and GP margins, and their sustainability largely depend on our efficiency in implementing our projects. In addition, our overall GP and GP margins are subject to factors beyond our control, such as project delays and termination, outbreak of COVID-19 and fluctuations in prices and unavailability of construction materials, which are set out in Sections 4.1.8, 4.1.9 and 4.1.10 of this Prospectus.

Premised on the above as well as the current property market conditions, and the stiff competition faced within the construction industry as detailed in Section 4.2.2 of this Prospectus, we cannot assure you that we will be able to sustain our historical or current levels of GP margin, or achieve or maintain our profitability in the future if there is a decline in overall GP margin of our future projects.

Further, the volatility in our GP margins during the FYE Under Review may continue moving forward. This is mainly due to cost estimates by our management for each of our projects as it will directly affect recognition of our GP and GP margins. For instance, our management typically allocates a higher cost estimate during the initial stage of our projects as it involves higher uncertainties. This will result in our Group recognising a lower GP and GP margins at the initial stage of our projects.

During the construction period, our management will review the projects' cost estimates on a periodic basis and revise them, where the cost items previously budgeted are no longer required. This will in turn result in our Group recognising higher GP and GP margins when our projects' cost estimates are revised downwards. Similarly, if our management revises our projects' costs estimates upwards, our Group will recognise lower GP and GP margins. Such GP and GP margin fluctuations are typically more significant nearing completion of our projects when we can estimate our costs more accurately. Prior to FYE 2019, we generally reviewed our project's cost estimates on a yearly basis, which resulted in volatility in our GP margin. However, during FYE 2019, we adopted and implemented new standard operating procedures which require us to review and adjust (if required) our project's cost estimates on a quarterly basis.

#### 4. RISK FACTORS (CONT'D)

Moreover, we will recognise our revenue only to the extent of the total contract costs we incurred in the event that we cannot estimate the outcome of our construction contract reliably. During the FYE Under Review, we have not recognised any GP from our KTCC Mall Project as its contract sum cannot be reliably estimated. We face the risk that we may not recognise any GP from the project in our upcoming financial years if the dispute with our customer is not resolved. Furthermore, in the event we are not able to recover any further amounts in relation to our KTCC Mall Project, the estimated loss to be recognised in relation to this project is RM1.71 million. Please refer to Section 12.3.2(e) of this Prospectus for further details relating to our KTCC Mall Project.

##### 4.1.2 Our profitability may be adversely affected by properties which we have purchased

It is our firm intention to remain focused on our business as a pure play construction company. Further, it is not our business model or policy to acquire properties in our customers' property development projects as a precondition for securing a project or to accept pre-arranged payment-in-kind from our customers for our construction services.

During the FYE Under Review, we purchased six properties from our customers' property development projects as support to their business with a view of fostering and/ or maintaining good business relationship. These properties were material taking into consideration of:

- (i) our payments of RM7.72 million during FYE 2018 for these properties when compared to our Group's PAT of RM9.81 million for FYE 2018; and
- (ii) their total costs of RM10.33 million when compared to the aggregate project GP of RM25.73 million (estimated in 2019) from our projects with these customers during the FYE Under Review. During the FYE Under Review, we recognised GP of RM2.86 million, RM4.41 million, RM3.13 million and RM9.54 million respectively from our projects with these customers.

Please refer to Section 6.14 of this Prospectus for further details of the properties.

We may either dispose and/ or rent out the properties we purchased when we no longer require the properties as our site office. This will subject us to inherent risks such as fluctuation in property prices and rental rates, and we may only realise capital gain upon disposal in the future if we are able to dispose our properties at a price higher than its purchase costs, expenses incidental to the disposal and applicable taxes, if any. As such, in the event that we are not able to recoup our cost in the properties in the future, our profitability may be adversely affected. Please refer to Sections 4.2.1 and 7 of this Prospectus for further details of the outlook of the property market. Moving forward, we only intend to purchase additional properties if we require them as site offices for our on-going and/ or future projects.

##### 4.1.3 Our cash flow may be adversely affected by delays in collections or non-recoverability of trade receivables

We are exposed to delays in collection and/ or non-recoverability of trade receivables. If we experience any delay and/ or non-payment by our customers, we may face cash flow constraints. This may result in a material adverse impact on our financial condition, our ability to pay our suppliers, and potentially delay the progress of our projects.

At present, the credit terms granted to our customers range from 30 to 60 days. Our average trade receivables turnover period (net of retention sum) during the FYE Under Review were 49 days, 72 days, 99 days and 60 days respectively. Our average trade receivables turnover period (net of retention sum) was higher in FYE 2017 and FYE 2018 than the normal credit terms granted to our customers. This was mainly due to slow repayment from our customers as detailed in Section 12.7.1 of this Prospectus. Further, as a result of slow repayment from our customers, our Group recorded a negative operating cash flow for FYE 2018.

#### 4. RISK FACTORS (CONT'D)

However, our average trade receivables turnover period (net of retention sum) decreased in FYE 2019 due to continuous efforts by our management to monitor and manage the collections from our customers. Please refer to Section 12.4.2 of this Prospectus for further information on our operating cash flows.

For the FYE Under Review, our allowance for expected credit losses and bad debts written off for our trade receivables are RM0.10 million, RM0.44 million, RM0.18 million and RM0.21 million representing approximately 1.96%, 7.11%, 1.83% and 1.33% respectively of our Group's PAT. Please refer to Section 12.3.3(e) of this Prospectus for further information on our Group's allowance for expected credit losses and bad debts written off and Section 12.7.1 of this Prospectus for further analysis of our Group's trade receivables ageing. As at the LPD, our trade receivables include retention sum in relation to our KTCC Mall Project. The release of the first 50.00% of our retention sum is pending the issuance of CPC, and the issuance of CPC is dependent upon the resolution of the dispute with our customer. As such, we may not be able to recover our retention sum in relation to our KTCC Mall Project until the dispute with our customer is resolved. Please refer to Section 15.6 of this Prospectus details on the dispute and the opinion of our solicitors.

Our customers may experience a decline in their business performance due to the current property overhang situation, dampened property market and the outbreak of COVID-19. As a result, our Group may face risk of delays in collections, non-recoverability of trade receivables, or incur material impairment loss for outstanding payments owed to us by our customers, which may affect our working capital to meet operating requirements. It may also impair our ability to service our bank borrowings, which include term loans we have taken to finance the purchase of six properties amounting to RM10.33 million from our customers' property development projects. In FYE 2018, we paid RM7.72 million for these properties, which was material when compared to our cash and cash equivalents of RM4.62 million as at 31 December 2018 as well as the total net cash used in our operating activities of RM6.17 million for FYE 2018. As at 31 December 2019, our cash and cash equivalents have increased to RM15.02 million. Please refer to Sections 4.2.1 and 7 of this Prospectus for further details of the outlook of the property market. As at the LPD, we have not been informed by our customers of their intention to delay, cancel or suspend our on-going projects.

In mitigating our exposure to risk of delays in collection or non-recoverability of trade receivables, we selectively tender for projects with customers who are reputable and established. Further, we will also assess our cash flows, and cash and cash equivalents prior to making any material capital expenditure to ensure that we always have sufficient working capital to meet our operating requirements. However, we cannot assure you that we will not experience any delay and/ or default in payments by our customers, or any adverse impact on our ability to secure additional financial facilities, which may have a material adverse effect on our financial performance or position. Please refer to Section 12.4.1 of this Prospectus for details on our working capital.

##### 4.1.4 We are dependent on our Managing Director and other Key Management for our continued success and growth

Our success depends on the abilities and continuing efforts of our Key Management, in particular, our Managing Director, Dato' Ir Tee Chai Seng, who has been actively involved in our Group's operations since the founding of our business. Over the past years, Dato' Ir Tee Chai Seng has been instrumental in charting our business direction and managing our strategic development. He is also key to our existing relationships with our customers and in securing new projects for our Group. This includes our building construction projects in 2013, namely Saujana Avenue Project and Saujana Prima Project which were awarded to us by companies in which he was a director and is still currently a shareholder.

Dato' Ir Tee Chai Seng is supported by our Key Management who are experienced in their respective fields that include contracts, project management, financial control, purchasing and corporate affairs. Please refer to Sections 8.2.2(ii) and 8.4.3 of this Prospectus for further details on the working experience of our Managing Director and Key Management.

#### 4. RISK FACTORS (CONT'D)

Our future plans include expanding our infrastructure construction services to include major roads, highways and bridges. As we do not have a track record in major infrastructure construction projects, we are mainly dependent on our Managing Director, Dato' Ir Tee Chai Seng who has the relevant past experience as detailed in Section 6.4.2 of this Prospectus. Based on the above, the loss of Dato' Ir Tee Chai Seng, and/or any of our other Key Management without a suitable and timely replacement, or our inability to attract and retain qualified and skilled key management could adversely affect our continued ability to maintain our Group's operational and financial performance, and to achieve our future plans.

Our Subsidiary, TCS Construction had on 15 August 2019 issued a letter to MPM Project Management confirming substantial and practical completion of the scope of work stipulated in the contract for our KTCC Mall Project (which mainly entails reinforced concrete structural works, brickwall and plastering works, and construction of electrical substations) and requested for joint inspection to facilitate issuance of the CPC by the architect. However, on 16 April 2020 TCS Construction received a certificate of non-completion dated 1 December 2019 from MPM Project Management notwithstanding that the CCC of the KTCC Mall was issued on 23 January 2020 and the KTCC Mall was opened for business on 24 January 2020. Please refer to Section 15.6 of this Prospectus for details on the dispute and the opinion of our solicitors. To ensure that there is no financial impact on TCS Construction in respect of this dispute, our Managing Director, Dato' Ir Tee Chai Seng has procured the issuance of a bank guarantee by CDB Realty, a company owned by Dato' Ir Tee Chai Seng and Datin Koh Ah Nee, payable to TCS Construction to cover the estimated amount of liquidated ascertained damages of RM5.40 million for an initial period of two years from 23 June 2020 to 22 June 2022, and is renewable upon its expiry up to 22 June 2023 or such longer period subject to terms and conditions in the offer letter from CIMB Bank Berhad and as may be stipulated by the bank. In addition, he has also given an irrevocable and unconditional undertaking to:

- (i) make payment on behalf of TCS Construction if required by law to be made by TCS Construction; and
- (ii) to procure renewal of the said bank guarantee on an annual basis (or for whatsoever reason, a replacement of equivalent amount), to ensure such bank guarantee will be subsisting until the dispute between TCS Construction and MPM Project Management is resolved.

Dato' Ir Tee Chai Seng and/ or persons connected with him will not seek to recover any compensation from TCS Group for any amounts paid under the bank guarantee, and any amounts which are required to be paid on behalf of TCS Construction if required by law to be made by TCS Construction. Hence, we are dependent on our Managing Director in respect of the dispute in relation to our KTCC Mall Project.

Our Managing Director, Dato' Ir Tee Chai Seng has extended his personal guarantees for banking facilities, lease liabilities, trade supplies and/ or projects to our Group, including the personal guarantee for our KTCC Mall Project, which are subsisting as at the LPD. As such, we are dependent on our Managing Director. For further details, please refer to Section 10.1.3 of this Prospectus.

##### 4.1.5 We are exposed to project delays, potential reduction or revision in our scope of works and termination risks

The timeframe to complete our projects is in accordance with the terms in our contracts. However, the completion of our projects may be affected by many external factors. These include the timely receipt and renewal of requisite licences, permits and approvals, availability of construction materials and labour, and the quality of work delivered by our subcontractors.

Any prolonged delay in the above factors could subsequently lead to project cost overrun, premature termination of our contract or the postponement of or scaling down of the project by our customers. Project delays may affect our profitability, delay the recognition of revenue, incur additional costs and/or result in our customers imposing liquidated ascertained damages on us, all of which could adversely affect our Group's financial performance.

#### 4. RISK FACTORS (CONT'D)

On 16 April 2020, TCS Construction received a certificate of non-completion dated 1 December 2019 from MPM Project Management in relation to an alleged non-completion of our scope of work specified in the contract for our KTCC Mall Project by the alleged extended completion date of 30 November 2019 and claim for liquidated ascertained damages of RM100,000.00 per day for the period during which the works are alleged to be incomplete ("**KTCC Mall Dispute**"). We are disputing the issuance of the certificate of non-completion as we have completed our scope of works for our KTCC Mall Project by the completion date, i.e. 15 August 2019. The CCC was issued to the KTCC Mall on 23 January 2020. Please refer to Section 15.6 of this Prospectus for further details.

As at the LPD, we have provided performance bonds amounting to RM25.60 million to our customers to guarantee the performance and completion of our contractual obligations for our projects and our customers have not called on these performance bonds. In addition, we will be providing performance bond of 5.00% of the contract sum for our Putrajaya Sentral Project in due course.

Accordingly, our financial performance and financial position may be adversely affected if our customers call on our performance bonds. Further, if non-performance or non-completion of our contractual obligations is due to unsatisfactory performance of our subcontractors, we may not be able to recover the losses from these subcontractors as we did not impose performance bonds on our subcontractors for our projects who were appointed prior to 8 May 2019. Please refer to Section 4.1.7 of this Prospectus for the risks associated with services of our subcontractors.

Our customers may reduce and/or revise our scope of works, which will result in us generating a lower revenue from such affected project. The contract sum of our KTCC Mall Project is subject to change mainly due to various changes in design and specifications. We expect the contract sum to be revised when the final accounts are finalised and the KTCC Mall Dispute is resolved. As such, during the FYE Under Review, we recognised revenue from our KTCC Mall Project to the extent of total contract costs incurred. In the event we are not able to recover any further amounts in relation to our KTCC Mall Project, the estimated loss to be recognised in relation to this project is RM1.71 million. Please refer to Section 12.3.2(e) of this Prospectus for further details on the potential revision in our KTCC Mall Project contract sum.

We cannot assure you that the contract sum of our other on-going projects and/or future projects will not be reduced as a result of reduction or revision in our scope of works. In the event that the contract sum of our other on-going projects and/or future projects are reduced, our financial performance may be adversely affected.

Save for the above and as disclosed in Section 4.1.9 of this Prospectus, we have not faced any incidences of delay in the progress of any of our projects as at the LPD. Further, we have not faced any reduction or revision in our scope of work or premature termination of contracts with our customers in the past which had a material adverse impact on our Group's financial performance.

##### 4.1.6 Our business operations rely on our certificates of registration issued by CIDB

We are principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia. The construction industry is regulated by laws set by government bodies such as CIDB. Pursuant to CIDB Act, it is a mandatory requirement for all contractors who carry out or complete any construction works to hold a valid certificate of registration issued by CIDB.

Our Subsidiaries are both currently registered as Grade G7 contractors with CIDB. The Grade G7 certification allows us to tender for construction projects without restriction in the value of the projects. Our certificates of registration issued by CIDB are key to the continuity of our business operations.

#### 4. RISK FACTORS (CONT'D)

We have not experienced any past instances where our certificates have been revoked or suspended prior to their expiration, or where renewal of our certificates was not successful which had a material adverse impact on our Group's operations. However, any revocation of such certificates or failure by us to obtain other new approvals, licences and permits, where required for our business activities, will have a material impact on our ability to continue our business operations and realisation of our future plans, and hence will affect our profitability. In addition, our subcontractors may face revocation of their approvals, licences and permits required to carry out their works in the event of any non-compliance. This may cause delays in our projects and may affect our business operations.

##### 4.1.7 We face uncertainty in securing new contracts and are currently dependent on a few on-going projects awarded by our key customers

Our contracts are awarded on a project basis to be implemented over an average of two to three years. In the construction industry, contracts are typically awarded based on competitive bidding by the contractors as well as the contractors' track record. Hence, we face uncertainty in securing new contracts as we may not be able to provide the most competitive pricing at all times or that our track record may not be as established as some of our competitors.

The volume of construction projects in the market is dependent on the current outlook of the Malaysian property market. The current property overhang situation in Malaysia may potentially reduce the number of construction projects in the market. This may result in a lower demand for our services, which may in turn affect our ability to secure new contracts. Hence, we cannot assure you that we will be able to sustain our historical or current levels of GP margin for our future projects. A more in-depth discussion of the outlook of the property market is disclosed in Sections 4.2.1 and 7 of this Prospectus.

During the FYE Under Review, the collective contribution from our key customers namely, UM Land Group, IJM Group and Tropicana Group, amounted to around 71.22%, 90.03%, 76.02% and 60.16% respectively to our Group's revenue. As at 30 April 2020, our order book comprised unbilled contracts of RM463.81 million to be fully billed over the next three financial years up to FYE 2023, of which RM355.73 million was attributed to these key customers. As such, these key customers will continue to contribute to a significant proportion of our Group's revenue in the next three financial years up to FYE 2023. Details of our on-going construction projects and our order book are provided for in Section 6.3 and Section 12.9 of this Prospectus, respectively.

We cannot assure you that our key customers will continue to engage us in the future as we do not have long term contractual agreements with them. Further, as at the LPD, we have tendered for a number of projects out of which we are still in the running for 10 projects (projects with a tender sum of RM50.00 million and above), with a total tender sum of approximately RM2.13 billion. The results of those 10 tenders are still unknown. As such, we face the risk that we may not be able to secure new contracts or land new customers who can contribute to our revenue in the coming years. Further, as part of our future plans, we intend to expand our infrastructure construction services to include major roads, highways and bridges as detailed in Section 6.4.2 of this Prospectus. However, we may not be able to materialise this future plan as we do not have a track record in major infrastructure construction projects. As a result, we may not be able to maintain our order book and/or expand our infrastructure construction services which may then adversely affect our long term sustainability and business growth as well as our financial performance.

Further, we also face the risk that our existing order book may be reduced due to premature termination or scaling down of our contracts as detailed in Section 4.1.8 of this Prospectus, and this may adversely affect our financial performance.



#### **4. RISK FACTORS (CONT'D)**

##### **4.1.8 Our construction works are dependent on the services of our subcontractors**

We engage subcontractors to carry out certain construction activities throughout different stages of our projects, covering from preliminaries up to the completion. Depending on our project requirements, our subcontractors' services are mainly to provide labour for labour-intensive works, supply and install construction materials, machinery and equipment, and perform piling works as well as specialised trade works such as mechanical and electrical engineering works, piping and plumbing works, external paint works and water proofing works. Nevertheless, our Group is still in charge of the overall management of our projects. For the FYE Under Review, our total subcontractor costs accounted for approximately 48.87%, 65.69%, 37.46% and 48.17% of our Group's total cost of sales, respectively.

Any delay and/or failure by a subcontractor to provide its contracted services may lead to damages and penalties imposed on our Group by our customer who awarded the construction project to us. In addition, we may face delays in our projects and experience cost overruns.

Even though we may attempt to claim compensation from our subcontractors, from time to time, we may be required to compensate our customers in advance before receiving the compensation from our subcontractors. In the event that we are unable to recover the compensation amount from our subcontractors, whether in full or in part, we will suffer a loss, which could adversely affect our financial performance. Nevertheless, we have been imposing performance bonds on our subcontractors with a contract sum exceeding RM3.00 million who were appointed on or after 8 May 2019.

We cannot assure you that our Group's financial performance will not be affected adversely if our subcontractors fail to provide the agreed contracted services in a timely, reliable and satisfactory manner. However, we have not experienced any past instances where any delay or non-performance by our subcontractors have resulted in any breach by us of our contractual obligations to our customers which had a material adverse impact on our Group's financial performance.

##### **4.1.9 Our financial performance and position, and business operations may be affected due to the outbreak of COVID-19**

Due to the COVID-19 pandemic, the Government had on 16 March 2020 implemented a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. During the MCO period, all government and private premises except those involved in essential services are required to be closed and to cease operations during the period that the MCO takes effect unless exempted. This was followed by a conditional MCO on 4 May 2020 which allowed selected business sectors to resume operation and a recovery MCO from 10 June 2020 to 31 August 2020. During the MCO period, we had to temporarily suspend our construction works and was only allowed to resume operations upon obtaining approvals from MITI. As a result, our progress in completing our projects has been affected. Furthermore, we had to incur fixed overhead costs during the period when our business operations were temporarily suspended such as staff cost and wages, upkeep and maintenance, finance costs and rental expenses which amounted to approximately RM0.52 million per month. As at the date of this Prospectus, we have resumed operations at full workforce at our head office and at all construction sites for our on-going projects. For our Putrajaya Sentral Project, we have yet to commence operations. Please refer to Section 6.1(c) of this Prospectus for further details.

There were positive COVID-19 cases identified involving foreign workers at our Setia City Residences Project, all of whom are not employed by us or our subcontractors. As such, the site has been ordered to temporarily close down but has resumed operations as at the date of this Prospectus. Nevertheless, we do not expect a material impact on our financial performance as the project is at 99.97% completion as at 30 April 2020.

#### 4. RISK FACTORS (CONT'D)

Under the PAM contracts which we have signed with our customers, in the occurrence of a force majeure event, we are entitled to apply to our customers for extension of time to complete the projects. Furthermore, PAM issued a notice dated 18 March 2020 which stated that in view of the MCO, the PAM contract provides for contractors to apply for extension of time under Clause 23.8(a) – Force majeure in which “Force Majeure” is defined as “any circumstances beyond the control of the contractor caused by terrorist acts, governmental or regulatory action, epidemics or natural disasters”. We have submitted applications for extension of time to all our existing customers for our on-going projects. As at the LPD, we have received approvals from our customers for our Riana South Project, Setia City Residences Project and Suria Pantai Project. If we are unable to complete our work by the contracted period, we may face the risk of non-performance of our contracts. In such event, we may be liable to pay liquidated ascertained damages for a period commencing from the due date of completion of the project until the actual completion of the project at the rates ranging from RM500 to RM108,000 per day depending on the contracts with our customers. Hence, our financial performance may be adversely affected. If the on-going outbreak of COVID-19 worsens, and further restriction is imposed on business activities by the Government, the progress of our construction works may be further affected.

In the event any of the employees and construction workers (including our subcontractors' construction workers) fail to comply with the COVID-19 standard operating procedures implemented by our Group, we face an increased risk of infection at our construction sites. The precautionary measures implemented by our Group do not fully eliminate the risks of infection by the employees or construction workers of our Group, or other subcontractors working at the construction sites. If any of our Group's employees, construction workers or other subcontractors are suspected of contracting or contracts COVID-19, such persons would need to be quarantined and the infected construction sites would have to be temporarily closed down and be disinfected. As a result, our Group's construction progress may be disrupted and our construction projects may be suspended or delayed. Please refer to Section 6.1 of this Prospectus for further details on the measures we have implemented to commence and continue our business operations.

In addition, during the MCO and conditional MCO period, 27 of our foreign workers' work permits and CIDB Green Card had expired. We have not been able to renew their work permits and CIDB Green Cards in a timely matter due to the imposition of the MCO and conditional MCO that restricted our ability to renew them. We have been making attempts to make an appointment with the Immigration Department of Malaysia to renew their work permits on the earliest available date and as at the LPD, we have not been able to obtain an appointment date yet. We would be able to apply online for the CIDB Green Card for these foreign workers after the successful renewal of the work permits. Pending renewal of their work permits and CIDB Green Cards, they have not been and will not be working at our construction sites. We do not expect any material impact on the progress of our on-going projects with a reduced number of foreign workers as the foreign workers' whose work permits and CIDB Green Cards had expired are mainly general workers who are not integral to the progress of our projects.

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

##### 4.1.10 Our operations are affected by the fluctuations in prices and unavailability of construction materials

We are awarded contracts on a fixed price basis and the contracts awarded to us do not contain price variation clauses which enable us to get reimbursement or vary the contract price with our customers if there is any increase in the cost of our construction materials.

As part of our construction activities, we constantly purchase a wide range of construction materials, particularly, concrete, steel bars, reinforced wire, quarry products, cement, tiles and accessories, plywood, and premix from our suppliers.



#### **4. RISK FACTORS (CONT'D)**

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One of the construction materials that we use, namely, steel bars, are subject to fluctuations in global market prices which we are unable to predict at the point when we submit tenders for projects. We may incur higher than estimated costs when we purchase steel bars from our suppliers and we are unable to pass on the increase in cost to our customers. Hence, this will adversely affect our Group's financial performance. Similarly, a shortage in the supply of any construction materials will result in an increase in their prices, which in turn, would lead to an increase in costs which we are unable to pass on to our customers. This will adversely affect our Group's financial performance.

We are also dependent on the continuous supply of construction materials which we source from a number of local suppliers. Their supply to us is in turn subject to the availability of the construction materials in the market. The unavailability of certain construction materials may require us to source for replacements. If we are unable to obtain the replacements in a timely manner, it may lead to delay in our construction works and eventually our business operations may be affected. In this instance, we cannot assure you that our Group can obtain sufficient quantities of construction materials for our projects at competitive prices at all times without any adverse impact to our financial performance. Notwithstanding the above, we have not experienced any fluctuations in prices or shortages of construction materials in the past up to the LPD which had a material adverse impact on our Group's financial performance.

##### **4.1.11 Our business may be affected by defects in our construction works**

The nature of our business exposes us to the risk of defects liability claims by our customers due to defects in our construction works. These claims can be made by our customers during the defects liability period, which ranges from 24 to 30 months from the date CPC is issued to us upon the completion of our construction works.

As set out in our contracts with our customers, our customers are entitled to retain 10.00% of each progress billing as retention sum up to a maximum of 5.00% of the total contract sum awarded. This retention sum serves as a security to our customers to guarantee our performance in completing the projects and rectifying any defects during the defects liability period. Upon the issuance of CPC, half of the retention sum is released to us while the remaining half is retained by our customers and will only be released to us, if unused, at the end of the contracted defects liability period and upon the issuance of the CMGD.

If we are required to rectify any defects which occur during the defects liability period, we will have to do so at our own costs. If we fail to rectify the defects satisfactorily, our customer may utilise the portion of the retention sum retained by them to rectify those defects. In such cases, we may not be able to recover the whole of the retention sum from our customers and this, together with any further payments required to be made by us to our customer could adversely impact our financial results. We have not experienced any failure in recovering retention sums from our customers in the past up to the LPD which had a material adverse impact on our Group's financial performance.

##### **4.1.12 We may suffer losses from inadequate insurance coverage on our assets, employees and construction projects**

The nature of our business is such that we are exposed to operational risks such as accidents involving our employees as well as theft of our machinery and equipment. It is our practice to ensure that we obtain insurance coverage on our assets, employees and construction projects. The insurance policies undertaken by us include coverage for machinery and equipment, hospitalisation and surgical, life and personal accident, workmen's compensation and contractors' all risks. As at the LPD, the total sum insured for these insurance policies is approximately RM1.32 billion. In addition, we will be purchasing additional insurance policies for our Putrajaya Sentral Project in due course.

#### 4. RISK FACTORS (CONT'D)

We cannot assure you that all liabilities incurred will be adequately covered by insurance and as such, claims for damages arising from our Group's operations which cannot be sufficiently covered by our insurance policies may have an adverse impact on our Group's financial condition or results of operations. As at the LPD, we have not experienced any claims for damages arising from our Group's operations which are not sufficiently covered by insurance.

Further, our insurance premium payable for our existing insurance policies may increase or we may be required to take on additional insurance for our future projects. Any increase in premium payable or additional insurance required may adversely affect our financial results.

#### 4.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

##### 4.2.1 We are dependent on the property sector

Currently, our Group is mainly focused on the construction of residential and commercial buildings in Malaysia. Hence, the sustainability of our business operations depends to a large extent on the outlook of the Malaysian property market.

According to the IMR Report, the Malaysian Government announced in the Budget 2020, several measures in its efforts to encourage home ownership among the Malaysian public, which include the following:

- (i) introduction of Rent To Own ("RTO") financing scheme which involves the provision of financing up to RM10 billion by the financial institutions with the support from the Malaysian Government via a 30% or RM3 billion bank guarantee for the purchase of a first home with a price of up to RM500,000;
- (ii) exemption of stamp duty on the instruments of transfer between the developer and financial institutions, and between financial institutions and the buyer under the RTO financing scheme;
- (iii) extending the youth housing scheme which offers a 10% loan guarantee to enable full financing to borrowers and RM200 monthly instalment assistance for the first two years limited to 10,000 home units from 1 January 2020 until 31 December 2021; and
- (iv) allocation of RM100 million for repair and refurbishment of low and medium cost strata housing.

In addition, the Malaysian Government has also announced a lower threshold on high rise property prices in urban areas for foreign ownership from RM1 million to RM600,000 in 2020 to address the property overhang problem and/ or stimulate growth in the property market. The real property gain tax treatment has also been enhanced where the base year for asset acquisition was revised to 1 January 2013 for asset acquired before 1 January 2013 as compared to the previous base year of 1 January 2000. Besides that, the 486-acre Bandar Malaysia Project in Sungai Besi, Kuala Lumpur has also been allowed to continue, with the inclusion of an additional 5,000 units of affordable homes.

The Malaysian property sector is susceptible to risks such as more stringent lending policies by banking and financial institutions and weakening demand for real estate properties. According to the IMR Report, restrictive measures such as increase in the real property gains tax is expected to dampen property transactions and growth rate in the Malaysian property market moving forward. In addition, the deteriorating property overhang situation may place property developers in a more difficult position to launch new property projects in the future, leading to lesser demand for construction services. Any other unfavourable movement or development in the local property market moving forward will likely have a further direct impact on our Group's performance and operations.

#### **4. RISK FACTORS (CONT'D)**

The Malaysian property market recorded an increase in total transaction volume from 313,710 in 2018 to 328,647 in 2019 whilst the total transaction value increased from RM140.33 billion in 2018 to RM141.40 billion in 2019, topped by the residential segment. In the first quarter of 2020, the total transaction value stood at RM28.64 billion as compared to RM37.16 billion registered in the same period last year.

In 2020, the property market has been affected by the COVID-19 pandemic and lockdown measures that have dampened consumer demand for properties. The prohibition on close contact due to social distancing measures has limited property marketing and sales activities.

On a brighter note, the Government announced several incentives on 5 June 2020 to stimulate the local property market involving the re-introduction of the Home Ownership Campaign and real property gains tax exemption. Further details on the incentives can be found in Section 7 of this Prospectus. In addition, the overnight policy rate had been revised downward three times thus far in 2020, and this can help to keep borrowing costs at a relatively low level to spur more demand for properties.

Moving forward, the real estate construction market is expected to grow from RM29.59 billion in 2019 to RM33.23 billion in 2024. In view of the current property market conditions highlighted above, profitability of our construction projects may not be as affirmative as in the past. Hence, we cannot assure you that we will be able to sustain our historical or current levels of GP margin for our future projects and we may have to lower our overall GP margin in the future in order for us to maintain our competitiveness within the construction industry. Further, our financial performance may be further worsened if we are unable to recoup our investments in the properties from our customers' property development projects.

Further details of the construction industry and property sector in Malaysia are disclosed in the IMR Report in Section 7 of this Prospectus.

##### **4.2.2 We face intense competition within the industry**

We operate in the construction industry which is highly fragmented.

As at LPD, there were a total of 105,586 local contractors registered with CIDB, of which 8,583 of them were registered with Grade G7 based on the IMR Report. Our competitors may have longer operating track record and more resources in terms of capital, machinery and manpower compared to us.

Stiff competition may result in highly competitive pricing in order to secure a contract, which may affect our financial performance. We cannot assure you that we will be able to compete effectively with current and new entrants into the construction industry in the future and that the competition will not become more intense in the future.

##### **4.2.3 We are dependent on the supply of foreign workers**

We are heavily dependent on the supply of foreign workers at our construction sites. As at the LPD, the number of foreign workers we employ is 81 out of 177 workers at our construction sites, representing 45.76% of our total construction workers employed by us. The rest of the foreign workers at our construction sites are employed by our subcontractors. Our subcontractors are also subject to the regulations imposed by CIDB and the Immigration Department of Malaysia in relation to the employment of foreign workers in the construction industry.

As our Group's operations are dependent on foreign workers, any scarcity in supply would adversely affect our business. These foreign workers are issued with visit passes (temporary employment) usually for a period of one year, which are subject to annual renewal. We cannot assure you that we and our subcontractors will be able to renew their visit passes (temporary employment) successfully.

#### 4. RISK FACTORS (CONT'D)

Further, if the Government amends the policies and imposes a stricter regime on employers to employ foreign workers for construction projects and we are unable to obtain an adequate supply of foreign workers on similar terms, the quality of our work and our ability to complete our projects in a timely manner may be affected. This may subsequently affect our business operations and financial performance adversely.

Save for the issues that we are facing in renewing our foreign workers' visit passes as disclosed in Section 4.1.9 of this Prospectus, an issue which our subcontractors may similarly face, as at the LPD, we have not encountered any issues with obtaining permits, and for supply of foreign workers as well as changes in the relevant government policies on foreign workers which had a material adverse impact on our Group in the past.

##### 4.2.4 We are affected by workplace safety and health matters

Due to the intrinsic nature of construction activities, we are exposed to potential resultant workplace safety and health liabilities, and workplace accidents and incidents caused by human error and other factors. In the event of such incidences, it may lead to a breach of prevailing workplace safety and health regulations and requirements and/ or negative publicity which may adversely impact our reputation. Further, the relevant authorities may also impose stop-work orders, worksite closure orders or suspension of our project until we have rectified and met the relevant workplace safety and health regulations and requirements. As a result, our existing licenses, approvals and permits may be revoked and we may face difficulties in renewing them and/ or obtaining new licences, approvals and permits. In turn, we may not be able to secure new projects and this will affect our business operations and financial position adversely.

During FYE 2020, we were required to temporarily suspend our operations due to the MCO implemented by the Government, as detailed in Section 6.1 of this Prospectus. As a result, we adopted COVID-19 standard operating procedures imposed by the Government, and relevant authorities and local councils as measures to ensure a safe operating environment for all personnel amidst the COVID-19 pandemic.

In addition, there may be changes in environmental, health and safety laws and regulations from time to time. As such, we are unable to ascertain the expenses to be incurred to ensure compliance with such new laws and regulations. We also cannot assure you that such costs will not be material and will not have a material adverse impact on our businesses and profitability. We have not experienced any of these incidents in the past up to the LPD which had a material adverse impact on our Group's financial performance.

##### 4.2.5 We are exposed to political, economic and regulatory risk in Malaysia and the occurrence of force majeure events

We derive our revenue solely from Malaysia. As such, any adverse developments or uncertainties in political, economic or regulatory conditions in Malaysia, as well as occurrence of force majeure events, such as terrorism acts, war, riots, epidemics (including but not limited to the COVID-19 pandemic) and natural disasters whether globally or in Malaysia could unfavourably affect our financial and business prospects. The political, economic and regulatory risks which may affect us include unfavourable changes in inflation rates, interest rates and foreign exchange rates, expropriations, adverse changes in political leadership, and unfavourable changes in government policies and regulations.

The occurrence of any of these events is beyond our control, and may have an adverse impact on the demand of our services or cause interruptions and delays in the performance of our work at the construction sites. As a result, our business operations and financial performance will be adversely affected and we cannot assure you that we will be able to record profits or recover the damages caused by these events.

## **4. RISK FACTORS (CONT'D)**

As at the LPD, we have not experienced any adverse political, economic and regulatory changes or any force majeure events (save for the COVID-19 pandemic) which has had a direct impact on our business operations. Please refer to Section 4.1.9 of this Prospectus for further details relating to the impact of COVID-19 pandemic on our business operations and financial performance. Further, we also cannot assure you that our plans to expand our infrastructure construction services will not be adversely affected by the changes in political, economic and regulatory condition in Malaysia and force majeure events.

### **4.3 RISKS RELATING TO OUR SHARES**

#### **4.3.1 There has been no prior market for our Shares**

Prior to our Listing, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such market can be sustained.

We cannot assure you that our IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below our IPO Price. We believe that a number of factors could cause our Share price to fluctuate, including but not limited to announcements of developments relating to our business, fluctuations in our operating results, general industry conditions, the performance of the global economy, future sales by our shareholders of substantial amounts of our Shares or other securities relating to our Shares in the open market after our Listing or the perception that these sales may occur. This could also materially and adversely affect our ability to raise capital at a time and at a Share price we deem appropriate.

#### **4.3.2 Our ability to pay dividends is dependent on our financial performance**

Our ability to declare dividends to our shareholders will depend on, among others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on market demand, and our operating results, capital requirements and ability to implement our future plans. We may also be required to obtain the approval of certain of our financiers in order to declare dividends. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Our Board intends to declare a dividend for the FYE 2019 after our Listing. However, the quantum has yet to be determined and is subject to factors stated above. In addition, our Board may, at any time and for any reason it deems appropriate, decide not to pay any dividend for the FYE 2019 as our future dividends are at our Board's discretion. You should note that any statement on the payment of dividends in this Prospectus merely describes our Company's present intention. This shall neither constitute a legally binding obligation or statement on our Company nor a guarantee by our Board. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

For a description of our dividend policy, please refer to Section 12.10 of this Prospectus.

#### **4.3.3 Our Share price and trading volume may be volatile**

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include changes in analysts' recommendations or projections, economic and political conditions of our country as well as the growth potential of the construction industry.

In addition, the trading price and volume of our Shares is dependent on external factors such as the performance of the world exchanges and the inflow or outflow of foreign funds. These factors will contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

#### 4. RISK FACTORS (CONT'D)

##### 4.3.4 The interest of our Promoters may not be aligned with the interest of our shareholders

Our Promoters, who are also our Key Management, will hold the controlling interest in our enlarged issued share capital upon Listing as disclosed in Section 8.1.1 of this Prospectus. As a result, our Promoters will be able to have effective control over the business direction and management of our Company including the election of directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders unless he and persons connected with him are required to abstain from voting either by requirement of law and/ or by the relevant guidelines or regulations. Therefore, there is a risk that the interests of our Promoters may not be aligned with those of our other shareholders.

Notwithstanding the above, we have in place our Audit Committee, consisting of our Independent Non-Executive Directors, which functions to assist our Board in making decisions that are in our shareholders' best interest in accordance with our internal control systems. For a detailed description of the duties of our Audit Committee, please refer to Section 8.3.2 of this Prospectus.

##### 4.3.5 Delay or failure of our Listing

Our Listing may be potentially delayed or aborted due to the occurrence of any one or more of the following events:

- (i) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder;
- (ii) if we are unable to meet the public shareholding spread requirements of Bursa Securities under which at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each upon our admission to the Official List; and
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order under Section 245(7)(a) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC; or
- (ii) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order under Section 245(7)(b) of the CMSA, the issue of our IPO Shares shall be deemed void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstance or (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

## 5. INFORMATION ON OUR GROUP

### 5.1 OUR COMPANY

Our Company was incorporated in Malaysia as a public company limited by shares on 11 February 2019 under the name of TCS Group Holdings Berhad.

We are an investment holding company while our Subsidiaries are principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia.

### 5.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, our issued share capital is RM26,244,002 comprising 270,000,000 Shares.

Details of changes to our issued share capital since incorporation up to the LPD are shown below:

<u>Date of allotment</u>	<u>No. of Shares</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>
11 February 2019	2	Subscribers' shares <sup>(1)</sup>	Cash	2
30 October 2019	268,162,794	First Acquisition (as defined below)	Otherwise than in cash	26,065,426
30 October 2019	1,837,204	Second Acquisition (as defined below)	Otherwise than in cash	26,244,002

**Note:**

- (1) One each of the subscribers' shares was allotted to Shaari bin Hashim and Lee Han Woon respectively. They have each transferred their Shares to Dato' Ir Tee Chai Seng on 30 October 2019.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments.

Upon our Listing, our issued share capital will increase from RM26,244,002 comprising 270,000,000 Shares to RM46,944,002 comprising 360,000,000 Shares.

## 5. INFORMATION ON OUR GROUP (CONT'D)

### 5.3 FORMATION OF OUR GROUP

In conjunction with our Listing, we entered into the following share sale agreements to undertake the following acquisitions:

#### 5.3.1 Conditional share sale agreement with the Promoters ("First SSA")

- (i) The First SSA was entered into on 15 May 2019 for the acquisition by our Company of the entire share capital of TCS Construction from our Promoters for a total consideration of RM26,065,424 ("**First Acquisition**"), which was fully satisfied by the issuance of 268,162,794 new Shares to the Promoters on 30 October 2019, in the following proportion:

Vendor/ Promoter	Shareholdings in TCS Construction before completion of the First SSA		Consideration	
	No. of shares	%	RM	No. of new Shares
Dato' Ir Tee Chai Seng	1,700,000	85.00	22,155,610	227,938,375
Datin Koh Ah Nee	300,000	15.00	3,909,814	40,224,419
<b>Total</b>	<b>2,000,000</b>	<b>100.00</b>	<b>26,065,424</b>	<b>268,162,794</b>

- (ii) The purchase consideration for the First Acquisition was arrived at after taking into account the audited consolidated NA (excluding non-controlling interest) of TCS Construction amounting to RM26,050,508 as at 31 December 2018.

#### 5.3.2 Conditional share sale agreement with Ooi Kee An and TCS Construction ("Second SSA")

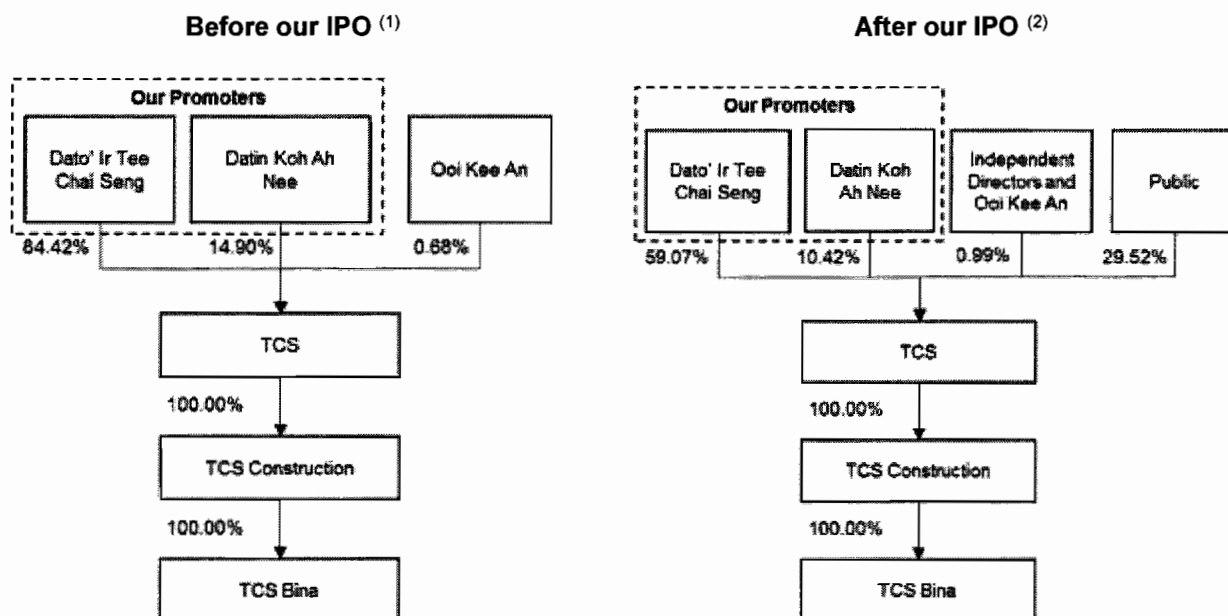
- (i) The Second SSA was entered into on 15 May 2019 for the acquisition by TCS Construction of 45,000 ordinary shares representing 5.63% equity interest in TCS Bina from Ooi Kee An for a consideration of RM178,576 ("**Second Acquisition**"), which was fully satisfied by the issuance of 1,837,204 new Shares by our Company on behalf of TCS Construction to Ooi Kee An on 30 October 2019; and
- (ii) The purchase consideration for the Second Acquisition was arrived at after taking into account the audited NA of TCS Bina, attributed to Ooi Kee An amounting to RM178,576 as at 31 December 2018.



## 5. INFORMATION ON OUR GROUP (CONT'D)

### 5.4 OUR SHAREHOLDERS AND GROUP STRUCTURE

Our shareholders and Group structure before our IPO but after our Pre-IPO Reorganisation, and after our IPO is set out below:



**Notes:**

- (1) Based on the total number of 270,000,000 Shares before our IPO.
- (2) Based on the enlarged total number of 360,000,000 Shares after our IPO and assuming full subscription of the Pink Form Shares reserved for the Eligible Persons.

### 5.5 OUR SUBSIDIARIES

Our Subsidiaries as at the LPD are as follows:

Company name	Registration No.	Date / Place of incorporation	Principal place of business	Principal activities
TCS Construction	199801010644 (466772-H)	4 August 1998 Kuala Lumpur	Malaysia	Provision of construction services for buildings, infrastructure, civil and structural works
TCS Bina	201701013895 (1228060-H)	20 April 2017 Kuala Lumpur	Malaysia	Provision of construction services for buildings, infrastructure, civil and structural works

As at the LPD, our Group does not have any associate companies.

## 5. INFORMATION ON OUR GROUP (CONT'D)

### 5.5.1 Share capital and changes in share capital of TCS Construction

TCS Construction's share capital as at the LPD is RM2,000,000 comprising 2,000,000 ordinary shares. Details of changes to TCS Construction's issued share capital for the past three financial years up to the LPD are shown below:

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>
4 August 1998	2	Issue for cash	Cash	2
3 October 1999	99,998	Issue for cash	Cash	100,000
9 November 1999	150,000	Issue for cash	Cash	250,000
26 April 2006	500,000	Issue for cash	Cash	750,000
18 August 2009	350,000	Issue for cash	Cash	1,100,000
24 October 2017	900,000	Issue for cash	Cash	2,000,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TCS Construction. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

### 5.5.2 Share capital and changes in share capital of TCS Bina

TCS Bina's share capital as at the LPD is RM800,000 comprising 800,000 ordinary shares. Details of changes to TCS Bina's issued share capital from date of incorporation of 20 April 2017 up to the LPD are shown below:

<u>Date of allotment</u>	<u>No. of shares</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>
20 April 2017	100	Subscribers' shares	Cash	100
1 November 2017	99,900	Issue for cash	Cash	100,000
23 April 2018	200,000	Issue for cash	Cash	300,000
21 January 2019	500,000	Otherwise than in cash	Otherwise than in cash	800,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TCS Bina. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments.

## 5.6 PUBLIC TAKE-OVER

Since our incorporation up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

**6. BUSINESS OVERVIEW**

**6.1 OVERVIEW AND BACKGROUND**

**Overview of our Group**

Our Group is principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia. Construction services for buildings are categorised under the real estate construction market while construction services for infrastructure, civil and structural works are categorised under the civil engineering and specialised trade works market.

We participate in construction projects either as a main contractor, principal subcontractor or a subcontractor, where our roles and responsibilities differ according to the terms of the contract, and can be generally categorised in the table below:

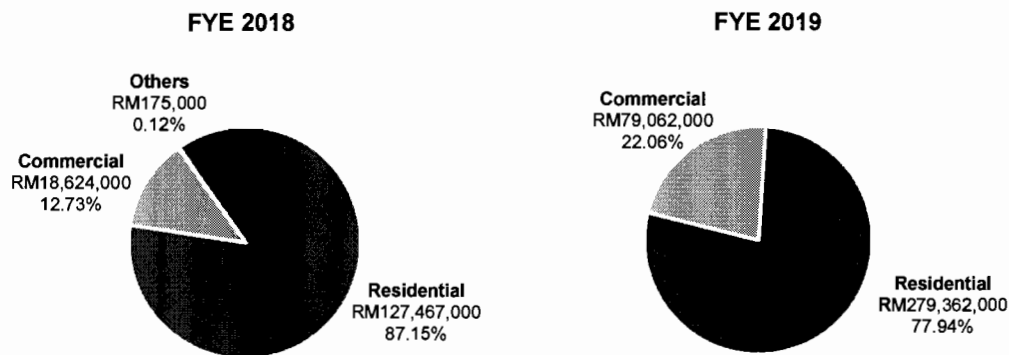
<b>Role</b>	<b>Responsibilities</b>
Main contractor	Plays a central coordinator role in planning and managing the overall construction project to ensure successful handover to our customers within the contract period. This will require us to supervise daily construction activities, coordinate with suppliers and subcontractors, as well as plan and manage our resources including site workers, construction machinery and equipment, and construction materials in accordance with the master work programme prepared.
Principal subcontractor	Similar to our role as a main contractor, but the contract is awarded by the appointed main contractor instead of the property developer directly.
Subcontractor	Mainly responsible for specific sections of a construction project.

Our Managing Director, Dato' Ir Tee Chai Seng with support from our contracts department, actively seeks for new projects by engaging with past and existing customers, consultants as well as other prospective customers to identify potential business opportunities. Please refer to Section 6.9 of this Prospectus for our sales and marketing activities.

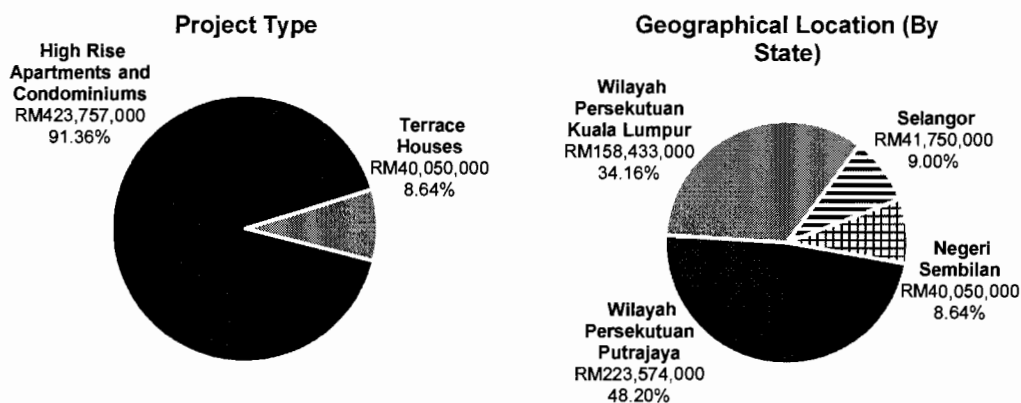
Under building construction, we have experience in both residential and commercial buildings. Our experience in residential buildings includes terrace houses, bungalows, high rise apartments and condominiums. For commercial buildings, our experience covers shop offices, a shopping complex as well as purpose-built buildings such as our GEMS International School Project. Further, our service also extends to cover civil works such as roads, water and sewerage treatment plants, electrical substations, water tanks and reticulation systems for townships. Our segmental revenue for the FYE Under Review is set out below:



**6. BUSINESS OVERVIEW (CONT'D)**



As at 30 April 2020, we have seven on-going projects with an outstanding order book of RM463.81 million, all of which were secured in 2017 to 2019, comprising:



Please refer to Section 6.3.1 of this Prospectus for further details of our on-going projects and Section 12.3.3 for results of our operations.

Currently, both our Subsidiaries are registered with CIDB as Grade G7 contractors, which allow us to tender for construction projects that are of unlimited value. In addition, we are allowed to participate in tenders by the Government or in Government related projects as TCS Construction also holds the certificate of Governmental Procurement Works issued by CIDB and certificate of registration issued by Ministry of Finance. Please refer to Section 6.12 for details on our major approvals, licenses, permits and registrations.

Moving forward, it is our firm intention to remain focused on our business as a pure play construction company by focusing on high rise residential and commercial projects, and to venture into infrastructure construction services.

**Background of our Group**

After Dato' Ir Tee Chai Seng acquired TCS Construction in 1998, which was incorporated under the name of Technomatrix Sdn Bhd, we began our operations in 1999 as a subcontractor carrying out selected civil and structural works in townships and landed property developments, where our scope of work includes the building of roads, water and sewerage treatment plants, water tanks and reticulation systems. Technomatrix Sdn Bhd later changed its name to Projek Bumi Bina Sdn Bhd on 8 May 2002 and subsequently to TCS Construction on 23 January 2013.

Whilst maintaining our involvement in civil and structural works projects in townships and landed property developments, we gradually expanded our scope of work and participated in building construction projects.

## 6. BUSINESS OVERVIEW (CONT'D)

From the commencement of our business until 2012, we undertook and completed numerous projects, covering construction of roads, water and sewerage treatment plants, water tanks, reticulation systems, electrical substations, show-units, landed residential houses and shop offices. During that period, our projects were less complex, on a smaller scale, generally with a contract sum of less than RM20.00 million and had shorter timeframe as compared to our on-going projects.

With a stronger capability and capacity, we began to undertake larger building construction projects as a main contractor in 2013, namely our Saujana Avenue Project with a contract value of RM44.60 million and our Saujana Prima Project with a contract value of RM39.31 million. Our customers for these two projects are property development companies which Dato' Ir Tee Chai Seng was a director and is still a shareholder. Further, we expanded into construction of our first purpose-built building in 2015 when we secured our GEMS International School Project worth RM46.04 million.

The year 2017 marked our Group's entry into high rise residential projects when we secured our Suria Pantai Project followed by our Riana South Project. These two projects have contract values of RM141.73 million and RM119.72 million respectively. In the same year, TCS Bina was established to provide an opportunity to our General Manager, Ooi Kee An to participate in equity shareholding in TCS Bina in appreciation for his past contribution to our growth. As at the LPD, TCS Bina is currently undertaking our Setia City Residences Project, and is managed by Ooi Kee An who reports directly to our Managing Director.

In 2018, we secured our first shopping complex project, KTCC Mall Project worth RM101.00 million contract, and a RM168.00 million contract for our Hermington Project to construct two blocks of residential buildings. In November 2019, we secured a RM223.89 million contract for our Putrajaya Sentral Project to construct two blocks of residential buildings. Moving forward, we intend to continue our focus on high rise residential and commercial projects, and to venture into infrastructure construction services.

During the FYE Under Review and from 1 January 2020 up to the LPD, we have completed six projects (project with a contract sum of RM20.00 million and above) with a total contract sum of RM321.85 million as detailed in Section 6.3.2 of this Prospectus.

The table below summarises our Group's key milestones, achievements and awards received since our inception:

<b>Year</b>	<b>Key milestones, achievements and awards</b>
1998	<ul style="list-style-type: none"> <li>Dato' Ir Tee Chai Seng acquired TCS Construction which was incorporated under the name of Technomatrix Sdn Bhd</li> </ul>
2015	<ul style="list-style-type: none"> <li>Expanded into our first purpose-built building project, GEMS International School Project with a contract value of RM46.04 million</li> </ul>
2017	<ul style="list-style-type: none"> <li>Secured our first two high rise residential construction projects, Suria Pantai Project and Riana South Project worth RM141.73 million and RM119.72 million, respectively</li> </ul>
2018	<ul style="list-style-type: none"> <li>Secured our first shopping mall construction project, KTCC Mall Project with a contract sum of RM101.00 million</li> <li>Albury 1 Project was awarded a Best QLASSIC Achievement Awards 2018 under Category A – Landed Housing Project and a High QLASSIC Achievement Awards by CIDB</li> <li>GEMS International School Project was awarded a High QLASSIC Achievement Awards 2018 by CIDB</li> </ul>

## 6. BUSINESS OVERVIEW (CONT'D)

Year	Key milestones, achievements and awards
2019	<ul style="list-style-type: none"> <li>• Our quality management system was assessed and accredited with ISO 9001:2015 by SIRIM QAS under the scope "provision of building construction and civil engineering"</li> <li>• Our occupational health and safety management system was assessed and accredited with ISO 45001:2018 by SIRIM QAS under the scope "provision of building construction and infrastructure works"</li> <li>• Our environmental management system was assessed and accredited with ISO 14001:2015 by SIRIM QAS under the scope "provision of building construction and infrastructure works"</li> <li>• Riana South Project scored five-star rating (96% score) for its SHASSIC assessment</li> <li>• Suria Pantai Project scored a five-star rating (93% score) for its SHASSIC assessment</li> <li>• Tropicana Urban Homes Project scored a five-star rating (93% score) for its SHASSIC assessment</li> <li>• Our subsidiary, TCS Construction, received a five-star rating for its CIDB SCORE</li> </ul>

### **Impact of COVID-19 on our Group**

Since COVID-19 was officially declared a pandemic by the Director General of the World Health Organisation in his opening remarks at the media briefing on COVID-19 on 11 March 2020, we have closely monitored the development of the outbreak of COVID-19. We communicated with our customers proactively and regularly on whether there would be any significant impact on the status or progress of our on-going construction projects, as well as with our suppliers and subcontractors on any supply shortages of construction materials and labour. On 16 March 2020, the Government announced a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. As a result, we temporarily suspended our operations at both our construction sites and head office, and we only resumed our operations at our construction sites and head office (up to 50.0% of our workforce) after obtaining approvals from MITI on 20 April 2020, except for our Setia City Residences Project which was obtained on 27 April 2020. Prior to obtaining approval from MITI, our head office personnel were working remotely.

Subsequently, the Government implemented a conditional MCO on 4 May 2020 up to 9 June 2020 allowing certain business sectors to resume operations, which include construction activities. However, we were required to perform testing for COVID-19 on all of our construction workers (including our subcontractors' construction workers) to ensure that they are not infected with COVID-19 in order for us to resume our operations at the construction sites. As for our head office, since commencement of the conditional MCO period we have been gradually increasing our head office workforce.

## 6. BUSINESS OVERVIEW (CONT'D)

As at 28 May 2020, we have received results for all the COVID-19 tests performed and all the results were negative. After furnishing the tests result to the relevant local councils, we were allowed to resume our operations for our Suria Pantai Project, Riana South Project and Hermington Project on 28 May 2020, and our Woodbury Project and Tropicana Urban Homes Projects on 1 June 2020. The Government then implemented a recovery MCO from 10 June 2020 to 31 August 2020. As at the date of this Prospectus, we have resumed operations at full workforce at our head office and at all construction sites for our on-going projects. For our Putrajaya Sentral Project, we have yet to commence operations. Please refer to Section 6.1(c) of this Prospectus for further details.

There were positive COVID-19 cases identified involving foreign workers at our Setia City Residences Project, all of whom are not employed by us or our subcontractors. As such, the site has been ordered to temporarily close down but has resumed operations as at the date of this Prospectus. Nevertheless, we do not expect a material impact on our financial performance as the project is at 99.97% completion as at 30 April 2020.

Although our construction activities were temporarily suspended for a period of approximately two and a half months, our Board considers that such temporary suspension would not have a material impact on our business operation and financial condition. This is because most of the costs we incur for our business operations are variable costs, which consists of mainly subcontractors' costs and cost of construction materials. As such, we will only be required to incur such costs when we are carrying out our construction activities.

Meanwhile, our fixed overhead costs which we still had to incur during the period when our business operations were suspended included staff cost and wages, upkeep and maintenance, finance costs, and rental expenses amounted to approximately RM0.52 million per month. In addition, as a safety net in case the COVID-19 pandemic prolongs further, we have temporarily revised our staff salaries in April 2020, and expect to reinstate them in September 2020. Please refer to Section 12.4.1 of this Prospectus for a discussion on our Group's working capital for the next 12 months.

### (a) Measures to commence and continue our business operations

As part of the requirements to commence our operations, all our employees and construction workers (including our subcontractors' construction workers) at our construction sites have undergone testing for COVID-19 to ensure that they are not infected. We had incurred approximately RM0.24 million on COVID-19 tests for our subcontractors' workers at our construction sites, and all costs incurred will be claimed back from our subcontractors. Meanwhile, we did not incur any costs for the COVID-19 tests for our employees and construction workers as it was free under the Prihatin Screening Programme implemented by SOCSO. As at the LPD, all our employees and construction workers (including our subcontractors' construction workers who are working at our construction sites) have tested negative for COVID-19.

We have also implemented new COVID-19 safety and health instructions and procedures, and social distancing guidelines imposed by the Government, relevant authorities and local councils governing the jurisdiction our projects are situated at. This is to safeguard the safety and health conditions of our employees and construction workers at our head office, construction sites and staff accommodations. These new COVID-19 standard operating procedures include the following:

- (i) all employees are required to provide declaration of health conditions and travel history prior to returning to our head office and construction sites;
- (ii) implementation of movement control routing;
- (iii) ensuring all our employees, construction workers and visitors wear face masks at all times, regularly sanitise their hands, and practise social distancing;

## 6. BUSINESS OVERVIEW (CONT'D)

- (iv) measuring and recording temperature of our employees, construction workers and visitors daily;
- (v) daily sanitising of our head office, construction sites and staff accommodations;
- (vi) setting up quarantine zones and isolated quarantine cabins;
- (vii) require all employees and construction workers to visit nearby hospitals for diagnosis and treatment immediately if they develop any COVID-19 disease symptoms and have not recovered after being in quarantine for three days; and
- (viii) remind all employees and construction workers to be aware of the importance of health protection.

The total estimated costs for the implementation of the COVID-19 standard operating procedures above is approximately RM0.10 million per year, which is not material to our Group.

In the event of an outbreak of COVID-19 at our construction sites, our new COVID-19 standard operating procedures include the following:

- (i) suspension of all construction activities immediately at the infected construction site for at least 14 days and notifying the Ministry of Health of the outbreak;
- (ii) all construction workers are to be tested for COVID-19 and practise self-quarantine;
- (iii) any infected construction workers will be quarantined based on instructions from the Ministry of Health; and
- (iv) the construction site including construction machinery and equipment at the site will be disinfected.

### (b) Impact of COVID-19 on our supply chain

Our suppliers and subcontractors' operations were also temporarily suspended during the MCO and conditional MCO as a result of the COVID-19 pandemic. We have been working closely with our suppliers and subcontractors before we resumed our operations in order to ensure that there will be timely delivery of construction materials, no shortage in supply of construction materials and labour, and continuation of services by our subcontractors once we resume our operations at our construction sites.

We have more than 90 approved subcontractors and more than 250 approved suppliers that we can procure materials and services from as at the LPD. As such, we are not dependent on any single supplier or subcontractor, as our top five suppliers for each FYE Under Review collectively contributed only 12.19% to 24.37% of our total cost of sales. In the event our suppliers and/ or subcontractors are required to temporarily stop their operations due to COVID-19 infection cases in the future, we believe our business operations will not be significantly impacted as we have alternative suppliers and subcontractors from our approved list who are not infected by COVID-19 that meet our requirements to ensure consistent and stable supply of construction materials, labour and subcontractors' services.

Since the resumption of operations at our construction sites, we have not encountered any disruption in delivery of construction materials from our suppliers. In addition, all our subcontractors for our on-going projects have also resumed operations after performing testing for COVID-19 and receiving negative results. As such, we do not expect any material impact on our supply chain due to the COVID-19 pandemic. For further information on our Group's major suppliers, please refer to Section 6.7 of this Prospectus.



**6. BUSINESS OVERVIEW (CONT'D)**

During the MCO and conditional MCO period, 27 of our foreign workers' work permits and CIDB Green Cards had expired. We have not been able to renew their work permits and CIDB Green Cards in a timely matter due to the imposition of the MCO and conditional MCO that restricted our ability to renew them. We have been making attempts to make an appointment with the Immigration Department of Malaysia to renew their work permits on the earliest available date and as at the LPD, we have not been able to obtain an appointment date yet. We would be able to apply online for the CIDB Green Card for these foreign workers after the successful renewal of the work permits. Pending renewal of their work permits and CIDB Green Cards, they have not been and will not be working at our construction sites. We do not expect any material impact on the progress of our on-going projects with a reduced number of foreign workers as the foreign workers' whose work permits and CIDB Green Cards had expired are mainly general workers who are not integral to the progress of our projects.

**(c) Impact of COVID-19 on our projects**

Due to the MCO and conditional MCO, the initial work plan for our Group's on-going projects has been deferred. We have submitted applications to all our on-going projects' customers for extension of time to complete our projects, and our request have been approved for the following projects:

<b>Project</b>	<b>Contracted completion date</b>	<b>Extended completion date</b>
Riana South Project	April 2020	July 2020
Setia City Residences Project	March 2020	June 2020
Suria Pantai Project	October 2020	December 2020

Under the PAM contracts which we have signed with our customers, in the occurrence of a force majeure event, we are entitled to apply to our customers for extension of time to complete the projects. Furthermore, PAM issued a notice dated 18 March 2020 which stated that in view of the MCO, the PAM contract provides for contractors to apply for extension of time under Clause 23.8(a) – Force majeure in which "Force Majeure" is defined as "any circumstances beyond the control of the contractor caused by terrorist acts, governmental or regulatory action, epidemics or natural disasters". If we are unable to complete our work by the contracted period, we may face the risk of non-performance of our contracts. Nevertheless, we will continue to closely monitor the on-going outbreak of COVID-19 and will strive to implement more stringent operating procedures and prudent financial management to ensure the adequacy of our working capital and the timely completion of our projects. For our Putrajaya Sentral Project, we expect to commence the project in the third quarter of 2020 as there has been a delay in obtaining the necessary licence by the developer to commence construction work as a result of the MCO and conditional MCO.

Despite the outbreak of COVID-19 and imposition of MCO and conditional MCO, we have not experienced any termination or cancellation of any of our on-going projects. In addition, there has not been any reduction in the contracted value or the contracted terms of our on-going projects. Due to the outbreak of COVID-19, there may be postponement of tenders for new construction projects in the construction industry but we believe that the COVID-19 pandemic will not have any adverse impact on our prospects and our ability to replenish our order book in the long run.

Based on the IMR Report, the construction industry is expected to rebound in 2021 at a growth rate of 4.1% on the back of infrastructure construction activities with the Government reiterating its position to continue implementing large scale infrastructure projects which have high multiplier effects. Please refer to Section 6.4 of this Prospectus for details on our future plans and prospects.

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## **6. BUSINESS OVERVIEW (CONT'D)**

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### **6.2 COMPETITIVE STRENGTHS OF OUR GROUP**

#### **6.2.1 We are committed in maintaining good quality in our projects**

We believe that customers' trust and satisfaction play an important role in our business. Hence, we are committed to provide our customers quality services and to continuously improve in all aspects of our business.

Our quality management system has been assessed and accredited with ISO 9001:2015 by SIRIM QAS for the "provision of building construction and civil engineering" in September 2018. Our occupational health and safety management system, and environmental management system have also been assessed and accredited with ISO 45001:2018 and ISO 14001:2015 respectively, under the scope of "provision of building construction and infrastructure works" in May 2019, which underscore our commitment to quality and provides customers with assurance and confidence that our services adhere to recognised quality standards and processes.

We work with experienced personnel, suppliers and subcontractors which enable us to anticipate and identify potential challenges and delays ahead of time. It is our Group's commitment to ensure that our projects are well managed and complete on time while meeting our customers' requirements and specifications. Further, we aspire to achieve beyond the minimum expectation of our customers, which is evidenced by our track record in achieving higher QLASSIC scores for our construction projects than the minimum QLASSIC scores required by our customers.

As a testament to the quality of our works, we have been awarded with a High QLASSIC Achievement Awards for our GEMS International School Project, and both a High QLASSIC Achievement Awards and a Best QLASSIC Achievement Awards for our Albury 1 Project. In addition, our subsidiary, TCS Construction, also received a five-star rating for its CIDB SCORE. Further information on our QLASSIC achievements and CIDB SCORE are available in Sections 6.11.1 and 6.11.2 respectively of this Prospectus.

#### **6.2.2 We have built established working relationship with our customers, suppliers and subcontractors**

We believe that our emphasis in constructing and delivering quality construction services that meet customers' expectations has helped endear our Group to our customers. This has resulted in the development and establishment of beneficial working relationship with our customers. We believe that our good working relationship with our customers puts us in a position to sustain and further develop our business by capturing additional opportunities from our repeat customers. For instance, we have received invites to tender for projects from our repeat customers whom we have established working relationship with, such as Worldwide Holdings Bhd (length of relationship: 12 years), UM Land Group (six years) and Tropicana Group (six years). In addition, the positive business relationship with our customers, consultants and architects have also led to potential business opportunities with other prospective customers.

We also have an established relationship with our suppliers and subcontractors who supply construction related materials and services for our projects. The established relationship with our suppliers and subcontractors ensures that we are able to enjoy continuous supply of raw materials and services while at the same time obtain competitive pricing for these supplies and services.

Details of our Group's major suppliers and customers are available in Sections 6.7 and 6.8 respectively, in this Prospectus.

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## **6. BUSINESS OVERVIEW (CONT'D)**

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### **6.2.3 We have an experienced management team**

Our Group is led by our Managing Director Dato' Ir Tee Chai Seng, who has more than 36 years of experience in design, project management, property development, civil and structural engineering consultancy and site supervision.

He is supported by our Key Management who are experienced in their respective fields, including contracts, project management, financial control, purchasing and corporate affairs. Our Key Management is further strengthened with the recruitment of our Chief Financial Officer, Yap Choo Cheng in FYE 2018. Our Chief Financial Officer who has past experience in financial related roles in public listed companies is expected to enhance our financial management and reporting functions. Further details on the work experience of our Key Management are available in Section 8.4.3 of this Prospectus. Dato' Ir Tee Chai Seng and our Key Management's collective experience and knowledge of the construction industry have formed a solid foundation for our Group to further grow our business and expand our market presence.

**6. BUSINESS OVERVIEW (CONT'D)**

**6.3 ON-GOING AND COMPLETED PROJECTS**

**6.3.1 On-going projects**

We have seven on-going projects as at the LPD and the details are as follows:

<b>Project Details</b>	<b><u>Tropicana Urban Homes Project</u></b>	<b><u>Suria Pantai Project</u></b>	<b><u>Riana South Project</u></b>
<b>Role</b>	Main contractor <sup>(1)</sup>	Main contractor <sup>(1)</sup>	Main contractor <sup>(1)</sup>
<b>Customer</b>	Tropicana Aman (a subsidiary of Tropicana Group)	Murni Lapisan (a subsidiary of IJM Group)	Manda'rina <sup>(2)</sup> (a subsidiary of IJM Group)
<b>Contract period/ Defects liability period</b>	January 2018 to September 2020/ 27 months from the CPC date and/ or until issuance of CMGD, whichever is later	October 2017 to December 2020/ 24 months from the CPC date or CCC date, whichever is later	November 2017 to July 2020/ 30 months from the CPC date
<b>Contract sum (RM'000)</b>	151,000	141,733	119,722
<b>Remaining contract sum as at 30 April 2020 (RM'000)</b>	41,739	27,703	22,661
<b>Stage of completion as at 30 April 2020</b>	<ul style="list-style-type: none"> <li>Completed the main building and structural works for four blocks of the affordable homes</li> <li>In the midst of completing architectural, and mechanical and electrical works</li> <li>In the midst of carrying out external and ancillary works</li> <li>Overall completion of 72.36%</li> </ul>	<ul style="list-style-type: none"> <li>Completed the car parking building and two blocks of affordable homes</li> <li>In the midst of carrying out external road and drainage works, and remaining internal architectural works</li> <li>Overall completion of 80.45%</li> </ul>	<ul style="list-style-type: none"> <li>Completed the car parking building, two blocks of condominium and electrical substation</li> <li>In the midst of carrying out external and ancillary works</li> <li>Overall completion of 81.07%</li> </ul>

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Project Details</b>	<b>Woodbury Project</b>	<b>Setia City Residences Project</b>	<b>Hermington Project</b>
<b>Role</b>	Main contractor <sup>(1)</sup>	Subcontractor <sup>(3)</sup>	Principal subcontractor <sup>(4)</sup>
<b>Customer</b>	Kia Ace Development (a subsidiary of UM Land Group)	Setia Precast (a subsidiary of SP Setia Group)	QBeez Holdings Sdn Bhd
<b>Contract period/ Defects liability period</b>	October 2018 to January 2021/ 24 months from the CPC date	September 2017 to June 2020/ 24 months from the CPC date or the expiry date of the CMGD, whichever is later	January 2019 to May 2021/ 24 months from the CPC date
<b>Contract sum (RM'000)</b>	71,995	40,680	168,000
<b>Remaining contract sum as at 30 April 2020 (RM'000)</b>	40,050	11	108,067
<b>Stage of completion as at 30 April 2020</b>	<ul style="list-style-type: none"> <li>Completed the construction of show units</li> <li>In the midst of carrying out building works for the double storey terrace houses</li> <li>Overall completion of 44.37%</li> </ul>	<ul style="list-style-type: none"> <li>Completed main building and structural works for two blocks of the serviced apartments and car parking podium</li> <li>Completing internal architectural works for another block of service apartment</li> <li>Overall completion of 99.97%</li> </ul>	<ul style="list-style-type: none"> <li>Completed the main building and structural works for the car parking podium</li> <li>In the midst of carrying out the main building and structural works of the condominium and affordable homes</li> <li>Overall completion of 35.67%</li> </ul>
	356 units of double storey terrace houses in Negeri Sembilan	780 units of three blocks of 35 storeys serviced apartments with seven storeys of car parking podium in Selangor	479 units of one block of 46 storeys of condominium with eight storeys of car parking podium and 478 units of one block of 49 storeys of affordable homes in Kuala Lumpur

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Project Details</b>	<b><u>Putrajaya Sentral Project</u></b> 672 units of two blocks of 34 storeys of serviced apartment with one basement carpark and four storeys of car parking podium in Putrajaya
<b>Role</b>	Main contractor <sup>(1)</sup>
<b>Customer</b>	Cahaya Nusantara Sdn Bhd (a subsidiary of UM Land Group)
<b>Contract period/ Defects liability period</b>	September 2020 to June 2023/ 27 months from the CPC date
<b>Contract sum (RM'000)</b>	223,888
<b>Remaining contract sum as at 30 April 2020 (RM'000)</b>	223,574
<b>Stage of completion as at 30 April 2020</b>	Expected to commence in the third quarter of 2020

**Notes:**

- (1) Please refer to Section 6.1 for further details on our role as a main contractor and Section 6.5 for further details on our business process.
- (2) The contract was awarded by BEP Akitek Sdn Bhd on behalf of Manda'rina.
- (3) Our scope of work for the Setia City Residences Project as a subcontractor includes provision of labour for reinforced concrete structural works, provision of labour and materials for aluminium and timber formworks, brickwall and plastering works, installation of doors, door frames and ironmongery, skimcoating works and floor hardener works, construction of mock-up units and electrical substations.
- (4) Our scope of work for the Herrington Project as a principal subcontractor includes the construction and completion of the building and external works.

**6. BUSINESS OVERVIEW (CONT'D)**

**6.3.2 Completed projects**

We have completed the following selected projects (project with a contract sum of RM20.00 million and above) during FYE Under Review and from 1 January 2020 up to the LPD, and the details are as follows:

<b>Project Details</b>	<b><u>Albury 1 Project</u></b>	<b><u>Albury 2 Project</u></b>	<b><u>Bandar Seri Coalfields Project</u></b>
<b>Role</b>	Main contractor	Main contractor	Main contractor
<b>Customer</b>	Kia Ace Development (a subsidiary of UM Land Group)	Kia Ace Development (a subsidiary of UM Land Group)	KL Kepong Country Homes Sdn Bhd (a subsidiary of Kuala Lumpur Kepong Berhad)
<b>Contract period</b>	June 2015 to July 2017	October 2015 to July 2018	May 2015 to April 2017
<b>Issuance date of CPC</b>	July 2017	July 2018	April 2017
<b>Contract sum (RM'000)</b>	46,228	82,674	26,209
<b>Defects liability period</b>	July 2017 to October 2019	July 2018 to October 2020	April 2017 to July 2018
<b>Status of retention sum as at the LPD</b>	Released	Pending release of the remaining 50.00% of the retention sum upon expiry of the defects liability period	Released

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Project Details</b>	<b>Jati 4 Project</b>	<b>GEMS International School Project</b>	<b>KTCC Mall Project</b>
	69 units of one, two and three storey shop offices in Selangor	An international school in Selangor	One block of five storeys shopping complex consisting of four levels of retail space and one level of car parking podium, and one basement car park in Terengganu
<b>Role</b>	Main contractor	Main contractor	Subcontractor <sup>(2)</sup>
<b>Customer</b>	Worldwide Holdings Berhad	Tropicana Metropark (a subsidiary of Tropicana Group)	MPM Project Management
<b>Contract period</b>	June 2015 to February 2017	July 2015 to February 2017	October 2018 to August 2019
<b>Issuance date of CPC</b>	January 2017	February 2017	Note 4
<b>Contract sum (RM'000)</b>	19,697	46,042	101,000 <sup>(3)</sup>
<b>Defects liability period</b>	January 2017 to January 2019	February 2017 to May 2019	27 months from the date of CPC
<b>Status of retention sum as at LPD</b>	Released	Pending release of the remaining 50.00% of the retention sum <sup>(1)</sup>	Note 4

**Notes:**

- (1) As at the LPD, our customer is in the midst of inspecting our construction work.
- (2) Our scope of work for the KTCC Mall Project as a subcontractor includes construction and completion of the main builder's works which mainly entail reinforced concrete structural works, brickwall and plastering works, and construction of electrical substations for the shopping complex.
- (3) Contract sum of our KTCC Mall Project is subject to change mainly due to changes in design and specifications. We expect the contract sum to be revised when the final accounts are finalised and the dispute with MPM Project Management is resolved. As such, we are not able to reasonably estimate the final contract sum as at the LPD. For further details, please refer to Section 12.3.2(e) and Section 15.6 of this Prospectus.
- (4) As at the LPD, the release of the first 50.00% of our retention sum is pending the issuance of CPC, and the issuance of CPC is dependent upon the resolution of the dispute with MPM Project Management. The remaining 50.00% of our retention sum will be released upon the expiry of the defects liability period. Please refer to Section 15.6 of this Prospectus for further details on the dispute and the opinion of our solicitors.



## 6. BUSINESS OVERVIEW (CONT'D)

### 6.4 FUTURE PLANS AND PROSPECTS

#### 6.4.1 We plan to further grow our building construction activities

Moving forward, our Group intends to further grow our building construction activities by participating in tenders for high rise buildings (residential and commercial), purpose-built buildings (such as private hospitals and schools) and institutional buildings (such as government hospitals).

We believe that our current and past projects in the construction of high rise buildings such as our Tropicana Urban Homes Project which achieved a QLASSIC score of 83, being our highest achieved score for high-rise buildings as at the LPD, and purpose-built building such as our GEMS International School Project which was awarded a High QLASSIC Achievement Awards 2018 by CIDB, will serve as a reference to secure future projects.

We have been securing construction projects with increasing contract value throughout the FYE Under Review from RM40.68 million for our Setia City Residences Project secured in FYE 2017 to RM223.89 million for our Putrajaya Sentral Project secured in FYE 2019, which is our largest project in terms of contract sum as at the LPD. We have also been increasing our workforce from 180 employees as at 31 December 2018 to 246 employees as at the LPD. Accordingly, this will serve as a platform for our expansion plan to grow our building construction activities.

As at the LPD, we have six on-going high rise residential building projects. Our plan to grow our building construction activities is undertaken on an on-going basis and as at the LPD, we have tendered for a number of projects out of which we are still in the running for 10 projects (projects with a tender sum of RM50.00 million and above), mainly comprising high rise residential projects and landed commercial projects. The total tender sum for those 10 projects is approximately RM2.13 billion.

Due to the COVID-19 pandemic and lockdown measures, consumer demands for property have dampened, with possibilities of postponement of tenders for new construction projects in the industry. As our contracts are typically secured via competitive bidding, postponement of new construction projects will result in a longer period to replenish our order book. However, we expect the situation to improve in the near future on the back of various government initiatives and economic stimulus packages being introduced to ease this difficult period which include, amongst others, Bank Negara Malaysia reducing the Overnight Policy Rate, re-introduction of the Home Ownership Campaign ("HOC") with stamp duty exemption on instruments of transfer and loan agreements for the purchase of residential homes priced between RM0.3 million and RM2.5 million (subject to terms and conditions). The current 70% margin financing limit applicable for third housing loan onwards for properties valued at RM600,000 and above is uplifted during the period of HOC subject to the internal risk management practices of financial institutions. In addition, there is also a real property gains tax exemption for Malaysians for the disposal of up to three units of residential homes per individual between 1 June 2020 and 31 December 2021.

As part of this expansion plan, we intend to allocate RM4.20 million or 20.29% of funds raised from our IPO as working capital for our Hermington Project. This will free up our working capital and enable us to tender for and/or take on additional projects. If the earmarked funds for the abovementioned project are not utilised, the proceeds allocated under this category would be allocated to our Putrajaya Sentral Project or other future construction projects to be identified by our Group.

We believe that the expected cash flows to be generated from our operations, the remaining amount that is available under our existing financing facilities of RM84.94 million as at 31 December 2019, the estimated proceeds from the Public Issue to be utilised above, and the increase in our workforce, will provide our Group with the necessary resources and operating capacity to further increase our order book.

Further details on the utilisation of proceeds are disclosed in Section 3.7 of this Prospectus.

## 6. BUSINESS OVERVIEW (CONT'D)

### 6.4.2 We intend to expand our infrastructure construction services

We intend to expand our infrastructure construction services to include major roads, highways and bridges. Our existing infrastructure activities are limited to construction of roads, water and sewerage treatment plants, electrical substations, water tanks and reticulation systems, some of which form part of our building construction projects.

We believe that the experience gained from our past civil works projects has equipped us with the necessary knowledge and technical skills to handle and complete infrastructure construction projects. Our Managing Director, Dato' Ir Tee Chai Seng was also involved in a number of civil and structural engineering as well as infrastructure construction projects outside of our Group in the past, such as bridges and highways, where he was mainly responsible for the pre-construction process, carrying out conceptual and detailed engineering designs, feasibility studies and preliminary studies for these projects.

Further, he was also involved in site supervision during the construction period, which required him to be in close coordination with the contractors as well as contract administration for these structural engineering and infrastructure construction projects. We believe that his past experience and knowledge will lend credence to our future tenders for infrastructure construction projects. This in turn augurs well for our plan to expand our infrastructure construction services.

According to the IMR Report, the Malaysian Government earmarked RM220.00 billion as development allocation under the Eleventh Malaysia Plan, with RM133.12 billion allocation earmarked for 2018 to 2020. In Budget 2020, a total of RM12.20 billion has been allocated for transport related projects. These projects include expansion of airports in Sandakan, Sabah and Kota Bharu, Kelantan, public transportation, rails and highways such as the East Coast Rail Link project and the Klang Valley Double Tracking project, as well as the maintenance and upgrading of bridges, ports, railways and roads, which bode well for the overall prospects of the local construction industry. We believe that such initiatives provide ample opportunities for our Group to participate in this segment.

In 2020, the local construction industry has been affected by the COVID-19 outbreak and lockdown measures. However, the Malaysian Government has announced various economic stimulus and assistance packages to strengthen the economy. It continues to give higher priority to projects with higher economic and social effects and has reiterated its position to continue implementing large scale infrastructure projects.

As part of this expansion plan, we intend to hire experienced civil and structural engineers, on a permanent basis, to be part of a new project team to manage our future infrastructure projects. This project team will consist of seven members, i.e. a project director, two project managers and four site engineers. We expect to establish this project team within 24 months from our Listing to be funded via internally generated funds and/or bank borrowings.

We currently own certain construction machinery and equipment such as backhoes, excavators, mobile cranes, concrete mixers and lorry cranes which can also be used for construction of major roads, highways and bridges. To further strengthen our capacity to provide infrastructure construction services, we intend to utilise part of the gross proceeds from our IPO as detailed in Section 3.7 of this Prospectus to purchase excavators and trucks. In addition, we may also purchase and/ or rent other construction machinery and equipment in the future such as roller compactor, pavers and road graders as and when they are required in meeting the needs of our future projects. We expect to fund these purchases and/ or rental via internally generated funds and/ or bank borrowings.

We believe that the expected cash flows to be generated from our operations, the remaining amount that is available under our existing financing facilities of RM84.94 million as at 31 December 2019 and any additional financing facilities we may secure in the future will provide our Group with the necessary resources to undertake infrastructure construction projects.

## 6. BUSINESS OVERVIEW (CONT'D)

### 6.4.3 We intend to purchase machinery and equipment to support our expansion plans

As at 31 December 2019, our key construction machinery and equipment includes four units of aluminium formworks, two units of mobile cranes, three units of excavators, three units of static pumps and 46 units of concrete mixers, as well as various smaller machinery and equipment which are used in our construction activities. Further details of our key construction machinery and equipment are available in Section 6.16 of this Prospectus. These key construction machinery and equipment are used to perform our daily construction activities and we also hire construction machinery and equipment as and when required. In addition, selected works at site also utilise construction machinery and equipment which are provided by our subcontractors as part of their scope of work.

In order to enhance our capability to tender for large scale projects and cater for new projects secured, we have allocated RM13.00 million or 62.80% of funds raised from our IPO to purchase new construction machinery and equipment. The new construction machinery and equipment will be acquired within 36 months from our Listing. The identified construction machinery and equipment include two units of self-climbing protection platforms, two units of tower cranes, one lot of heavy-duty scaffolding, four units of excavators, and seven units of trucks. Further details of our intended use of proceeds are disclosed in Section 3.7 of this Prospectus.

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

### 6.4.4 Prospects of our Group

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

#### (a) Prospects of the construction industry

According to the IMR Report, the local construction industry in Malaysia is expected to contract by 3.2% in 2020 due to lower property demand and disruption in construction activities following the COVID-19 pandemic and lockdown measures. The Malaysian Government has continued to give higher priority to projects which have higher economic and social effects. Infrastructure development has been viewed by the Malaysian Government as the foundation to economic and social development. Accordingly, the local construction industry is expected to rebound in 2021 (with a growth rate of 4.1%) on the back of infrastructure activities with the Government reiterating its position to continue implementing large scale infrastructure projects which have high multiplier effects.

The annual growth in the local construction industry is expected to be at 5.0% during the period from 2022 to 2024. The implementation of various infrastructure projects and affordable housing schemes are expected to continue providing the foundation for growth in construction activities in Malaysia from 2022 to 2024. The size (revenue) of the construction industry in Malaysia is projected to reach RM77.29 billion in 2024. The size (revenue) of the real estate construction market in Malaysia was RM29.59 billion in 2019 and is expected to grow to RM33.23 billion in 2024. The real estate construction market in Malaysia is expected to contract by 5.3% in 2020 with recovery likely in 2021.

Premised on the above, we hold an equivalent of 0.54% share of the construction industry in Malaysia in 2019 and 1.21% share of the real estate construction market in Malaysia in 2019 based on our Group's revenue of RM358.42 million for FYE 2019.

**6. BUSINESS OVERVIEW (CONT'D)****(b) Current on-going projects**

Our Group currently has seven on-going projects which consist of the construction of residential building projects, comprising terrace houses, high rise apartments and condominiums. As at 30 April 2020, we have a total outstanding order book of RM463.81 million to be recognised over the next three financial years up to FYE 2023. Further details regarding our on-going projects are set out in Section 6.3.1 of this Prospectus.

**(c) Competitive strengths of our Group**

We believe that our competitive strengths provide our Group with growth opportunities within the construction industry. Our Group has established good working relationship with our customers by providing quality services. The established working relationship with our customers have resulted in invites to tender for their projects and retention of them as our repeat customers, while our established working relationship with suppliers and subcontractors also enable us to enjoy continuous supply of raw materials and services at competitive pricing. In addition, our Group is led by our experienced Managing Director, Dato' Ir Tee Chai Seng and supported by our Key Management which have been further strengthened with the recruitment of our Chief Financial Officer, Yap Choo Cheng. Further details on our competitive strengths are available in Section 6.2 of this Prospectus.

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

Our Group has allocated approximately RM13.00 million, representing approximately 62.80% of the funds raised from our IPO to purchase new construction machinery and equipment to further expand our capacity in the building and infrastructure construction services. The purchase of these machinery and equipment will increase our Group's capacity and flexibility in meeting the needs of our future construction projects. Further details on the purchase of new construction machinery and equipment are set out in Sections 3.7 and 6.4.3 of this Prospectus.

**(e) Continuous efforts in expanding our services and capabilities**

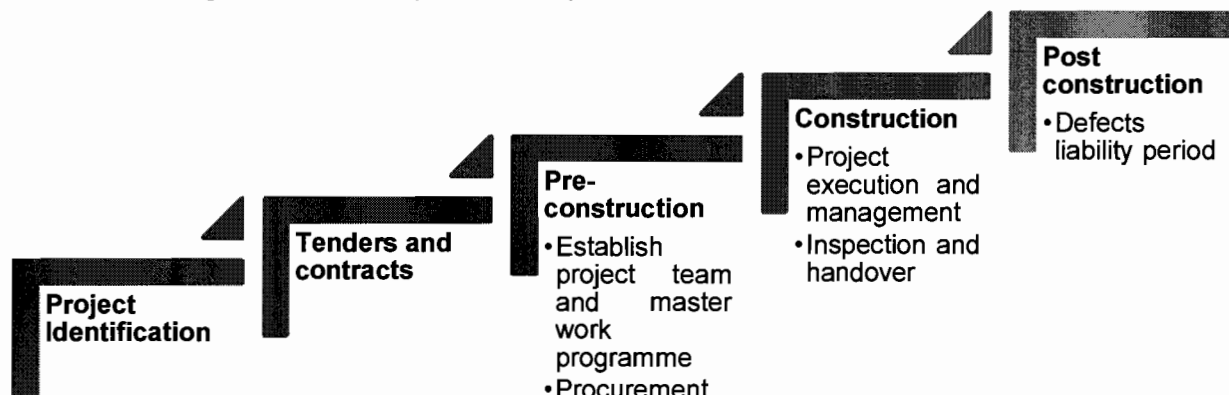
Our Group's future strategies moving forward involve continuous efforts to expand our services to include more building construction projects such as high rise and purpose-built buildings by leveraging on our relationship with current customers as well as via project tenders from new customers. Our Managing Director, Dato' Ir Tee Chai Seng has more than 36 years of experience in design, project management, property development, civil and structural engineering consultancy and site supervision. He is supported by our Key Management who are experienced in their respective fields that include contracts, project management, financial control, purchasing and corporate affairs. Our Group's commitment to delivering quality construction services is evidenced in the adoption of QESH management system, where our quality management system was assessed and accredited with ISO 9001:2015 certification under the scope of "provision of building construction and civil engineering" in September 2018.

Our occupational health and safety management system, and environmental management system were assessed and accredited with ISO 45001:2018 and ISO 14001:2015 respectively, under the scope of "provision of building construction and infrastructure works" in May 2019. The accreditation of our QESH management system, the achievement of High QLASSIC Achievement Awards and Best QLASSIC Achievement Awards, as well as receiving a five-star rating in the CIDB SCORE, is a testament to the quality of our works. We believe that this will provide our customers assurance and confidence that our services adhere to industry quality standards, and clients' project requirements and specifications. Further details on our QESH management system, QLASSIC achievements and CIDB SCORE are available in Sections 6.11, 6.11.1 and 6.11.2 of this Prospectus respectively.

## 6. BUSINESS OVERVIEW (CONT'D)

### 6.5 BUSINESS PROCESS

The following details our Group's business process:



#### (a) Project identification

We identify potential projects via recommendations from consultants such as architects and engineers, referrals and invitations from past and existing customers, and through tender notices. Our Managing Director, with support from our contracts department, also actively seeks for new projects by engaging with our past and existing customers, consultants as well as other prospective customers to identify potential business opportunities and stay abreast of latest market developments. Once a potential project is identified, our Senior Contract Manager will work closely with our Chief Financial Officer to conduct preliminary evaluations which cover our working capital requirements and background of potential customer, while our General Manager will evaluate the skills and resources required as well as our capacity to undertake additional projects. Our Managing Director will then conduct an internal discussion with the other Key Management to decide whether or not to proceed with the tender proposal.

#### (b) Tenders and contracts

If a potential project is deemed feasible, our Senior Contract Manager together with our Purchasing Manager will prepare a tender proposal based on the project's requirements. Our Senior Contract Manager will identify the relevant scope of work and estimate the extent of subcontracted work required while our Purchasing Manager will provide the estimated cost of construction materials required.

In some occasions, we would be required to complete pre-qualification exercises where our track record and financial strength are evaluated before we are invited for tender exercises. The finalised proposal will then be approved internally by our Managing Director before submission to the potential customer.

Upon submission, we may be invited for a tender interview to present our proposal and provide clarifications on technical details as well as to gather additional information on our customers' needs and requirements. We may submit revised tenders if there are any changes after the tender interview.

If the tender proposal is successful, the customer will issue a letter of award followed by signing of contract. A performance bond will be submitted to our customer upon acceptance of the letter of award or any other date to be agreed with our customer.

**6. BUSINESS OVERVIEW (CONT'D)****(c) Pre-construction**

Once we secure a project, our General Manager will be appointed to head the project and will be responsible for establishing a project team to oversee the management and implementation of various aspects of the project such as construction activities, QESH, time management, costing, and procurement of materials and subcontractors. With the assistance of the project team, our General Manager will also be responsible for preparing a master work programme, where site activities are broken down and include details such as sequence of work, budget, quality, construction methodology, resource planning and identified key milestones.

During this stage, the project team is also required to submit applications to the relevant authorities and local council to procure necessary permits and approvals.

Our contract team and purchasing team will source for quotations based on our approved list of suppliers and subcontractors who are chosen based on their ability to deliver services that meet our quality and timing requirements. Our Purchasing Manager will review all quotations received from the suppliers and work closely with the project team to keep track of the quality of construction materials received, while our Senior Contract Manager will work closely with all our subcontractors to negotiate on their pricing and terms of engagement.

As at LPD, we have more than 90 approved subcontractors and more than 250 approved suppliers, who are all Malaysian companies and are independent non-related parties. We do not have long term arrangements with our subcontractors and suppliers. We did not impose performance bonds on our subcontractors for our projects prior to 8 May 2019. Nevertheless, since 8 May 2019 we have been imposing performance bonds on our subcontractors with a contract sum exceeding RM3.00 million.

We engage our subcontractors to carry out certain construction activities throughout different stages of our projects, covering from preliminaries up to the completion. Depending on our project's requirements, our subcontractors' services are mainly to provide labour for labour-intensive works, supply and install construction materials, machinery and equipment, and perform piling works as well as specialised trade works such as mechanical and electrical engineering works, piping and plumbing works, external paint works and water proofing works.

We select our subcontractors based on a number of factors, which include types of services, capability, track record and pricing. The project requirements are communicated to the shortlisted subcontractors, who will then prepare and submit their tender documents to us. Our Senior Contract Manager will review the quotation received and if required, conduct an interview with the subcontractors and recommend them to our General Manager and Managing Director for approval. Once the subcontractors have been approved by our General Manager and Managing Director, our Senior Contract Manager will prepare a letter of award to the subcontractors for the required works.

**(d) Construction**

During the construction phase, our Managing Director and General Manager with the assistance of the project team, will act as the site administrator where they will monitor, coordinate and supervise parties, and monitor project timeline.

Our purchasing department will coordinate the deliveries of construction materials, and machinery and equipment required according to the master work programme to ensure on-time arrival of supplies and reduce idle time.

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**6. BUSINESS OVERVIEW (CONT'D)**

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Our safety officers who report to our General Manager also monitor the construction sites and activities to ensure workers comply with the QESH guidelines and policies as well as to ensure a conducive and safe working environment. During the construction period, we submit progress billings for the project according to billing intervals specified in the contract and receive progress payment from our customers. Our customers are entitled to retain 10.00% of each progress billing as retention sum up to a maximum of 5.00% of the total contract sum awarded. This retention sum serves as a security to our customers to guarantee our performance in completing the projects and rectifying any defects during the defects liability period. Our subcontractors also submit their progress claims to us on a pre-determined period, where we will verify their claims before releasing payment to them. Our Senior Contract Manager will work together with our General Manager, Chief Financial Officer, and Group Accountant to coordinate the billings and payments.

Over the course of the construction period, our project team carries out regular inspections to ensure work are performed according to specifications. Testing and commissioning activities are carried out at the end of the construction activities. Further, final project documentations such as warranties, as-built drawings, and operations and maintenance manuals are compiled and approved by our Managing Director, General Manager and Senior Contract Manager before being presented to our customer during the handover process. Projects are deemed completed when the project's architect issues a CPC. Once the CPC is issued, half of the retention sum will be released to us, while the remaining half will be retained by our customers until the end of the contracted defects liability period and upon issuance of CMGD.

**(e) Post construction**

The defects liability period will begin once the CPC is obtained, where we are bound to rectify defects that appear during this period. The length of the defects liability period is dependent on the nature and scale of the project and generally ranges from 24 to 30 months after receiving CPC.

Upon receiving reports on defects identified by our customer, our project team will investigate and inform the responsible subcontractor on the required rectification works as we also retain 10.00% of each progress billing from our subcontractors as retention sum, up to a maximum of 5.00% of the total subcontract sum awarded to our subcontractors. We will retain the entire retention sum throughout the contract period until the issuance of CPC, following which half of the total retention sum will be released to our subcontractors, while the remaining half of the retention sum will be retained by us until the end of the defects liability period and upon issuance of the CMGD. We may utilise the remaining retention sum to remedy defects if our subcontractors fail to rectify them within the agreed period.

Our Senior Contract Manager who monitors the defects liability period will apply for issuance of the CMGD from the project's architect upon the expiry of the defects liability period, and the CMGD will be issued when the project's architect is satisfied that all defects have been rectified.

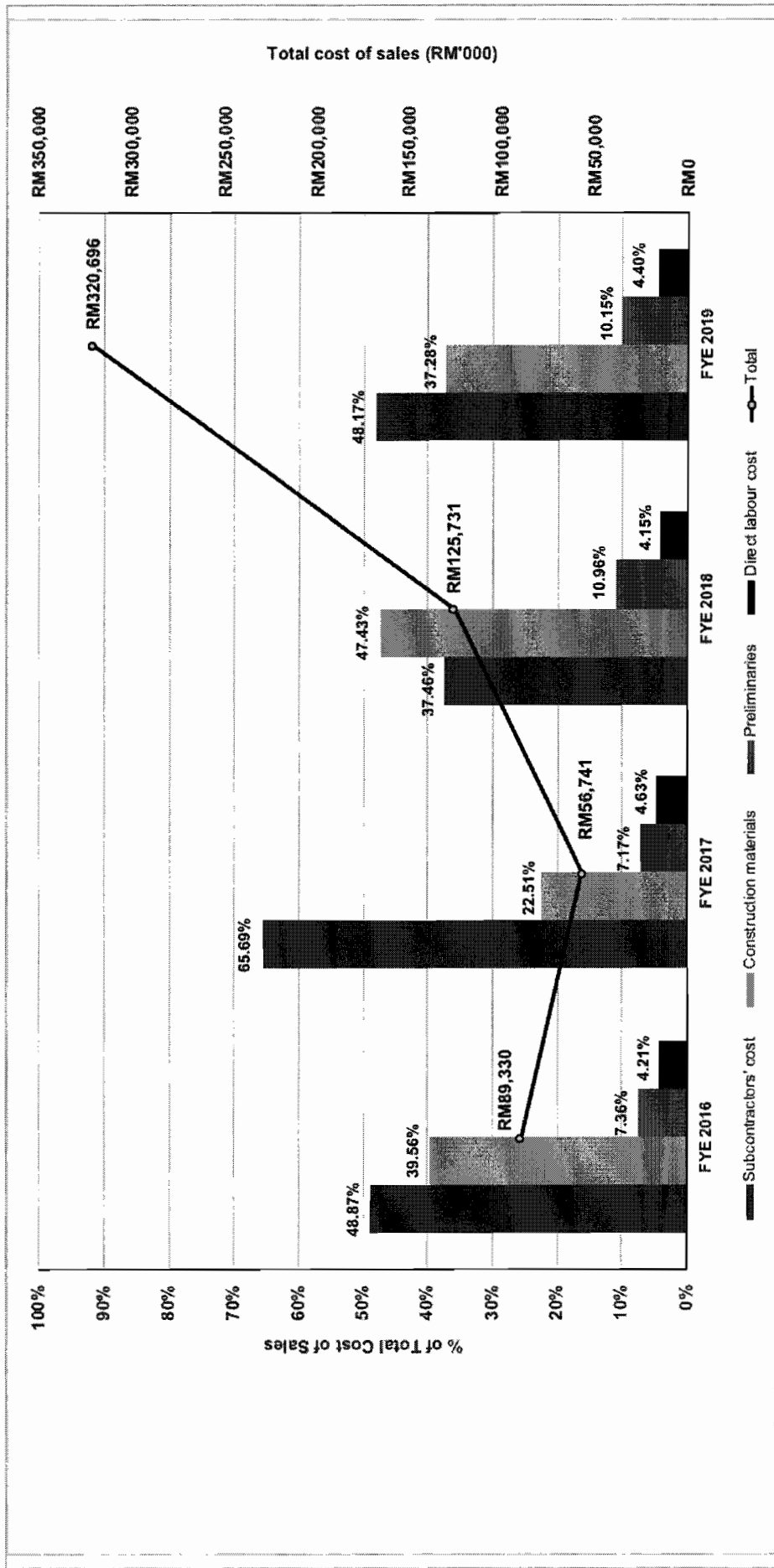
We also extend joint warranties or guarantees together with our relevant subcontractors in respect of building works performed for our customers such as external painting works and waterproofing works beyond the defects liability period up to the expiry of the warranty period, subject to the terms of the contract. Any defects identified by our customers during the warranty period will be rectified by our subcontractors on their own costs as all of these works are awarded to our subcontractors.



**6. BUSINESS OVERVIEW (CONT'D)**

**6.6 SOURCES AND AVAILABILITY OF INPUT**

Our Group's major cost components comprise subcontractors' costs, construction materials, preliminaries and direct labour costs. The diagram below shows the breakdown of our Group's major cost components for the FYE Under Review:





**6. BUSINESS OVERVIEW (CONT'D)****(a) Subcontractors' cost**

We engage our subcontractors to carry out certain construction activities throughout different stages of our projects, covering from preliminaries up to the completion. Depending on our project's requirements, our subcontractors' services are mainly to provide labour for labour-intensive works, supply and install construction materials, machinery and equipment, and perform piling works as well as specialised trade works such as mechanical and electrical engineering works, piping and plumbing works, external paint works and water proofing works. This helps to reduce the need for our Group to employ a large workforce as well as to control and lower our operating costs.

We have developed internal policies and procedures that guide our selection of subcontractors as detailed in Section 6.5(c) of this Prospectus.

**(b) Construction materials**

We use construction materials such as concrete, steel bar, reinforced wire, quarry products, cement, tiles and accessories, plywood and premix which are widely available from local suppliers. The breakdown of the cost of our construction materials for the FYE Under Review is as follows:

Construction materials	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Concrete	8,644	24.46	1,449	11.34	16,694	28.00	36,402	30.45
Steel bar	4,491	12.71	1,760	13.78	19,578	32.83	27,364	22.89
Reinforced wire	1,800	5.09	281	2.19	9,191	15.41	9,375	7.84
Quarry products	4,410	12.48	2,221	17.38	493	0.83	2,344	1.96
Cement	2,961	8.38	849	6.65	496	0.83	3,330	2.78
Tiles and accessories	2,605	7.37	861	6.74	496	0.83	9,830	8.22
Plywood	774	2.19	1,010	7.92	2,551	4.28	3,846	3.22
Premix	443	1.25	888	6.95	1,135	1.90	1	*
Others <sup>(1)</sup>	9,213	26.07	3,456	27.05	8,997	15.09	27,069	22.64
<b>Total</b>	<b>35,341</b>	<b>100.00</b>	<b>12,775</b>	<b>100.00</b>	<b>59,631</b>	<b>100.00</b>	<b>119,561</b>	<b>100.00</b>

**Notes:**

(1) Mainly consist of window and door frames, sanitary wares and fittings, pipe and fittings, paints and electrical fittings, and the cost of each of these items was less than 5.00% of our total cost of sales.

\* Negligible

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**6. BUSINESS OVERVIEW (CONT'D)**

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We source all our construction materials locally and over the FYE Under Review, we did not experience major fluctuations in prices of construction materials and labour wages. Materials such as steel bars are subjected to fluctuations in global market prices due to demand and supply conditions which we are unable to predict at the point when we submit tenders for projects. In addition, we have not experienced major cost differentials for our subcontract agreements over the FYE Under Review.

**(c) Preliminaries and direct labour cost**

Preliminaries are general and miscellaneous expenses incurred over the course of a project and include bank charges, bank guarantee, commissions, stamp duties, CIDB levies, site management costs, utilities, rental expenses of machinery and equipment and other related project maintenance and overhead expenses. For the FYE Under Review, each of the cost items under preliminaries was less than 5.00% of our total cost of sales. Direct labour cost refers to workers' salaries and wages.

**6. BUSINESS OVERVIEW (CONT'D)**

**6.7 MAJOR SUPPLIERS**

Our suppliers and subcontractors are all based in Malaysia. Our Group's top five suppliers in terms of percentage of total cost of sales for each of the FYE Under Review are as follows:

Major suppliers	Types of products and services provided	FYE 2016		FYE 2017		FYE 2018		FYE 2019		Length of relationship Year
		RM'000	%	RM'000	(%)	RM'000	%	RM'000	%	
Yuan Resources Sdn Bhd	Supply of steel bars	-	-	-	-	843	0.67	19,400*	6.05	3
E Da Electrical Engineering Sdn Bhd	Provision of M&E work	4,099*	4.59	2,981*	5.25	2,122	1.69	9,381*	2.93	5
SYP Sdn Bhd	Provision of plumbing work	114	0.13	2,257*	3.98	1,198	0.95	8,867*	2.76	6
Syn Tai Hung Trading Sdn Bhd	Supply of tiles	-	-	3	#	2,376	1.89	5,516*	1.72	4
Twin Tower Construction Sdn Bhd	Installation of conventional and aluminium formwork system	-	-	-	-	5,233*	4.16	5,341*	1.67	3
Great Formwork Sdn Bhd	Supply and installation of aluminium formwork system	-	-	-	-	5,011*	3.99	5,152	1.61	3
Syarikat Logam Unitrade Sdn Bhd	Supply of steel bar	-	-	115	0.20	4,985*	3.96	5,046	1.57	4
Strong Mixed Concrete Sdn Bhd	Supply of ready-mixed concrete	-	-	322	0.57	8,465*	6.73	4,086	1.27	4

**6. BUSINESS OVERVIEW (CONT'D)**

Major suppliers	Types of products and services provided	FYE 2016		FYE 2017		FYE 2018		FYE 2019		Length of relationship Year
		RM'000	%	RM'000	(%)	RM'000	%	RM'000	%	
Peng Tat Engineering Sdn Bhd	Supply of mild steel work	151	0.17	2,233*	3.94	69	0.05	1,311	0.41	9
Keller (M) Sdn Bhd	Supply of piling work	-	-	984	1.73	6,954*	5.53	1,108	0.35	4
Sterling Glory Sdn Bhd	Supply of ready-mixed concrete	4,225*	4.73	1,282	2.26	103	0.08	472	0.15	6
Letrikon Engineering Sdn Bhd	Provision of M&E work	1,814	2.03	2,837*	5.00	-	-	31	0.01	6
The Aluminium Technology (M) Sdn Bhd	Supply of aluminium bars	680	0.76	2,729*	4.81	87	0.07	-	-	4
Goh Ah Lek Plastering Sdn Bhd	Provision of plastering work	4,446*	4.98	1,722	3.03	737	0.59	-	-	8
UMLB Marketing Sdn Bhd	Supply of ready-mixed concrete, steel bars	3,055*	3.42	1,421	2.51	-	-	-	-	5
Cemex Concrete (Malaysia) Sdn Bhd	Supply of ready-mixed concrete	2,566*	2.87	2	#	-	-	-	-	5

**Notes:**

\* Representing the top five suppliers for the financial year.

# Negligible.

**6. BUSINESS OVERVIEW (CONT'D)**

We are not dependent on any suppliers and subcontractors as our top five suppliers for each of the FYE Under Review collectively contributed 12.19% to 24.37% of our total cost of sales. In any case, these subcontracted services and construction materials are widely available from various local suppliers.

**6.8 MAJOR CUSTOMERS**

Our Group's customers are all based in Malaysia. The types of services that we provided over each of the FYE Under Review consisted mainly of construction services. The table below shows our Group's top five customers in terms of percentage of total revenue for each of the FYE Under Review:

Major customers	Projects <sup>(1)</sup>	FYE 2016		FYE 2017		FYE 2018		FYE 2019		Length of relationship Year
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	
<b>MPM Project Management</b>	KTCC Mall Project (Completed in August 2019)	-	-	-	-	16,320	11.16	78,399*	21.87	3
<b>Tropicana Group</b> Tropicana Aman	Tropicana Urban Homes Project (On-going)	-	-	-	-	23,643*	16.16	71,496*	19.95	3
Tropicana Metropark	GEMS International School Project (Completed in February 2017)	24,006*(3)	23.17	17,335*(3)	24.17	49*(3)(4)	0.03	-	-	4
<b>IJM Group</b> Murni Lapisan	Suria Pantai Project (On-going)	-	-	1,898	2.65	32,919*	22.51	66,421*	18.53	4
<b>Manda'rina<sup>(2)</sup></b>	Riana South Project (On-going)	-	-	3,646*	5.08	35,901*(3)	24.55	48,627*	13.57	4
<b>Qbeez Holdings</b> Sdn Bhd	Herrington Project (On-going)	-	-	-	-	-	-	43,642*	12.18	2

**6. BUSINESS OVERVIEW (CONT'D)**

Major customers	Projects <sup>(1)</sup>	FYE 2016		FYE 2017		FYE 2018		FYE 2019		Length of relationship Year
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	
<b>UM Land Group</b> Kia Ace Development	Woodbury Project (On-going)	49,789*	48.05	41,692*(3)	58.13	18,677*(3)	12.77	29,065	8.11	6
	Albury 1 Project (Completed in July 2017)									
	Albury 2 Project (Completed in July 2018)									
<b>S P Setia Berhad</b> Setia Precast	Setia City Residences Project (On-going)	-	-	3,474*	4.84	16,514*	11.29	19,484	5.44	4
<b>Kuala Lumpur Kepong Berhad</b> KL-Kepong Country Homes Sdn Bhd	Bandar Seri Coalfields Project (Completed in April 2017)	14,057*	13.56	385	0.54	1,111(4)	0.76	-	-	5
<b>Worldwide Holdings Berhad</b>	Jati 4 Project (Completed in January 2017)	13,937*(7)	13.45	2,080*(3)	2.90	938(3)(5)	0.64	422(4)	0.12	12
	Other projects									
<b>Nekajati Sdn Bhd</b>	Construction of electrical substation (Completed in June 2016)	372*	0.36	7(4)	0.01	82(6)	0.06	-	-	5

**6. BUSINESS OVERVIEW (CONT'D)**

**Notes:**

- \* Representing the top five customers for the financial year.
- (1) Being projects with a contract sum of above RM20.00 million each.
- (2) The contract was awarded by BEP Akitik Sdn Bhd on behalf of Manda'rina.
- (3) Includes revenue from other projects with a contract sum of less than RM20.00 million each.
- (4) The revenue recognised subsequent to the completion date was mainly due to revision in our cost estimates upon finalisation of the final accounts.
- (5) The revenue recognised subsequent to the completion date was mainly due to revision in our cost estimates nearing the end of the defects liability period.
- (6) The revenue recognised subsequent to the completion date was mainly due to revision in our cost estimates at the end of the defects liability period.
- (7) Includes revenue from other projects with a contract sum of less than RM20.00 million each, and revenue from a project with a contract sum of above RM20.00 million recognised subsequent to completion of that project upon finalisation of the final accounts.

Throughout the FYE Under Review, UM Land Group, IJM Group and Tropicana Group contributed around 71.22%, 90.03%, 76.02% and 60.16% of our total revenue for each of the FYE Under Review respectively. Whilst they contribute to a large portion of our revenue, we are not materially dependent on a single major customer as we have been securing projects from different customers over the years. The percentages of revenue contribution amongst our customers varies from year to year as a result of the nature of our business being conducted on a project basis. We may not secure similar projects in terms of size and scope with the same customer every year.

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**6. BUSINESS OVERVIEW (CONT'D)**

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**6.9 SALES AND MARKETING**

We do not have a designated marketing personnel. Our Managing Director, with support from our contracts department, actively seeks for new projects by engaging with past and existing customers, consultants as well as other prospective customers to identify potential business opportunities and stay abreast of the latest market developments.

Further, our Group's track record in the construction industry has provided us with opportunities to secure new projects via invited tenders by past and existing customers, and by referrals from consultants and past customers. In addition, our contract department is also responsible for identifying upcoming projects through tender notices. Our participation in increased number of construction projects has also enabled our Group to enhance our profile and raise market awareness of our name.

**6.10 RESEARCH AND DEVELOPMENT**

Due to the nature of our business operations, we do not engage in any research and development activity.

**6.11 QESH**

We are committed to delivering quality construction services to our customers while minimising adverse impact to the environment and protecting the safety and health of our customers, employees, workers, and other related stakeholders. We have achieved this by undertaking the following:

- consistently meeting our customers' requirements as mutually agreed;
- eliminating hazards and reducing occupational safety and health risks;
- providing a safe and healthy working condition for the prevention of work-related injury and ill health;
- performing sustainable construction, protecting the environment and preventing environmental pollution;
- effective and efficient project management;
- consultation and participation with employees, workers and interested parties; and
- continually improving QESH performance.

We have developed and implemented an integrated QESH management system that is aimed at optimising our resources and standardising processes in our operations. The QESH management system was developed according to international standards and the quality of our Group's products and services are monitored at each stage of construction in terms of QESH requirements.



## 6. BUSINESS OVERVIEW (CONT'D)

As a testament of our quality commitment, our quality management system was assessed and accredited with ISO 9001:2015 accreditation in September 2018 by SIRIM QAS under the scope of "provision of building construction and civil engineering". Our occupational health and safety management system and environmental management system were assessed and accredited with ISO 45001:2018 and ISO 14001:2015, respectively under the scope of "provision of building construction and infrastructure works" in May 2019 by SIRIM QAS. The table below sets out the validity period of our accreditations:

Accreditation	Validity period
ISO 9001:2015	25 September 2018 to 24 September 2021
ISO14001:2015	6 May 2019 to 5 May 2022
ISO 45001:2018	6 May 2019 to 5 May 2022

Our Group's QESH department is responsible for implementing and monitoring our QESH management system. We have a safety site supervisor at every site, who is assisted by safety officers for all our on-going projects to ensure activities carried out at our construction sites adhere to our QESH plan. They are also responsible for conducting regular inspections at our construction sites and that include quality and safety assessments throughout the construction period. These inspections are based on a set of procedures which include detailed monitoring, controlling and inspection of work sequence, internal quality and safety checks. Our QESH supervisor and officers will monitor the implementation of operational controls on our projects and periodically evaluate compliance to legal and other requirements.

Our QESH management system also covers environmental aspects which include environmental monitoring activities such as environmental safety and health inspection, and environmental parameter monitoring for air and water quality.

### 6.11.1 QLASSIC assessment

QLASSIC is a system or method carried out by qualified QLASSIC assessors appointed by CIDB to measure and evaluate the workmanship quality of a building construction work based on the Construction Industry Standard ("CIS"), CIS 7:2014. The system was developed by CIDB and was launched in 2006 with the objective of benchmarking the quality of workmanship of the construction industry in the country. It assesses a building construction project through a sampling approach according to four components, namely its structural, architectural, mechanical and electrical, and external works, with different weightages assigned to each component depending on the category of the building. The scores for each component are then summed up to calculate an overall QLASSIC score for a construction project. The table below illustrates the allocated weightage for each component according to four building categories:

Category	Type of properties
Category A	Landed housing includes detached, semi-detached, terrace and cluster houses.
Category B	Stratified housing includes flats, apartments, condominiums, service apartments, small office home offices and town houses.
Category C	Public/ commercial/ industrial buildings includes office buildings, schools, factories, warehouses, workshops, hangers, small office flexible office, small office virtual office, religious buildings, stadiums, community halls, hospitals, airports, universities, colleges and police stations without centralised cooling system

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Category</b>	<b>Type of properties</b>			
Category D	Public/ commercial/ industrial buildings includes office buildings, schools, factories, warehouses, workshops, hangers, small office flexible office, small office virtual office, religious buildings, stadiums, community halls, hospitals, airports, universities, colleges and police stations with centralised cooling system)			
	<b>Residential building</b>		<b>Non-residential building</b>	
<b>Component</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Structural	15.00	20.00	20.00	20.00
Architectural	70.00	60.00	55.00	50.00
Mechanical and electrical works	5.00	10.00	15.00	20.00
External works	10.00	10.00	10.00	10.00
<b>Total score</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Based on the CIDB's Annual Reports for 2017 and 2018, the number of assessments and average QLASSIC scores are set out below:

<b>Year</b>	<b>Number of assessments</b>	<b>Average QLASSIC score</b>
2013	160	72.0
2014	272	69.9
2015	270	72.5
2016	287	72.5
2017	318	72.4
2018	328	74.0

We have participated in CIDB's QLASSIC assessment for our projects where we are the main contractor since 2015, as part of our efforts to provide quality services as well as meeting our customers' QLASSIC score requirements, which are set by on a project basis. The following summarises our projects which have been assessed and rated with QLASSIC scores:

<b>No.</b>	<b>Project details</b>	<b>Building category</b>	<b>QLASSIC certification date</b>	<b>QLASSIC scores achieved</b>
<b>Projects with a minimum QLASSIC score requirement by our customers</b>				
1.	Albury 1 Project	A	September 2017	83
2.	Tropicana Urban Homes Project	B	February 2019	83
3.	Riana South Project	A	January 2019	81
4.	Albury 2 Project	A	April 2018	81

**6. BUSINESS OVERVIEW (CONT'D)**

No.	Project details	Building category	QLASSIC certification date	QLASSIC scores achieved
5.	Jati 4 Project	C	August 2017	78
6.	Cengal and Berlian Project	A	September 2015	77
7.	Bandar Seri Coalfields Project	C	June 2017	77

**Projects without a minimum QLASSIC score requirement by our customers**

1.	Suria Pantai Project	B	February 2019	82
2.	GEMS International School Project	D	October 2017	82

Further to the above, two of our projects also received additional awards from CIDB. Our Albury 1 project received the Best QLASSIC Achievement Awards in 2018 under Category A – Landed Housing Project and the High QLASSIC Achievement Awards in 2018, while our GEMS International School Project was awarded the High QLASSIC Achievement Awards in 2018.

**6.11.2 CIDB SCORE**

In June 2019, our subsidiary, TCS Construction, received a five-star rating in the CIDB SCORE. The CIDB SCORE programme is developed by CIDB in cooperation with SME Corporation Malaysia to provide an effective gauge of local contractors' strength through its stringent and comprehensive rating system which assesses seven parameters, namely company performance, financial capabilities, technical capabilities, project management, procurement management, best practices, and management capabilities. Each of the scope is allocated with 30 marks and the total from all the parameters will determine the final star rating of an applicant. The table below sets out the assessment definition:

Star rating	Definition
No star	Fulfils the basic registration and operation requirements
1-star	Possesses basic management and technical capabilities
2-star	Capable in management and technical aspects
3-star	Good in management and technical aspects, complies with best practices and manages projects well
4-star	Efficient in management and technical aspects, adheres to best practices, innovative, possesses integrated system and good project management. Capable of exporting services overseas
5-star	Can be emulated, strong company, efficient in management and technical aspects, adheres to best practices, possesses integrated system and good project management. Active in exporting services overseas

## 6. BUSINESS OVERVIEW (CONT'D)

### 6.11.3 SHASSIC

We have also participated in SHASSIC assessment which is carried out by qualified SHASSIC assessors to assess and evaluate the safety and health performance of contractors in construction works and projects. It was developed by CIDB and is carried out to benchmark the level of safety and health performance of the construction industry in Malaysia.

The system covers three main components, namely document check, workplace inspection and employees (areas covered include occupational health and safety policy, occupational health and safety organisation, occupational health and safety training and promotion, hazard identification, machinery and equipment management, materials management, emergency preparedness, accident investigation, reporting and records management, and performance monitoring).

The table below illustrates the allocated weightage for each component and the approaches:

<b>Component</b>	<b>Weightage (%)</b>	<b>Approach</b>
Document Check	20.00	Checking of occupational safety and health related documents and records to determine the compliance of the safety and health programmes and activities established.
Workplace inspection	60.00	Assessment of general occupational safety and health management implementation and facilities at site, and assessment of three high risk construction work activities to be determined by the SHASSIC assessor.
Employees interview	20.00	Interview with employees who are randomly selected from three categories, namely one management personnel, three supervisory personnel (site supervisor, designated person, occupational safety and health committee members and/ or a combination of both, safety and health officer and site safety supervisor), and nine workers from various trade or skills.
<b>Total</b>	<b>100.00</b>	

The scores for each component are then summed up in arriving at the overall SHASSIC score that is interpreted as below:

<b>SHASSIC score (%)</b>	<b>Star(s) awarded</b>	<b>Justification</b>
90 to 100	Five	Excellent occupational safety and health management system planned and implemented with proactive commitment from top management to manage occupational safety and health at all times
80 to 89.9	Four	Very good occupational safety and health management system planned and implemented with evidence of good commitment from top management to manage occupational safety and health at all times
70 to 79.9	Three	Good occupational safety and health management system planned and need commitment from top management but require improvement in system implementation

**6. BUSINESS OVERVIEW (CONT'D)**

<b>SHASSIC score (%)</b>	<b>Star(s) awarded</b>	<b>Justification</b>
60 to 69.9	Two	Satisfactory occupational safety and health management with minimum plan and implementation, and require commitment from top management
50 to 59.9	One	Basic occupational safety and health management system with basic plan and implementation, and require commitment from top management
49 and below	Certificate of participation only	Fail to meet the minimum requirement and poor occupational safety and health performance and management

We have received SHASSIC certificate from CIDB for three of our projects, namely Riana South Project, where we scored a five-star rating (96% score), Suria Pantai Project a five-star rating (93% score) and Tropicana Urban Homes Project a five-star rating (93% score).

**6. BUSINESS OVERVIEW (CONT'D)**

**6.12 MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS**

Details of the major approvals, licenses, permits and registrations obtained by our Group for our business operations as at LPD are as follows:

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Construction Registered address: Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkar Syed Putra, 59200 Kuala Lumpur	<u>Certificate of registration</u> Certificate of registration in respect of Grade G7, Category Building, Category Civil Engineering and Mechanical and Electrical	Registration No.: 10000825 - WP 057707	Issuance date: 11 July 2019 Commencement date: 11 July 2019 Expiry date: 30 October 2020	CIDB	<u>General terms and conditions:</u> (a) The certificate is non-transferrable; and (b) CIDB reserves the right to review the registration grade of the contractor from time to time.	Complied Noted
	The licence permits the licensee to carry out the following work scope:  B01: industrialised building system, prefabricated buildings and industrial plants  B04: construction work on buildings  B05: piling				<u>Responsibility and obligations of the contractor</u> (a) The contractor shall comply with the provisions of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 ("LPIP Act"), the regulations made thereunder and any term, conditions or restriction imposed by CIDB from time to time;	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
	B14: paintwork					Complied
	B15: roof installation					
	B24: building maintenance					
	B29: hospital building works					
	CE01: road and pavement construction					
	CE02: bridge and jetty construction					
	CE03: marine structure					
	CE04: dams					
	CE10: piling					
	CE19: sewerage system					
					(b) the contractor shall not participate in any tender or execute any construction after the expiry of this certificate and until such time this certificate has been renewed;	
					(c) the contractor shall not undertake any project construction which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside the registered category;	Complied
					(d) the contractor shall submit information in relation to any new construction work or project within 14 days from the award of construction work or project;	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
	CE21: civil engineering construction				(e) the contractor shall submit any information required by CIDB from time to time;	Complied
	CE36: earthwork				(f) the contractor shall display the original or the certified true copy of the certificate of registration issued by CIDB at its place of business;	Complied
	M15: Miscellaneous mechanical equipment				(g) the contractor shall display its registration number on the signboard at each construction site;	Complied
					(h) the contractor shall apply for renewal of registration within 60 days prior to the expiry date as specified in this certificate;	Noted
					(i) the contractor shall comply with all the requirements and provisions of the code of ethics for contractors;	Complied



**6. BUSINESS OVERVIEW (CONT'D)**

Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Date of issuance/ Renewal/ Commencement/ Expiry	Authority	Major conditions imposed	Status of compliance
					<p>(j) the contractor shall appoint skilled construction workers and site supervisors who are accredited and certified by CIDB; and</p> <p>(k) all the workers at the construction site must have a valid CIDB Green Card.</p>	Complied
					<p><b>Disciplinary Action:</b> The registration of the contractor shall be cancelled, suspended or revoked if:</p> <p>(a) the contractor fails to comply with the requirement of any written law;</p> <p>(b) the contractor has been adjudicated a bankrupt;</p> <p>(c) a winding-up petition in relation to the contractor has been presented;</p>	Noted
						Noted
						Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(d) the contractor contravenes or fails to comply with any provision of LPIP Act;	Noted
					(e) the contractor has obtained this certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;	Noted
					(f) the contractor has abandoned any construction works undertaken without good reason;	Noted
					(g) the contractor is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; and	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Construction  Registered address: Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	<u>Certificate of Governmental Procurement Works</u>  Certificate of Government Procurement Works in respect of G7, Category Building, Category Civil Engineering and Category Mechanical and Electrical Engineering:  B: Buildings  CE: Civil Engineering  ME: Mechanical and electrical engineering  Authorised person: Tee Chai Seng	Certification of registration: 1000825 - WP057707	Issuance date: 11 July 2019  Commencement date: 11 July 2019  Expiry date: 30 October 2020	CIDB	(h) contravenes any of the terms and conditions of the responsibilities and obligations of the contractor as specified under paragraph 2 above.	Noted
					<u>General Terms and Conditions:</u>  (a) This certificate is issued based on the information submitted by TCS Construction.  (b) This certificate shall not be used as a license for commencing or undertaking any construction works. This certificate can only be used for government procurement works or other government agency procurement works.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Company/ Address</b>	<b>Description of approval/ Licence/ Permit/ Registration</b>	<b>Licence/ Account/ Reference No.</b>	<b>Date of issuance/ Renewal/ Commencement/ Expiry</b>	<b>Authority</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
					(c) This certificate shall be cancelled if the Certificate of Registration has been terminated or suspended according to Rule 15, Rules of Contractor Registration (Construction Industry).	Noted
					(d) This certificate should be provided together with Certificate of Registration when the company tenders for government contracts.	Noted
					(e) This certificate should be renewed together with the Certificate of Registration issued by CIDB.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					<u>Responsibilities of the company</u> (a) The company or certificate holder shall not lend, lease, transfer, allow or cause this certificate to be used by other persons not named in this certificate for the purpose of obtaining government procurement works.	Complied
					(b) The contractor shall not be involved in tender or any construction works after the expiry of this certificate and until such time this certificate has been renewed.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(c) The officers of the company named in this certificate (Tee Chai Seng) are allowed to execute the contracts, obtain the tender documents and participate in the tender. Company is not allowed to be represented by other officers for the matters as mentioned.	Noted
					(d) The company or certificate holder shall comply with the terms and conditions attached to this certificate during the period of validity of this certificate.	Complied
					(e) If there is any change in the information provided to CIDB, the company or certificate holder shall inform CIDB within 30 days from the effective date of change.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(f) The company or certificate holder shall comply with the terms and conditions imposed by the government through instructions from the treasury and CIDB circular from time to time.	Noted
					<b><u>Disciplinary Action:</u></b> (a) The company shall be penalised according to Rule 15, Rules of Contractor Registration (Construction Industry) 1995 if the company or/ certificate holder fails to comply with paragraph 2 above.  (b) CIDB has the right to take action against the registered contractor.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
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(c) The company or/ certificate holder shall not participate in the tender or be involved in government procurement works within the prescribed period in the event that the company is penalised pursuant to Rule 15, Rules of Contractor Registration (Construction Industry) 1995 or this certificate has been withdrawn as a result of disciplinary action.



**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(d) The company or/ certificate holder shall be removed from the list of CIDB registration if the registration has been cancelled or withdrawn. The company shall comply with the terms and conditions issued to the new applicant if they wish to obtain this certificate again. The company shall not obtain the certificate of procurement works if the key management personnel of the company has been blacklisted.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Construction Place of business address: No. 1 & 3, Bangunan TCS, Jalan SP1/1, Bandar Saujana Putra, 42610 Jenjarom, Selangor Darul Ehsan	<u>Certificate of registration</u> The authority is given by the company to the following person for managing the government procurement works:  Tee Chai Seng (Director) Ooi Kee An (Project Manager) Liew Kok Yoong (Finance Manager)	Registration no.: K661188445 01952783	Issuance date: 30 November 2017 Commencement date: 30 November 2017 Expiry date: 28 January 2021	Ministry of Finance ("MOF")	<u>General conditions:</u> (a) This approval is issued based on the information provided by TCS Construction.	Noted
					(e) The company or/ certificate holder who has been blacklisted through disciplinary action, will not be removed from the list of CIDB registration. However, such Company or/ certificate holder can only participate in a tender or be involved in government procurement works after the prescribed period.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<b>Company/ Address</b>	<b>Description of approval/ Licence/ Permit/ Registration</b>	<b>Licence/ Account/ Reference No.</b>	<b>Date of issuance/ Renewal/ Commencement/ Expiry</b>	<b>Authority</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
					(b) Any change in the information provided must be updated online in Modul Kemaskini Profit at <a href="http://www.eperolehan.gov.my">www.eperolehan.gov.my</a> within 21 days from the effective date of change; failing which the company shall be penalised as per paragraph (f) below.	Complied
					(c) The company shall submit any information required by MOF within the prescribed period, failing which the company shall be penalised as per paragraph (f) below.	Complied
					(d) The company must ensure that the registered sector in the certificate shall not overlap with the sectors approved for any other companies which:	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					<p>(i) has the same shareholders or Board of Directors, management and workers; or</p> <p>(ii) operate on the same premise</p> <p>(e) MOF has the right to visit or audit the company at any time without prior notice. Failure to comply with the terms and conditions may result in the sector code and/ or the registration of the company being suspended or cancelled and the company, shareholders and directors may be subject to disciplinary action or blacklisted without any notice being given if it is determined that the information is false.</p>	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Date of issuance/ Renewal/ Commencement/ Expiry	Authority	Major conditions imposed	Status of compliance
					<p>(f) A company that is newly registered is not allowed to have any changes to its shareholders or directors within 6 months from the date it is registered.</p> <p>(g) Failure of the company to renew its registration 1 year after the expiry of its registration may result in the company's registration with the MOF being cancelled and automatically removed from the ePerolehan system. In such event, the company has to make a new application for registration.</p>	<p>Complied</p> <p>Noted</p>
					<p><b><u>Suspension or Cancellation</u></b></p> <p>(a) The registration shall be suspended / cancelled in the event the company commits the following offences:</p>	

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(i) The company / shareholders / partners / directors / other management personnel has committed a crime and is found guilty in a court of law in Malaysia or outside Malaysia or is subject to any civil liability.	Noted
					(ii) The company withdraws an offer before the tender is being considered or rejects an offer that has been made.	Noted
					(iii) The company fails to perform its obligations in contracts entered into by the Government.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(iv) The company is found to have amended the certificate with the intention to deceive or for whatsoever reasons.	Noted
					(v) The company allows this certificate to be misused by any individuals or other companies.	Noted
					(vi) The company is found to be involved in price fixing with other companies when entering into a government tender or granted any sub-contract without obtaining prior valid consent from the relevant government agencies.	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Date of issuance/ Renewal/ Commencement/ Expiry	Authority	Major conditions imposed	Status of compliance
					<p><b>Renewal</b></p> <p>(a) The company shall submit its application for renewal 3 months prior to the expiry date of the registration.</p> <p>(b) Applications received after the expiry of the registration is considered as a new registration.</p>	Noted
					<p><b>Right of the Government</b></p> <p>(a) The virtual certificate of registration that is issued (online registration) belongs to the government. The government has the right to withdraw/ suspend/ cancel the registration if the company is subject to disciplinary action under 1PP/PK8 (Pekelling Perbendaharaan/ Perolehan Kerajaan 8).</p>	Noted



**6. BUSINESS OVERVIEW (CONT'D)**

Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Date of issuance/ Renewal/ Commencement/ Expiry	Authority	Major conditions imposed	Status of compliance
					<p><b><u>Participate in government procurement works</u></b></p> <p>(a) With the issuance of the virtual certificate, the company is not required to show this certificate when obtaining government procurement documents except for government agencies with no access to the Internet.</p> <p>(b) The company must ensure the registration with MOF is still valid throughout the duration of the contract.</p> <p><b><u>Cautions on corruptions</u></b></p> <p>(a) Any action or attempt to bribe by way of offering, giving or receiving any form of bribery from anyone involved with government procurement is an offence under Malaysian Anti-Corruption Commission Act 2009.</p>	Noted
						Noted
						Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Construction No. 1 & 3, Bangunan TCS, Jalan SP1/1, Bandar Saujana Putra, 42610 Jenjarom, Selangor Darul Ehsan	Trade, Business and Industrial Licence for the year of 2020  Signboard licence for the year of 2020	Account no.:0300000 00104505  Bill no.:2020110 10677	Issuance date: 9 December 2019  Expiry date: 31 December 2020	Majlis Daerah Kuala Langat ("MDKL")	(a) this licence shall be displayed at all the times at its place of business;  (b) this license is subject to the terms and conditions imposed by MDKL;  (c) this license shall be suspended or/ cancelled if the licensee fails to comply with any of the terms and conditions or laws and regulations published by MDKL;  (d) licensee shall apply stage show permit if any chairs or tables are placed along the sidewalk;  (e) this licence is valid until 31 December 2020. The renewal application of this licence shall be made from November 2020 until December 2020, failing which:- i. the licensee could be subject to compounds; or	Complied  Complied  Noted  Noted  Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Bina Registered address: Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Certificate of registration in respect of Grade G7, Category Building, Category Civil Engineering and Category Mechanical and Electrical  The licence permits the licensee to carry out the following work scope:	Registration No.: 0120181123-SL019912	Issuance date: 17 June 2019  Commencement date: 17 June 2019  Expiry date: 26 November 2020	CIDB	<p>ii. this licence may be withdrawn or cancelled;</p> <p>(f) a copy of the passport size photo is required on every renewal; and</p> <p>(g) for those car or motorcycle repair services workshop, tyre accessories centre, car accessories shop, car wash centre, they must rent the parking lots at Jabatan Pengangkutan, MDKL.</p>	Noted  Not applicable
					<p><b><u>General terms and conditions:</u></b></p> <p>(a) The certificate is non-transferrable; and</p> <p>(b) CIDB reserves the right to review the registration grade of the contractor from time to time.</p>	Complied  Noted
	B04: Construction work on buildings					

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
	CE21: Civil engineering construction				<u>Responsibility and obligations of the contractor:</u> (a) The contractor shall comply with the provisions of the LPIP Act, the regulations made thereunder and any term, conditions or restriction imposed by the CIDB from time to time;	Complied
	M15: Miscellaneous Mechanical equipment				(b) the contractor shall not participate in any tender or execute any construction after the expiry of this certificate and until such time this certificate has been renewed;	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(c) the contractor shall not undertake any construction project which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside is registered category;	Complied
					(d) the contractor shall submit information in relation to any new construction work or project within 14 days from the award of construction work or project or before the commencement of the project;	Complied
					(e) the contractor shall submit any information required by CIDB from time to time;	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(f) the contractor shall display the original or the certified true copy of the certificate of registration issued by CIDB at its place of business;	Complied
					(g) the contractor shall display its registration number on the signboard at each construction site;	Complied
					(h) the contractor shall apply for renewal of registration within 60 days prior to the expiry date as specified in this certificate;	Noted
					(i) the contractor shall comply with all the requirements and provisions of the code of ethics for contractors;	Complied

**6. BUSINESS OVERVIEW (CONT'D)**

Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Date of issuance/ Renewal/ Commencement/ Expiry	Authority	Major conditions imposed	Status of compliance
					(j) the contractor shall appoint skilled construction workers and site supervisors who are accredited and certified by CIDB; and	Complied
					(k) all the workers at the construction site must have a valid CIDB Green Card.	Complied
<b><u>Disciplinary actions:</u></b>						
The registration of the contractor shall be cancelled, suspended or revoked if:						
	(a)				The contractor fails to comply with the requirement of any written law;	Noted
	(b)				the contractor has been adjudicated a bankrupt;	Noted
	(c)				a winding-up petition in relation to the contractor has been presented;	Noted
	(d)				the contractor contravenes or fails to comply with any provision of LPIP Act;	Noted

**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					(e) the contractor has obtained this certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;	Noted
					(f) the contractor has abandoned any construction works undertaken without good reason;	Noted
					(g) the contractor is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; and	Noted
					(h) the contractor contravenes any of the terms and conditions of the responsibilities and obligations of the contractor as specified under paragraph 2 above.	Noted



**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
TCS Bina No. 1 & 3, Bangunan TCS, Jalan SP1/1, Bandar Saujana Putra, 42610 Jenjarom, Selangor Darul Ehsan	Trade, Business and Industrial Licence for the year of 2020  Signboard licence for the year of 2020	Account no.:0300000 00104504  Bill no.:2020110 10676	Issuance date: 9 December 2019  Expiry date: 31 December 2020	MDKL	(a) this licence shall be displayed at all the times at its place of business;  (b) this licence is subject to the terms and conditions imposed by MDKL;  (c) this licence shall be suspended or/ cancelled if the licensee fails to comply with any of the terms and conditions or laws and regulations published by MDKL;  (d) licensee shall apply stage show permit if any chairs or tables are placed along the sidewalk;  (e) this licence is valid until 31 December 2020. The renewal application of this licence shall be made from November 2020 until December 2020, failing which:-	Complied  Complied  Noted  Noted  Noted




**6. BUSINESS OVERVIEW (CONT'D)**

<u>Company/ Address</u>	<u>Description of approval/ Licence/ Permit/ Registration</u>	<u>Licence/ Account/ Reference No.</u>	<u>Date of issuance/ Renewal/ Commencement/ Expiry</u>	<u>Authority</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
					<ul style="list-style-type: none"> <li>i. the licensee could be subject to compounds; or</li> <li>ii. this licence may be withdrawn or cancelled;</li> </ul>	
					(f) a copy of the passport size photo is required on every renewal; and	Noted
					(g) for those car or motorcycle repair workshop, tyre services centre, car accessories shop, car wash centre, they must rent the parking lots at Jabatan Penguatkuasa, MDKL.	Not applicable

**6. BUSINESS OVERVIEW (CONT'D)**

**6.13 BRAND NAMES, PATENTS, LICENSING AGREEMENTS, ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS**

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

Trademark	Issuing authority	Registered owner	Filing no.	Date of application	Date of registration	Expiry date	Class	Status
	MyIPO	TCS Construction	2016065745	26 August 2016	10 January 2019	26 August 2026	37 <sup>(1)</sup>	Registered
	MyIPO	CDB Realty <sup>(2)</sup>	2012059322	27 November 2012	28 November 2013	27 November 2022	37 <sup>(1)</sup>	Registered
	MyIPO	CDB Realty <sup>(2)</sup>	2013050171	9 January 2013	6 March 2014	9 January 2023	37 <sup>(1)</sup>	Registered

**Notes:**

- (1) Property and housing development services; construction of building, building construction supervision and control, undertaking piling and structural works (building construction); electric appliance installation and structural works (building construction); electric appliance installation and repair; mechanical site equipment used in construction of building; advisory services relating to development of property; interior and exterior painting; road paving; advisory services relating to the renovation of property; commercial and retail property development services, property maintenance; demolition of building, building of residential and commercial properties; real estate development; construction of complexes for business and leisure; elevator installation and repair, building sealing; all included in Class 37.
- (2) The trademarks have been assigned by CDB Realty to our Company on 13 March 2019 under the deed of assignment. The details of the deed of assignment are set out in Section 15.4 of this Prospectus.

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**6. BUSINESS OVERVIEW (CONT'D)**

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**6.14 PROPERTIES OF OUR GROUP**

During the FYE Under Review we purchased six properties (listed as No. 2 to No. 7 in the table below) from our customers' property development projects ("**Subject Properties**"), of which properties No. 2 to No. 4 in the table below are still currently under construction. We are not involved in the construction of any of these Subject Properties. We finance such purchases through our internally generated funds and borrowings. Further details on our Group's material capital commitments are set out in Section 12.6 of this Prospectus.

We purchased the Subject Properties with the intention to utilise them as site offices as we anticipate more prospective projects from the on-going township developments surrounding/nearby the Subject Properties. These on-going townships development are being undertaken by our customers, whom we have established working relationships with. In the event we require site offices for our projects, we may utilise the Subject Properties and will not incur any rental expenses. While waiting for new projects to be launched by our customers or after completion of our projects, we may rent out the Subject Properties for rental income, which will be set off against the interest expense to be incurred from the term loans for the Subject Properties. Further, we may also recognise capital gains in the longer term if we manage to dispose the Subject Properties at prices higher than their total cost.

We have been using three Subject Properties (listed as No. 5 to No. 7 in the table below) located in Tropicana Aman as our site office since their completion. In January 2020, we entered into a tenancy agreement to rent out one of the Subject Properties (listed as No. 7 in the table below) as we no longer require it as our site office and the tenancy had commenced in March 2020. Upon completion of the remaining three Subject Properties (listed as No. 2 to No. 4 in the table below), we intend to utilise them as our site office for our future projects in Negeri Sembilan, if required.

It is our firm intention to remain focused in our business as a pure play construction company. Further, it is not our business model or policy to acquire properties in our customers' property development projects as a precondition for securing a project or to accept pre-arranged payment-in-kind from our customers for our construction services. As such, we only intend to purchase additional properties if we require them as site offices for our on-going and/ or future projects.

**6. BUSINESS OVERVIEW (CONT'D)**

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

No.	Registered owner/ Postal address	Description/ Existing use/ Tenure	Built-up area (Square feet)	Date of issuance of CCC	Major encumbrances	Audited NBV as at 31 December 2019 (RM'000)	Total cost of property (RM'000)
1	TCS Construction/ 45, Jalan Tasik Prima 4/4 Taman Tasik Prima 47150 Puchong Selangor	3-storey townhouse/ Staff accommodation/ 99 years expiring 15 May 2111 with a remaining lease period of about 92 years	1,715	14 March 2012	Charged to Public Islamic Bank Berhad	755	900 <sup>(2)</sup>
2	TCS Construction/ H-11-01, Block H Setia Ecohill Walk 43500 Semenyih Selangor <sup>(1)</sup>	1 unit shop office at Level 1/ Under construction/ Freehold	2,088	Under construction	Charged to Public Bank Berhad	1,541	1,682 <sup>(3)</sup>
3	TCS Construction/ H-11-02, Block H Setia Ecohill Walk 43500 Semenyih Selangor <sup>(1)</sup>	1 unit shop office at Level 2/ Under construction/ Freehold	2,088	Under construction	Charged to Public Bank Berhad	641	1,010 <sup>(3)</sup>
4	TCS Construction/ H-11-03, Block H Setia Ecohill Walk 43500 Semenyih Selangor <sup>(1)</sup>	1 unit shop office at Level 3/ Under construction/ Freehold	2,088	Under construction	Charged to Public Bank Berhad	465	673 <sup>(3)</sup>

**6. BUSINESS OVERVIEW (CONT'D)**

No.	Registered owner/ Postal address	Description/ Existing use/ Tenure	Built-up area (Square feet)	Date of issuance of CCC	Major encumbrances	Audited NBV as at 31 December 2019 (RM'000)	Total cost of property (RM'000)
5	TCS Construction/ 12-G & 12-1, Jalan Aman Sinaria 7 Bandar Tropicana Aman 42500 Telok Panglima Garang Selangor	2-storey shop office/ Site office/ 91 years expiring on 9 November 2110 with a remaining lease period of about 90 years	5,274	21 December 2018	Charged to CIMB Bank Berhad	2,980	3,041 <sup>(3)</sup>
6	TCS Construction/ 23-G & 23-1, Jalan Aman Sinaria 1 Bandar Tropicana Aman 42500 Telok Panglima Garang Selangor	2-storey shop office/ Site office/ 91 years expiring on 9 November 2110 with a remaining lease period of about 90 years	3,121	21 December 2018	Charged to CIMB Bank Berhad	1,607	1,640 <sup>(3)</sup>
7	TCS Construction/ 11-G & 11-1, Jalan Aman Sinaria 2 Bandar Tropicana Aman 42500 Telok Panglima Garang Selangor	2-storey shop office/ For rental/ 91 years expiring on 9 November 2110 with a remaining lease period of about 90 years	4,262	21 December 2018	Charged to CIMB Bank Berhad	2,240	2,285 <sup>(3)</sup>

**Notes:**

- (1) Acquired in December 2016 and is expected to complete in December 2020.
- (2) Inclusive of incidental costs.
- (3) Net of discounts which were generally available to other customers.

**6. BUSINESS OVERVIEW (CONT'D)**

The following table details the material properties rented by our Group as at the LPD:

No.	Tenant	Landlord	Address	Description/ Existing use	Date of issuance of CCC	Approximate rented area (Square feet)	Period of tenancy/ Rental per annum
1.	TCS Construction	Asia Frozen Food Enterprise	3 <sup>rd</sup> Floor 134E Jalan Sultan Abidin 20000 Kuala Terengganu Terengganu	3-storey shop office/ Site office	Note <sup>(1)</sup>	1,300	1 November 2018 to 31 October 2020/ RM9,000
2.	TCS Construction	Asia Frozen Food Enterprise	2 <sup>nd</sup> Floor 134E Jalan Sultan Abidin 20000 Kuala Terengganu Terengganu	3-storey shop office/ Site office	Note <sup>(1)</sup>	1,300	21 September 2018 to 30 September 2020/ RM10,200
3.	TCS Construction	CDB Realty	1 <sup>st</sup> Floor No. 1 & 3, Bangunan TCS Jalan SP 1/1 Bandar Saujana Putra 42610 Jenjarom Selangor	4-storey shop office/ Head office	3 April 2015	4,322	1 October 2019 to 30 September 2021/ RM105,600
4.	TCS Construction	CDB Realty	2 <sup>nd</sup> Floor No. 1 & 3, Bangunan TCS Jalan SP 1/1 Bandar Saujana Putra 42610 Jenjarom Selangor	4-storey shop office / Head office	3 April 2015	4,322	1 October 2019 to 30 September 2021/ RM75,600

**6. BUSINESS OVERVIEW (CONT'D)**

<u>No.</u>	<u>Tenant</u>	<u>Landlord</u>	<u>Address</u>	<u>Description/ Existing use</u>	<u>Date of issuance of CCC</u>	<u>Approximate rented area (Square feet)</u>	<u>Period of tenancy/ Rental per annum</u>
5.	TCS Bina	CDB Realty	3 <sup>rd</sup> Floor No. 1 & 3, Bangunan TCS Jalan SP 1/1 Bandar Saujana Putra 42610 Jenjarom Selangor	4-storey shop office / Head office	3 April 2015	4,322	1 October 2019 to 30 September 2021/ RM52,800

**Note:**

- (1) TCS Construction had, on 5 April 2019 written to Majlis Bandaraya Kuala Terengganu to ask whether a certificate of fitness and occupation and/or CCC had been issued for the property and received a reply from Majlis Bandaraya Kuala Terengganu on 9 May 2019 that there is a certificate of fitness and occupation and/ or certificate of completion and compliance for this rented property.



## 6. BUSINESS OVERVIEW (CONT'D)

### 6.15 TECHNOLOGY USED OR TO BE USED

Over the course of our operations, we utilise the following computer software to facilitate our business processes, which is detailed below:

Technology	Description
Gstar computer-aided design software (" <b>CAD</b> ")	A type of CAD and drafting software which can be used to create two or three-dimensional engineering and architectural drawings
Building Information Modelling (" <b>BIM</b> ")	BIM is a modelling software that incorporates key building elements into building designs and can be used to simulate scheduling, material estimation and fabrication process. We currently utilise Cubicost BIM by Glodon which is used to estimate measurement of materials and resources

### 6.16 KEY CONSTRUCTION MACHINERY AND EQUIPMENT

Over the course of our operations, our Group utilises the following construction machinery and equipment:

No.	Key construction machinery and equipment	Age range (year(s))	Unit(s)	Audited NBV as at 31 December 2019 (RM'000)
1.	Backhoe – transport, load and unload construction materials, site clearance and excavation activities	4 to 11	4	61
2.	Excavator – site clearance and excavation activities	6 to 10	3	-
3.	Mobile crane – transport construction materials and equipment	5 to 8	2	192
4.	Static pump – pump ready-mixed concrete to work areas	1 to 2	3	876
5.	Concrete mixer – mixes cement, sand and aggregates to form cement mortar and concrete	Less than 1 to 21	46	57
6.	Air compressor – provides high pressure compressed air for cleaning of debris	Less than 1 to 11	5	18
7.	Passenger hoists – carry personnel between floors	1 to 2	2	788
8.	Aluminium formwork system – a temporary mould to cast permanent concrete building structure	Less than 1 to 2	4	6,045

**6. BUSINESS OVERVIEW (CONT'D)**

<b>No.</b>	<b>Key construction machinery and equipment</b>	<b>Age range (year(s))</b>	<b>Unit(s)</b>	<b>Audited NBV as at 31 December 2019 (RM'000)</b>
9.	Mortar pump – transport cement mortar	6 to 7	2	30
10.	Lorry crane – crane mounted on a lorry used to transport construction materials and equipment	1 to 2	1	127
11.	Scaffolding system - temporary platform that is used during construction to support workers and materials	Less than 1 to 20	N/A*	2,926
<b>Total</b>				<b>11,120</b>

**Note:**

\* The scaffolding system is not quantified in units.

**6.17 OPERATING CAPACITY AND OUTPUT**

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

**6.18 MATERIAL CAPITAL EXPENDITURE AND DIVESTITURE**

Save as disclosed below, our Group has not incurred any other material capital expenditure for the FYE Under Review and from 1 January 2020 up to the LPD:

<b>Capital expenditure</b>	<b>FYE 2016 (RM'000)</b>	<b>FYE 2017 (RM'000)</b>	<b>FYE 2018 (RM'000)</b>	<b>FYE 2019 (RM'000)</b>	<b>From 1 January 2020 up to the LPD (RM'000)</b>
Machinery	28	129	1,747	1,272	1
Construction equipment	10	32	11,141	1,917	5,079
Capital work-in-progress	-	-	7,722 <sup>(1)</sup>	1,892 <sup>(1)</sup>	359
Motor vehicles	690	399	359	1,058	47
<b>Total expenditure</b>	<b>728</b>	<b>560</b>	<b>20,960</b>	<b>6,139</b>	<b>5,486</b>

**Note:**

(1) Following the completion of three of the six properties acquired by our Group from our customers' property development projects, the three completed properties were reclassified from capital work-in-progress to shoplots in FYE 2019.

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**6. BUSINESS OVERVIEW (CONT'D)**

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Our Group had no material divestment during the FYE Under Review and from 1 January 2020 up to the LPD. The material capital expenditure above was mainly financed by bank borrowings and internally generated funds.

Our capital expenditure increased significantly in FYE 2018 mainly due to purchase of new construction equipment and machinery (consisting mainly of three aluminium formwork systems) for our construction projects. The additional construction equipment and machinery has strengthened our capacity and flexibility in meeting the needs of our on-going projects and future projects. This, in turn, has allowed us to better manage our time and cost more efficiently, and at the same time enable our Group to be more competitive in our pricing when bidding for contracts.

The substantial capital expenditure in FYE 2018 was also attributable to progress payments for capital work-in-progress (consisting of six properties acquired by our Group in FYE 2018 from our customers' property development projects where three are still currently under construction as disclosed in Section 6.14 of this Prospectus). The total costs of the properties is RM10.33 million, and the remaining capital commitment related to such purchases as at the LPD is RM0.36 million. Further details of our Group's material capital commitments are available in Section 12.6 of this Prospectus.

**6.19 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES**

As at the LPD, save as disclosed in Sections 4.1.9, 6.1, 6.11 and 6.12 of this Prospectus, there are no other requirements and/or major environmental issues which may materially affect our operations and the utilisation of our property, plant and equipment.

**6.20 SEASONALITY OF OUR BUSINESS**

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

**6.21 BUSINESS INTERRUPTIONS**

Save as disclosed in Sections 4.1.9 and 6.1 of this Prospectus, our Group has not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD.

**6.22 MATERIAL PLANS TO CONSTRUCT, EXPAND OR IMPROVE FACILITIES**

As at the LPD, save for the proposed utilisation of proceeds from our IPO as set out in Section 3.7 of this Prospectus for working capital, purchase of new construction machinery and equipment as well as listing expenses, amounting to RM20.70 million, we do not have any other immediate material plans to construct, expand or improve our facilities.

**6.23 DEPENDENCY ON PATENTS, LICENSES, CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS**

As at the LPD, save for the major approvals, licenses, permits and registrations as disclosed in Section 6.12 of this Prospectus, we are not dependent on any of our patents, licenses, contracts, agreements or other arrangements that could materially affect our business or profitability.

## 6. BUSINESS OVERVIEW (CONT'D)

### 6.24 EMPLOYEES

Our Group's employees are all based in Malaysia. As at 31 December 2019, we employed a total of 252 employees, of which 155 are permanent staff and the remaining 97 are contract staff.

As at the LPD, we employed a total of 246 employees, of which 151 are permanent staff and the remaining 95 are contract staff.

Category	As at 31 December 2019	As at the LPD
Managerial <sup>(1)</sup>	9	9
Accounts and finance	7	7
Human resource and administration	16	12
Mechanical and electrical	8	9
Tender and contracts	14	15
Purchasing and procurement	3	3
QESH	11	10
Business development	5	4
Construction <sup>(2)</sup>		
- Malaysian	98	96
- Foreigner	81	81
<b>Total</b>	<b>252</b>	<b>246</b>

#### Notes:

- (1) Includes our Managing Director and Executive Director.
- (2) Includes project managers, site engineers, site supervisors, quantity surveyors, machine operators and general construction workers.

As at the LPD, our employees do not belong to any union and are not parties to any collective agreements. Further, we have not experienced any major industrial disputes in the past.

During the MCO and conditional MCO period, 27 of our foreign workers' work permits and CIDB Green Cards had expired, and as at the date of this Prospectus, three of them have returned to their home country. We have not been able to renew their work permits and CIDB Green Cards in a timely matter due to the imposition of the MCO and conditional MCO that restricted our ability to renew them. We have been making attempts to make an appointment with the Immigration Department of Malaysia to renew their work permits on the earliest available date and as at the LPD, we have not been able to obtain an appointment date yet. We would be able to apply online for the CIDB Green Card for these foreign workers after the successful renewal of the work permits. Pending renewal of their work permits and CIDB Green Cards, they have not been and will not be working at our construction sites. We do not expect any material impact on the progress of our ongoing projects with a reduced number of foreign workers as the foreign workers' whose work permits and CIDB Green Cards had expired are mainly general workers who are not integral to the progress of our projects.

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**6. BUSINESS OVERVIEW (CONT'D)**

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**6.25 MANAGEMENT SUCCESSION PLANNING**

Succession planning plays an important role in ensuring business and leadership continuity in our Group. It is a continuous process where we develop our pool of internal employees for further job responsibilities and supervisory roles in our Group. Our Executive Directors play instrumental role in selecting and identifying key competencies and requirements for our management and more senior positions.

We take a continuous approach in addressing succession planning to ensure that our Group has available talent to undertake leadership positions should the need arises. Our middle management is exposed to various aspects of our business activities in order to gain knowledge and at the same time, have a better understanding of the necessary responsibilities required of them in key management positions.

## 7. THE INDEPENDENT MARKET RESEARCH REPORT

PROTEGE ASSOCIATES SDN BHD (675707-H)  
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Protégé  
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 7 is based on market research conducted by Protégé Associates commissioned by TCS for the purpose of the IPO.

15 JUN 2020

The Board of Directors  
TCS Group Holdings Berhad,  
No. 1 & 3, Bangunan TCS,  
Jalan SP 1/1,  
Bandar Saujana Putra,  
42610 Jenjarom,  
Selangor.

Dear Sirs,

### **Strategic Analysis of the Construction Industry in Malaysia**

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Construction Industry in Malaysia' for inclusion in the prospectus of TCS Group Holdings Berhad ("**TCS**") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 20 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true, balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG  
Managing Director

## 7. THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

**Protégé**  
ASSOCIATES

BRAND | FINANCE | MARKET

### **1.0 Introduction to the Construction Industry**

Construction refers to the conversion of raw materials through the use of labour into various forms of buildings and infrastructures. The construction industry in Malaysia can generally be segmented into 2, namely, the real estate construction market and the civil engineering and special trade work market. Real estate construction refers to the construction of buildings for residential and non-residential purposes. Civil engineering mainly refers to the construction of infrastructures. Special trade work is specialised construction work in building or non-building related project without responsibility for the entire project.

TCS is involved in the provision of construction services for buildings, infrastructure, civil and structural works. The provision of construction services for buildings belongs to the real estate construction market while the provision of construction services for infrastructure, civil and structural works can be grouped under the civil engineering and special trade work market.

### **2.0 Overview of the Construction Industry in Malaysia**

The construction industry in Malaysia is considered to be largely domestic-oriented that can bring positive effect on other industries. The construction industry further supports social development of the country through the provision of basic infrastructures and employment opportunities. The Malaysian construction industry registered a very marginal growth in 2019. The civil engineering market continued expanding in tandem with the continued progress of the Pengerang Integrated Petroleum Complex and other transportation related projects such as the Mass Rapid Transit ("MRT") 2, the Light Rail Transit ("LRT") 3 and the Pan Borneo Highway. The special trade work market also registered a steady progress on the back of sustained activity from projects in the early stages of construction such as land clearing and piling works. In the real estate construction market, the high number of unsold residential properties has led to the contraction in the residential buildings segment. The non-residential buildings segment also experienced contraction as the commercial sentiment remained weak against the backdrop of oversupply of office space and shopping complexes.

In the past, the Malaysian Government's policies have been accommodative and supportive of the growth in the local construction industry which typically included proposed government projects as part of its development expenditure. In order to consolidate its fiscal position, the Malaysian Government has rationalised the ceiling for the development expenditure in 2018 from the original allocation of RM260 billion to RM220 billion for the overall Eleventh Malaysia Plan ("11MP") which covers the period from 2016 to 2020. 11MP represents the latest government policy on development expenditure for the remaining 2 years (2019 and 2020). Out of the RM220 billion allocation, there is a remaining allocation of RM133.12 billion being earmarked for 2018, 2019 and 2020 based on the Mid-term Review of the 11MP by the Economic Planning Unit. During the period from 2019 to 2020, the local construction industry is expected to grow moderately at an annual average rate of 1.7% while it is expected to grow at an annual average rate of 4.2% during the period from 2021 to 2024. In 2020, the local construction industry has been affected by the coronavirus disease ("COVID-19") pandemic and lockdown measures namely the movement control order, conditional movement control order and recovery movement control order. The Malaysian Government had already announced various economic stimulus and assistance packages to preserve rakyat's welfare, support businesses and strengthen the economy such as the allocation of an additional RM2 billion for the immediate implementation of small infrastructure repair and upgrading projects across the country particularly in rural areas, the continuation of the implementation of all projects allocated in Budget 2020 including the East Coast Rail Link ("ECRL") and MRT2, the provision of several incentives to stimulate the property market as well as financing via SME Bank through the SME-GO Scheme for 16,000 qualified G2 and G3 contractors who have received projects under PRIHATIN (PRIHATIN Rakyat Economic Stimulus Package) with no collateral or deposit required.

The overall state of the property and infrastructure markets in Malaysia, which can provide a basic indicator to the level of local construction activities, is also provided by Protégé in the following sub-chapters for the purpose of this report.

### **2.1 Overview of the Property Market in Malaysia**

Real estate construction activities are generally positively correlated with the growth in the property market. A higher demand for properties can lead to higher level of construction activities for real estate.

In terms of project ownership, the construction of new buildings in Malaysia is dominated by the private sector. In 2019, private sector accounted for 82.9% of the value of real estate construction works done with the remaining belonging to the public sector (government and public corporation). Public corporation consists of statutory and non-statutory bodies that are set up under the laws passed by the Parliament Act or the State Legislative Assembly that can operate and manage the government programmes more independently.

In Budget 2020, 'access to housing' has received close attention from the Malaysian Government with efforts to ensure that the 'rakyat' can own a house. Measures related to 'access to housing' announced in Budget 2020 include but are not limited to the following:

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- introducing Rent To Own ("RTO") financing scheme involving the provision of financing of up to RM10 billion by the financial institutions with the support from the Malaysian Government via a 30% or RM3 billion bank guarantee for the purchase of first home with a price of up to RM500,000;
- exempting stamp duty on the instruments of transfer between the developer and financial institution, and between financial institutions and the buyer under the RTO financing scheme;
- extending the Youth Housing Scheme (that offers a 10% loan guarantee through Cagamas Berhad to enable full financing to borrowers and RM200 monthly instalment assistance for the first 2 years limited to 10,000 home units) administered by Bank Simpanan Nasional from 1 January 2020 until 31 December 2021;
- allocating RM100 million in 2020 for the repair and refurbishment of low and medium cost strata housing; and
- allocating RM15 million for providing outdoor lighting, parking with security features for motorcycles, anti-climb fences and safety advocacy programmes under the Safe City Initiative.

In order to address the property overhang problem and/or stimulate growth in the property market, the Malaysian Government has also announced a lower threshold on high rise property prices in urban areas for foreign ownership from RM1 million to RM600,000 in 2020. In addition, the real property gain tax treatment has also been enhanced with the revision of the base year for asset acquisition at 1 January 2013 for asset acquired before 1 January 2013 as compared to the previous base year of 1 January 2000. Besides that, the Malaysian Government has allowed the continuation of the 486-acre Bandar Malaysia Project in Sungai Besi, Kuala Lumpur with the inclusion of a People's Park with an additional 5,000 units of affordable homes.

Meanwhile, the non-residential segment stands to benefit from the various ongoing major development projects. Besides the Bandar Malaysia Project, the development of the non-residential buildings such as office and retail units in mixed development Bukit Bintang City Centre project on the 19.4-acre former Pudu Jail site and mixed development Bandar Kwasa Damansara project on 2,330 acres of prime land located in the Klang Valley can drive more construction activities. Besides that, the growth in the non-residential segment in Malaysia is expected to be boosted by the announcement made during Budget 2019 and Budget 2020 on, amongst others, the following:

- the development of an 80-acre site (the former headquarters of Malaysia Airlines Berhad) in Subang, Selangor into a world class aerospace industry hub;
- the development of the Kota Perdana Special Border Economic Zone in Bukit Kayu Hitam, Kedah;
- the conversion of 380 acres of land in Pulau Indah, Selangor into a Free Trade Zone;
- the development of Chuping Valley Industrial Area in Perlis by the Northern Corridor Implementation Authority; and
- the development of the Sabah Agro-Industrial Precinct by the Sabah Economic Development and Investment Authority.

The Malaysian property market (that covers both primary and secondary markets) performed well in 2019 with better growth recorded in total transaction volume and total transaction value. Total transaction volume increased from 313,710 in 2018 to 328,647 in 2019. The residential segment topped market activity in terms of total transaction volume in 2019, accounting for 63.7% of total transaction volume, followed by agriculture (20.9%), commercial (7.8%), development land and others (5.7%) and industrial (1.9%) segment. In the first quarter of 2020 ("2020Q1"), total transaction volume stood at 72,908 as compared to 84,388 registered in the same period last year.

Total transaction value increased from RM140.33 billion in 2018 to RM141.40 billion in 2019. The residential segment also topped market activity in terms of total transaction value in 2019, accounting for 51.2% of total transaction value, followed by commercial (20.5%), industrial (10.5%), development land and others (9.0%) and agriculture (8.8%) segment. In 2020Q1, total transaction value stood at RM28.64 billion as compared to RM37.16 billion registered in the same period last year.

Residential properties with prices of below RM300,001 per unit accounted for 129,161 or 61.7% of total transaction volume in the residential segment in 2019. This also represented 39.3% of the total transaction volume in the Malaysian property market for the year. In 2020Q1, residential properties with prices of below RM300,001 per unit accounted for 29,409 or 62.5% of total transaction volume in the residential segment. Residential properties at this price range are expected to remain dominant in the near future particularly with the efforts from the Malaysian Government to push for more availability of affordable housing. On a recent note, the local property market has received a boost following the unveiling of several incentives by the Malaysian Government to stimulate the property market under the Short-Term Economic Recovery Plan.



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## 2.2 Overview of the Infrastructure Market in Malaysia

The development of infrastructures spurs the demand for more civil engineering and special trade work activities. Infrastructure development is viewed by the Malaysian Government as vital towards supporting economic growth and enhancing the wellbeing of the population. It had been given emphasis in past 5-Year Malaysia Plans including the latest 11MP (2016-2020) with focus on key areas such as:

- the building of an integrated need-based transport system;
- improving coverage, quality and affordability of digital infrastructure;
- transitioning to a new water services industry framework; and
- encouraging sustainable energy use.

The first two years under 11MP ("Review Period") saw the completion of the MRT 1, the LRT 2 and the Duta-Ulu Kelang Expressway Phase 2 consisting of the Tun Razak Link and the Sri Damansara Link. The Central Spine Road from Bentong, Pahang to Kuala Krai, Kelantan, the Kota Bahru-Kuala Krai Highway, the Setiawangsa-Pantai Expressway in Klang Valley and the Pan Borneo Highway in Sabah and Sarawak along with 4 expressways in Klang Valley were under construction during the Review Period. Other notable developments related to the transport system during the Review Period included the upgrading of the Langkawi International Airport as well as the channel deepening and capacity expansion works at Northport and Westports in Selangor and the Pelabuhan Tanjung Pelepas in Johor.

During the Review Period, the local digital infrastructure was augmented with the deployment of 480,084 High Speed Broadband 2 ports and 366,294 Suburban Broadband ports as well as the completion of digital terrestrial television infrastructure in 15 new areas. Besides that, 181 public sewerage treatment plants were completed leading to improved urban sewerage coverage. The Refinery and Petrochemical Integrated Development in Pengerang, Johor was also undergoing construction during the Review Period. There are more infrastructure developments in the pipeline for the remaining period under 11MP according to the Mid-term Review of the 11MP by the Economic Planning Unit released on 18 October 2018.

**Figure 1: Selected High-Impact Projects being Planned or Implemented, 2018-2020**

Area	Project(s)
Johor	Pengerang Integrated Petroleum Complex, Rapid Transit System Johor Bahru-Singapore, Pasir Gudang Hospital and Sekolah Menengah Kebangsaan Bandar Putra 2, Kulai
Kedah	Pendang Hospital and Sekolah Berasrama Penuh Pendang
Kelantan	Sungai Golok and Sungai Kelantan Integrated River Basin Development and Tanah Merah Hospital (additional block)
Klang Valley	MRT 2, LRT 3, Sungai Besi-Ulu Klang Highway, Putrajaya Kuala Lumpur International Airport Highway and Digital Free Trade Zone
Melaka	Sekolah Kebangsaan Krubung 2
Pahang	Central Spine Road: Bentong Bypass
Perak	Sekolah Kebangsaan Seri Serdang, Manjong and Sekolah Menengah Kebangsaan Pelangi Perdana, Parit Buntar
Perlis	Padang Besar Health Clinic (Type 3) with quarters
Pulau Pinang	Lembangan Sungai Pinang Flood Mitigation Project
Sabah	Rural Water Supply, Rural Electricity, Universiti Malaysia Sabah Teaching Hospital, Sekolah Menengah Sains Keningau and Sekolah Menengah Kebangsaan Kipouvo, Penampang
Sarawak	Rural Water Supply, Rural Electricity, Petra Jaya Hospital, Sekolah Menengah Kebangsaan Selangau, Sibul and Sekolah Kebangsaan Sri Sadong, Serian
Terengganu	Universiti Sultan Zainal Abidin Teaching Hospital and Sekolah Menengah Kebangsaan Permai, Kemaman

Source: Economic Planning Unit

In terms of project ownership, infrastructure projects in Malaysia are led by the Malaysian Government and public corporations. In 2019, the combined Malaysian Government's and public corporation's participation accounted for 76.1% of the total value of civil engineering works done with the remaining belonging to the private sector.

In Budget 2020, the Malaysian Government remained committed towards fiscal consolidation. Development expenditure allocation announced under Budget 2020 is channelled towards bridging urban-rural infrastructure gap, enhancing the living standards of the people and promoting economic development. A total of RM12.20 billion has been allocated for transport related projects which include the expansion of airports in Sandakan, Sabah and Kota Bahru, Kelantan, public transportation, rails and highways such as the ECRL, LRT 3, MRT 2, Klang Valley Double Track and Pan Borneo Highway as well as the maintenance and upgrading of bridges, ports, railways and roads. We can expect to see the development of more rural roads throughout Malaysia particularly in Sabah and Sarawak, following an allocation of RM1 billion announced under Budget

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2020 for this purpose. All state governments are also allowed to utilise up to 15% or RM20 million, whichever is lower, from the Malaysian Road Records Information System funds allocated to each state from the federal government to upgrade roads, slopes, bridges and drains. The Malaysian Government also announced its intention to proceed with the Rail Transit System between Johor Bahru and Singapore and commence feasibility studies on 2 potential projects namely, the Serendah-Port Klang Bypass and a dedicated privatised highway connecting Northport and Westport for commercial vehicles. The Malaysian Government also intends to invite proposals on a public private partnership basis to upgrade the Sultan Azlan Shah Airport in Ipoh including an extension of its runway.

It can be seen that the Malaysian Government has continued to give higher priority to projects which have higher economic and social effects. Infrastructure development has been viewed by the Malaysian Government as the foundation to economic and social development. A sum of RM735 million has been allocated for school maintenance and upgrading works while a sum of RM783 million has been set aside to repair dilapidated schools. The Malaysian Government is building new schools in Hulu Langat, Johor Bahru, Kulai, Langkawi, Marang, Pasir Gudang, Putrajaya and Tumpat. The Malaysian Government has allocated RM587 million for rural water projects in order to increase accessibility to clean water particularly in Sabah and Sarawak. A sum of RM85 million has also been provided to support the development and repair of basic infrastructure in new villages.

There were also infrastructure developments related to healthcare announced in Budget 2020 namely, the allocation of RM1.6 billion for the construction of new hospitals as well as upgrading and expansion of existing ones, RM319 million for the construction and upgrading of health and dental clinics, as well as quarters facility, and RM95 million for the renovation of medical infrastructure and facilities. Other notable infrastructure developments highlighted in Budget 2020 included the allocation of RM42 million for the construction of Sungai Segget Centralised Sewerage Treatment Plant in Johor by the Iskandar Regional Development Authority and RM55 million for infrastructure in the Samalaju Industrial Park in Sarawak by the Regional Corridor Development Authority.

The budget allocated for the above construction projects is part of the total development expenditure of RM56.00 billion provided in Budget 2020. The economic sector encompassing agriculture and rural development, energy and public utilities, environment, trade and industry, and transport received the higher allocation of RM31.02 billion while the social sector, security sector and general administration accounted for the balance of the allocation. Moving forward, the Malaysian Government and public corporations are expected to continue being the main contributors to growth in the local infrastructure market.

### 3.0 Historical Market Performance and Growth Forecast

Protégé Associates has provided the historical performance and growth forecast of the construction industry in Malaysia based on a combination of resources, including the data from the Department of Statistics Malaysia ("DOSM"), Ministry of Finance Malaysia, Bank Negara Malaysia ("BNM") and the annual reports of public listed construction companies. Data is also gathered from further secondary and primary research works conducted. Searches on private construction companies are also conducted with the Companies Commission of Malaysia to gather more disclosures on their business performance. Primary research works are conducted with stakeholders in the local construction industry such as contractors, suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the construction industry in Malaysia.

**Figure 2: Historical Size (Revenue) and Growth Forecast for the Construction Industry in Malaysia, 2019-2024**

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	66.25	-
2020 <sup>f</sup>	64.13	-3.2
2021 <sup>f</sup>	66.76	4.1
2022 <sup>f</sup>	70.10	5.0
2023 <sup>f</sup>	73.61	5.0
2024 <sup>f</sup>	77.29	5.0

CAGR (2020-2024) (base year of 2019): 3.1%

Notes: At constant 2015 prices; <sup>f</sup> denotes forecast

Sources: DOSM and Protégé Associates

The local construction industry expanded from RM66.22 billion in 2018 to RM66.25 billion in 2019 as growth in the civil engineering and special trade work market helped to cushion the weaker performance in the real estate construction market. The real estate construction market was affected by the continuing property overhang situation. The local construction industry is expected to contract by 3.2% in 2020 due to lower property demand and disruption in construction activities following the COVID-19 pandemic and the lockdown measures. The Malaysian Government has continued to give higher priority to projects which have higher

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economic and social effects. Infrastructure development has been viewed by the Malaysian Government as the foundation to economic and social development. Accordingly, the local construction industry is expected to rebound in 2021 on the back of infrastructure activities with the Malaysian Government reiterating its position to continue implementing large scale infrastructure projects which have high multiplier effects including, but not limited to, ECRL and MRT2.

The annual growth in the local construction industry is expected to be at 5.0% during the period from 2022 to 2024. During this period, the growth in the construction industry in Malaysia is expected to be supported by buildings and infrastructures construction activities led by ongoing or upcoming mega projects such as the ECRL, Bandar Malaysia, Johor Bahru-Singapore Rail Transit System, Kuala Lumpur-Singapore High-Speed Rail, Klang Valley Double Track and Pan Borneo Highway. The implementation of various infrastructure projects and affordable housing schemes are expected to continue providing the foundation for growth in construction activities in Malaysia from 2022 to 2024. The size (revenue) of the construction industry in Malaysia is projected to reach RM77.29 billion in 2024. In 2019, the share of the real estate construction market as well as the civil engineering and special trade work market in the local construction industry stood at 44.7% and 55.3% respectively.

**Figure 3: Historical Size (Revenue) and Growth Forecast for the Real Estate Construction Market as well as the Civil Engineering and Special Trade Work Market in Malaysia, 2019-2024**

Year	Real Estate Construction		Civil Engineering and Special Trade Work	
	Size (Revenue) (RM billion)	Growth Rate (%)	Size (Revenue) (RM billion)	Growth Rate (%)
2019	29.59	-	36.66	-
2020 <sup>f</sup>	28.02	-5.3	36.11	-1.5
2021 <sup>f</sup>	28.57	2.0	38.19	5.8
2022 <sup>f</sup>	30.14	5.5	39.96	4.6
2023 <sup>f</sup>	31.65	5.0	41.96	5.0
2024 <sup>f</sup>	33.23	5.0	44.06	5.0

Notes: At constant 2015 prices; <sup>f</sup> denotes forecast

Sources: DOSM and Protégé Associates

#### 4.0 Competitive Landscape of the Construction Industry

The construction industry in Malaysia is regulated by the government, and it is mandatory for all contractors whether local or foreign to register with the Construction Industry Development Board Malaysia ("CIDB") before they participate in any construction works in Malaysia. The construction industry is highly competitive and fragmented with different grades of contractors capable of bidding for varying project according to their capabilities and levels of services. There are 3 main registration categories for registered contractors in Malaysia, namely the building construction category, the civil engineering construction category and the mechanical and electrical category. Contractors can register under one or more specialisation in each category depending on the intended construction activities that they are undertaking. As at 31 May 2020, there were 105,586 registered local contractors in Malaysia, each categorised by a grade ranging from G1 to G7.

**Figure 4: Number of Local Contractors in the Malaysian Construction Industry as at 31 May 2020**

Grade	Bidding Limit	Number of Contractors
G1	Not exceeding RM200,000	45,071
G2	Not exceeding RM500,000	23,082
G3	Not exceeding RM1,000,000	15,870
G4	Not exceeding RM3,000,000	4,955
G5	Not exceeding RM5,000,000	5,969
G6	Not exceeding RM10,000,000	2,056
G7	Unlimited	8,583

Source: CIDB

**Figure 5: G7-Registered Local Contractors by State as at 31 May 2020**

State	Number of G7-Registered Local Contractors
Johor	697
Kedah	219
Kelantan	156
Kuala Lumpur	2,378
Labuan	13
Melaka	181
Negeri Sembilan	168
Pahang	160

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State	Number of G7-Registered Local Contractors
Perak	258
Perlis	29
Pulau Pinang	523
Putrajaya	7
Sabah	656
Sarawak	672
Selangor	2,264
Terengganu	202

Source: CIDB

G7 contractors mainly comprise established contractors who are able to compete for and undertake projects of unlimited size as they have the required financial strength, track record, reputation and technical expertise to undertake larger scale projects. G7 contractors are able to undertake and manage the entire project on their own and may work with or sub-contract certain portion/process to smaller contractors to benefit from cost and time saving. They typically have existing work relationships and track record with many customers that they are able to leverage upon to attain new projects. Some would have been pre-qualified with certain of their customers, allowing them to participate in closed tenders, giving them an edge in winning the bid.

Contractors that participate in the local real estate construction market are typically registered under the B04 specialisation with CIDB. B04 specialisation refers to construction work on building. Among the registered local contractors, 105,049 local contractors or 99.5% of total local contractors in Malaysia are registered under the B04 specialisation as at 31 May 2020. Hence, the level of competition in the local real estate construction market is high.

**Figure 6: Local Contractors Registered under the B04 Specialisation by Grade in Malaysia as at 31 May 2020**

Grade	Number of Contractors	% of Total
G1	44,982	42.8
G2	22,892	21.8
G3	15,778	15.0
G4	4,905	4.7
G5	5,927	5.6
G6	2,038	1.9
G7	8,527	8.1

Source: CIDB

#### 4.1 Industry Players Analysis

Industry players involved in the construction of buildings in Malaysia are typically registered with CIDB under the B04 specialisation. TCS Construction Sdn Bhd and TCS Bina Sdn Bhd, two wholly-owned subsidiaries of TCS, are registered contractors under various specialisations but most of their projects are categorised under the B04 specialisation.

As at 31 May 2020, there were 8,583 registered G7 contractors in Malaysia. For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with TCS:

- have an existing order book of within RM100 million from TCS' order book as at 31 December 2018;
- is on the Official List of Bursa Malaysia Securities Berhad;
- registered as a G7 contractor or have at least a subsidiary that is a G7 contractor with CIDB with the B04 specialisation; and
- derived more than 50% of its revenue from construction activities.

The criteria is used to further narrow down the list of industry players (from the total 8,583 registered local G7 contractors in Malaysia as at 31 May 2020) that can be selected for comparison with TCS. The criteria are used in order to select industry players that are deemed to be more similar to TCS in terms of upcoming revenue, type of company and principal activities of business entity. Given that TCS has an order book of RM657.1 million for its financial year ended ("FYE") 31 December 2018, the size of order book generated by comparable industry players is between RM557.1 million and RM757.1 million to allow for comparison with its counterparts that stand to generate upcoming revenue in the near and middle term which is closer to the one generated by TCS. We have selected existing public listed industry players for comparison purpose. Besides that, the use of the criteria for the inclusion of G7 contractor (or with at least a subsidiary that is a G7 contractor) with specialisation in B04 category enables the selection of its competing peers for the same type and value of construction jobs. In addition, the selected industry players must also be principally involved in the provision of construction services with more than 50% of their revenue derived from construction activities to be more comparable with TCS.

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After taking into consideration the above criteria, Protégé Associates has selected 3 industry players namely Gagasan Nadi Cergas Berhad ("Gagasan"), GDB Holdings Berhad ("GDB") and Inta Bina Group Berhad ("Inta Bina") for comparison purpose. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive. The list of industry players only serves as a reference for readers.

#### Gagasan Nadi Cergas Berhad

Gagasan is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company, and through its subsidiaries is involved in business activities such as construction of buildings, infrastructures and related facilities, property development, a concessionaire for building construction and provision of facility management services for student hostels and operation of a district cooling system including thermal energy storage tank and related facilities for the supply of chilled water. The order book of Gagasan stood at RM737.3 million as at 18 February 2019. For the financial year ended ("FYE") 31 December 2018, the construction segment of Gagasan recorded revenue of RM270.3 million or 90.1% of its total revenue of RM300.1 million.

#### GDB Holdings Berhad

GDB is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiary, Grand Dynamic Builders Sdn Bhd is the provision of construction services. On 1 October 2019, GDB and its subsidiary, Grand Dynamic Builders Sdn Bhd completed the acquisition of 70% equity interest in Eco Geotechnics Sdn Bhd, a company that is principally involved in providing services as a construction contractor specialising in geotechnical and foundation engineering works. The order book of GDB stood at RM579.4 million as at 31 December 2018. As at 31 December 2019, the order book of GDB stood at RM1.15 billion. For FYE 31 December 2019, all of GDB's revenue amounting to RM322.8 million was derived from its construction activities.

#### Inta Bina Group Berhad

Inta Bina is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activities of its subsidiary, Inta Bina Sdn Bhd are securing and carrying out construction contracts. The unbilled order book of Inta Bina stood at approximately RM650 million as at 31 December 2018. As at 31 December 2019, the unbilled order book of Inta Bina stood at approximately RM600 million. For FYE 31 December 2019, all of Inta Bina's revenue amounting to RM411.6 million was derived from its construction activities.

**Figure 7: Comparison between TCS and Selected Industry Players in the Construction Industry in Malaysia**

Indicator	TCS	Gagasan	GDB	Inta Bina
Information from FYE	31-12-2019	31-12-2018	31-12-2019	31-12-2019
Revenue (RM'000)	358,424	300,092	322,767	411,613
Profit/(Loss) before Tax (RM'000)	21,912	45,635	37,723	29,832
Profit/(Loss) after Tax (RM'000)	15,657	32,792	28,814	22,448
Non-current Assets (RM'000)	26,608	696,126	29,108	51,877
Current Assets (RM'000)	134,762	213,110	201,617	340,559
Non-current Liabilities (RM'000)	14,716	395,512	1,879	9,216
Current Liabilities (RM'000)	104,768	130,659	105,506	246,400
Working Capital <sup>1</sup> (RM'000)	29,994	82,451	96,111	94,159
Profit/(Loss) before Tax Margin <sup>2</sup> (%)	6.1	15.2	11.7	7.2
Current Ratio <sup>3</sup> (times)	1.29	1.63	1.91	1.38
Asset Turnover <sup>4</sup> (times)	2.22	0.33	1.40	1.05

**Notes:**

The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area

<sup>1</sup> Working Capital = Current Assets – Current Liabilities

<sup>2</sup> Profit before Tax Margin = Profit before Tax / Revenue

<sup>3</sup> Current Ratio = Current Assets / Current Liabilities

<sup>4</sup> Asset Turnover = Revenue / (Non-Current Assets + Current Assets)

Sources: TCS, Bursa Malaysia Securities Berhad and Protégé Associates



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#### 4.2 TCS' Market Share Analysis

For FYE 31 December 2019, TCS generated revenue of RM358.4 million, equivalent to 0.5% share of the total size (revenue) of the construction industry in Malaysia of RM66.25 billion in 2019. TCS' revenue of RM358.4 million generated from building construction activities for FYE 31 December 2019 was equivalent to 1.2% share of the real estate construction market in Malaysia of RM29.59 billion in 2019.

#### 5.0 Demand Conditions

**Figure 8: Demand Conditions Affecting the Construction Industry in Malaysia, 2020-2024**

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2020-2021	2022-2023	2024
+	Government-Led Initiatives and Spending	High	High	High
+	A Favourable Interest Rate Environment	High	High	Medium
+	Increasing Push for Private Sector Participation via Funding and Investment Structures	Low	Medium	Medium
+	Steady Population Growth	Low	Low	Low
-	Subdued Property Demand and Slower or Lesser Construction Activities Due to the COVID-19 Pandemic and Lockdown Measures	High	Low	Low
-	Persistent Property Overhang Situation	Medium	Medium	Low
-	Stringent Policies Dampening Growth in the Property Market	Low	Medium	Medium

Source: Protégé Associates

Around half of the revised RM220 billion development allocation earmarked under the 11MP is for developing infrastructure that can spur more construction activities. The Construction Industry Transformation Programme introduced by the Malaysian Government is also providing a clear policy direction in driving the local construction industry forward. The private sector is also expected to play a more active role, both directly and indirectly, in the future development of the construction industry in Malaysia by participating in crowdfunding platforms to provide housing schemes and the formation of infrastructure related real estate investment trusts.

The overnight policy rate in Malaysia has been relatively low and trending downward. It had been revised downward 3 times thus far in 2020 from 3.00% to 2.75% on 22 January 2020, from 2.75% to 2.50% on 3 March 2020 and from 2.50% to 2.00% on 5 May 2020. This can help to keep borrowing cost at a relatively low level to spur more demand for properties. Besides that, total population of Malaysia which stood at 28.6 million in 2010 is projected to grow steadily to reach 41.5 million in 2040 leading to higher demand for housing which is one of life's basic necessities. These 2 demand conditions can drive the demand for properties leading to higher building construction activities.

On the flip side, the COVID-19 pandemic and lockdown measures have dampened consumer demand for property with the prohibition on close contact due to social distancing measures further limiting property marketing and sales activities. Besides that, there are disruptions in construction supply chain and activities during the lockdown measures period leading to slower recognition of revenue and the possible postponement of some new construction projects. Furthermore, a worksite needs to be closed if just one worker is tested positive for COVID-19. Moreover, restrictive measures such as increase in the real property gain tax ("RPGT") for disposal of properties or shares in a real property company in the sixth and subsequent years from 5% to 10% for companies, non-citizens and non-permanent residents, as well as from 0% to 5% for Malaysian citizens and permanent residents (with exemption provided on low cost, low-medium and affordable houses with prices below RM200,000) are expected to continue and reduce the rate of growth in the property market with potentially lesser number of property transactions expected to be registered moving forward. Nonetheless, the property market has received a temporary breather following the recent decision from the Malaysian Government to re-introduce the Home Ownership Campaign ("HOC") with stamp duty exemption on instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 and RM2.5 million subject to at least 10% discounts provided by the developer (exemption on the instrument of transfer is limited to the 1<sup>st</sup> RM1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1 June 2020 and 31 May 2021). The current 70% margin financing limit applicable for the 3<sup>rd</sup> housing loan onwards for property valued at RM600,000 and above is uplifted during the period of the HOC subject to internal risk management practices of financial institutions. In addition, there is also an RPGT exemption for Malaysians for the disposal of up to 3 units of residential home per individual between 1 June 2020 and 31 December 2021. Meanwhile, the property overhang situation in Malaysia continued to persist although the combined overhang residential, shop and industrial units decreased from 38,551 units in 2018 to 37,968 units in 2019. In 2020Q1, the

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combined overhang residential, shop and industrial units stood at 37,078 units. This development may place property developers in a more difficult position in launching new property projects in the future, leading to lesser demand for construction services.

### 6.0 Supply Conditions

**Figure 9: Supply Conditions Affecting the Construction Industry in Malaysia, 2020-2024**

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2020-2021	2022-2023	2024
+	CIDB Providing the Necessary Leadership in Spearheading the Development of the Local Construction Industry	High	High	High
+	Activism by Master Builders Association Malaysia ("MBAM") Raising Profile and Pushing for the Betterment of the Construction Industry in Malaysia	High	High	High
+	Strengthened Mechanism to Address Payment Disputes and Facilitate Adjudication	Medium	Medium	Medium
-	Labour Shortage and High Dependency on Foreign Workers	High	High	High
-	Challenging Operating Environment Due to the COVID-19 Pandemic and Lockdown Measures	Medium	Low	Low
-	Lack of Traction in the Adoption of Industrialised Building System ("IBS") Construction	Medium	Medium	Low

Source: Protégé Associates

On the supply side, both CIDB and MBAM have been working hard to increase the profile and growth of the local construction industry. CIDB has already developed the industry blueprint, Construction Industry Transformation Programme that outlines strategic goals and milestones to bring the local construction industry to the next level as highlighted in the 11MP covering the period from 2016 to 2020. MBAM can count on a relatively large pool of industry stakeholders such as contractors and building material suppliers as its members and it is widely considered as the voice of the construction industry in Malaysia. It helps to promote, enhance, protect and safeguard the interests of its members. More importantly, MBAM acts as a single collective voice for the local construction industry when engaging with policy makers and relevant government bodies – leading to an increase in bargaining power. It has been actively conducting dialogues with the Malaysian Government to find ways to resolve various issues faced by the local construction industry. The introduction of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") and the establishment of specialised construction courts in Malaysia have also helped to alleviate the prevalent and pervasive practice of delayed, underpayment and/or non-payment for works carried out under a construction contract in Malaysia.

On the other hand, the labour-intensive local construction industry has continued to grapple with labour shortage. Most locals shun these jobs as they view them as dangerous, dirty and difficult, and they expect higher wages. Therefore, the construction industry has been relying heavily on foreign workers. It does not help that policies on foreign workers have been constantly under close scrutiny and are vulnerable to frequent changes particularly on levy rates and number of foreign workers allowed to work in Malaysia. Due to the COVID-19 pandemic and lockdown measures, local construction industry players already incurred holding cost, loss and expenses for not being able to proceed with construction works. For those that are allowed to operate, they incur additional costs for executing strict health and safety regulations, enhanced sanitisation at the workplace and/or urgent COVID-19 testing for their foreign workers. Nonetheless, construction industry players stand to get temporary relief from certain contractual obligation(s) for a certain period as the COVID-19 (Temporary Measures) Bill is expected to be tabled at the July 2020 Parliament session by the Malaysian Government. There is also a lack of mass adoption of IBS by the local construction industry. It is hard for construction industry players to obtain meaningful economies of scale that can lead to economic viability. There is also a lack of standardisation of IBS in Malaysia as customised components for one project may not necessarily fit into another project leading to higher costs incurred for new mould and design. Besides that, design consultants are not adequately trained or fully equipped to undertake IBS design related tasks. Furthermore, there is limited number of construction industry players that are ready to fully prepare themselves for an IBS-driven environment.

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**7. THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**

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**7.0 Prospect and Outlook of the Construction Industry in Malaysia**

Factors boosting growth within the construction industry is likely to come from the government-led initiatives and spending particularly those relating to infrastructure and housing development, a favourable interest rate environment, more participation from the private sector via funding and investment structures and steady population growth. However, stringent policies imposed on the property market by the Malaysian Government and deteriorating property overhang situation are expected to reduce growth in the property market, a key source of demand for construction activities although this is expected to be cushioned by ongoing efforts by the Malaysian Government in providing housing for all.

On the supply side, the industry is expected to be boosted by efforts from industry bodies such as CIDB and MBAM by providing necessary leadership in spearheading the development of the local construction industry as well as raising profile and pushing for the betterment of the construction industry in Malaysia. In addition, the introduction of the CIPAA has also served as a strengthened mechanism to address payment disputes and facilitate adjudication within the industry. However, the Malaysian construction industry is expected to be hampered by labour shortage and high dependency on foreign workers, challenging operating environment due to the COVID-19 pandemic and lockdown measures as well as the lack of traction in the adoption of IBS construction.

Overall, the construction industry in Malaysia is expected to contract in 2020 before making a positive recovery in 2021. Protégé Associates projects the size (revenue) of the construction industry in Malaysia to increase from RM66.25 billion in 2019 to RM77.29 billion in 2024, registering a CAGR of 3.1%.

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