11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the Financial Years / Period Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the Financial Years / Period Under Review.

You should read the historical audited combined financial information below together with:-

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and

- Accountants' Report set out in Section 12 of this Prospectus.

The historical audited combined financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

(a) Historical audited combined statements of comprehensive income of our Group

	<------ Audited	------	------>	Unaudited	Audited
	FYE 2017 RM'000	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FPE 2019 RM'000**	**FPE 2020 RM'000**
Revenue	171,153	266,872	221,172	160,122	104,226
Cost of sales	(146,969)	(233,452)	(182,024)	(131,184)	(86,471)
GP	**24,184**	**33,420**	**39,148**	**28,938**	**17,755**
Other income	800	1,737	2,904	2,413	4,785
Administrative expenses	(10,250)	(9,650)	(10,692)	(7,774)	(7,175)
Operating profit	14,734	25,507	31,360	23,577	15,365
Finance cost	(2,152)	(3,374)	(3,738)	(2,664)	(2,645)
Share of results of associates, net of tax	(69)	(35)	(18)	(18)	-
PBT	**12,513**	**22,098**	**27,604**	**20,895**	**12,720**
Income tax expense	(3,950)	(7,277)	(7,470)	(5,324)	(3,501)
PAT	**8,563**	**14,821**	**20,134**	**15,571**	**9,219**
Other comprehensive (loss) / income	(156)	(364)	409	316	44
Total comprehensive income for the financial year	**8,407**	**14,457**	**20,543**	**15,887**	**9,263**
PAT attributable to:					
- Owners of the Company	6,356	13,424	18,439	14,573	8,644
- Non-controlling interests	2,207	1,397	1,695	998	575
	8,563	**14,821**	**20,134**	**15,571**	**9,219**

	<--------------------- Audited	---------------->		Unaudited	Audited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
GP margin[(1)] (%)	14.13	12.52	17.70	18.07	17.04
PBT margin[(2)] (%)	7.31	8.28	12.48	13.05	12.20
PAT margin[(3)] (%)	5.00	5.55	9.10	9.72	8.85
Effective tax rate[(4)] (%)	31.57	32.93	27.06	25.48	27.52
Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")[(5)] (RM'000)	29,026	44,628	48,825	36,455	26,899
Assumed number of Shares in issue[(6)] ('000)	538,100	538,100	538,100	538,100	538,100
Basic and diluted EPS[(7)] (sen)	1.18	2.49	3.43	2.71	1.61

Notes:-

(1) GP margin is calculated based on GP divided by revenue.

(2) PBT margin is calculated based on PBT divided by revenue.

(3) PAT margin is calculated based on PAT divided by revenue.

(4) Effective tax rate is calculated based on income tax expense divided by PBT.

(5) EBITDA is calculated as follows:-

	<--------------------- Audited	---------------->		Unaudited	Audited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PBT	12,513	22,098	27,604	20,895	12,720
Adjusted for:					
Finance cost	2,152	3,374	3,738	2,664	2,645
Depreciation	14,683	19,719	17,896	13,219	11,860
Interest income	(322)	(563)	(413)	(323)	(326)
EBITDA	**29,026**	**44,628**	**48,825**	**36,455**	**26,899**

(6) The assumed number of Shares in issue after our Public Issue.

(7) Basic EPS is calculated based on PAT attributable to owners of the Company divided by the assumed number of Shares in issue. Diluted EPS are the same as basic EPS as there were no potential dilutive ordinary shares existing during the respective years / periods.

11. FINANCIAL INFORMATION (Cont'd)

(b) Historical audited combined statements of financial position of our Group

	<---- Audited ----			---->
	<---- As at 31 August		---->	As at
	2017	2018	2019	31 May 2020
	RM'000	RM'000	RM'000	RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	49,271	59,123	53,135	48,924
Investment properties	5,275	9,320	4,727	4,667
Investment in an associate	53	-	-	-
Deferred tax assets	381	164	123	-
Trade and other receivables	11,167	15,003	20,368	20,220
TOTAL NON-CURRENT ASSETS	**66,147**	**83,610**	**78,353**	**73,811**
CURRENT ASSETS				
Current tax assets	1,317	538	424	1,378
Trade and other receivables	81,264	70,291	63,639	40,442
Contract assets	14,773	49,486	72,885	62,423
Other current assets	1,128	677	1,472	2,183
Cash and short-term deposits	13,246	17,951	12,739	19,832
	111,728	138,943	151,159	126,258
Non-current asset held for sale	-	18	-	-
TOTAL CURRENT ASSETS	**111,728**	**138,961**	**151,159**	**126,258**
TOTAL ASSETS	**177,875**	**222,571**	**229,512**	**200,069**
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY				
Invested equity	3,300	3,300	3,300	3,300
Retained earnings	52,611	58,523	75,632	84,291
Exchange reserve	(48)	(258)	11	20
	55,863	61,565	78,943	87,611
Non-controlling interests	1,872	3,038	4,748	5,343
TOTAL EQUITY	**57,735**	**64,603**	**83,691**	**92,954**
NON-CURRENT LIABILITIES				
Loans and borrowings	21,020	28,349	20,708	20,615
Employee benefits	336	398	709	741
Deferred tax liabilities	657	1,307	1,943	2,396
Trade payables	2,169	3,628	3,058	2,412
TOTAL NON-CURRENT LIABILITIES	**24,182**	**33,682**	**26,418**	**26,164**
CURRENT LIABILITIES				
Loans and borrowings	26,320	37,515	45,561	36,901
Provisions	3,760	3,760	3,760	-
Current tax liabilities	1,484	2,713	878	731
Trade and other payables	57,910	61,492	66,932	43,240
Contract liabilities	6,484	18,806	2,272	79
TOTAL CURRENT LIABILITIES	**95,958**	**124,286**	**119,403**	**80,951**
TOTAL LIABILITIES	**120,140**	**157,968**	**145,821**	**107,115**
TOTAL EQUITY AND LIABILITIES	**177,875**	**222,571**	**229,512**	**200,069**

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:-

(i) as at 3 August 2020, after taking into account the Acquisitions but before Public Issue and use of proceeds; and

(ii) after adjusted for the proceeds arising from our Public Issue and use of proceeds from Public Issue.

	(Unaudited) As at 3 August 2020 RM'000	**After Public Issue and use of proceeds RM'000**
Indebtedness:		
<u>Current</u>		
Secured and guaranteed		
Term loans	303	303
Bank overdrafts	-	-
Bankers' acceptances	16,654	16,654
Invoice financing	1,891	1,891
Promissory notes	7,873	7,873
Lease liabilities	13,091	4,727
	39,812	**31,448**
<u>Non-current</u>		
Secured and guaranteed		
Term loans	8,741	1,141
Lease liabilities	18,645	10,345
	27,386	**11,486**
Total indebtedness	**67,198**	**42,934**
Shareholders' equity	88,105	129,669
Total capitalisation and indebtedness	**155,303**	**172,603**
Gearing ratio (times)*	0.76	0.33

Note:-

* Computed based on total indebtedness over our shareholders' equity.

The contingent liabilities of our Group are set out in Section 11.3.10(vi) of this Prospectus.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of our Group's financial conditions and results of operations in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus. The management's discussion and analysis contain data derived from our historical audited combined financial statements.

Overview of Business Operations

Our Group's principal business activities are in foundation and basement construction. A small proportion of our business is in rental of construction machinery and equipment. We specialise in foundation construction namely bored piling which is used to support buildings as well as elevated highways and rail infrastructure. We also carry out basement construction mainly for underground car parks. Within foundation and basement construction, we also construct retaining walls which are stabilising structures built to hold back the pressure of soil and/or water for basement walls as well as tunnels.

We have established ourselves as a foundation construction specialist in bored piling and diaphragm wall construction for buildings and infrastructures with approximately 19 years track record in Malaysia. In addition, we have our foundation construction operations in Jakarta, Indonesia with approximately 6 years of track record providing bored piling for buildings and infrastructure.

Please refer to Section 6 of this Prospectus for further details on our business overview and operations.

Results from Operations

Below are analyses of our financial results for the Financial Years / Period Under Review segmented by:-

(i) Business activities; and

(ii) Geographical markets.

11.3.1 Segmental Analysis by Revenue

Our main revenue stream is derived from foundation and basement construction. Generally, the scope of our work is as follows:-

(i) Foundation construction: we mainly carry out bored piling works to serve as the foundation to support buildings as well as elevated highways and rail infrastructure. We also construct retaining walls which are stabilising structures to hold back the pressure of soil and/or water for basement walls and tunnels; and

(ii) Basement construction: we carry out basement construction mainly for underground car parks. Within basement construction, our scope of work includes, among others, foundation construction consisting of bored piling works and retaining wall as well as basement excavation and RC works.

Revenue from our foundation and basement construction contracts are recorded based on stage of completion method. The stage of completion is measured based on the proportion of contract cost incurred for work performed to date in reference to the estimated total contract cost. Meanwhile, our revenue derived from rental of construction machinery and equipment is based on a straight-line apportionment over the period of the lease.

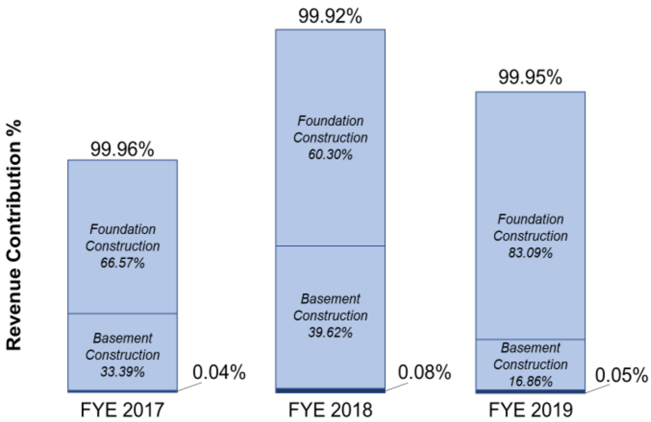
11. FINANCIAL INFORMATION (CONT'D)

Our total revenue grew from RM171.15 million for the FYE 2017 to RM221.17 million for the FYE 2019, which represented a CAGR of 13.68%.

In the FYE 2019 and FPE 2020, revenue from foundation and basement construction was RM221.05 million and RM104.22 million, representing 99.95% and 99.99% of our total revenue respectively.

The remainder of RM0.12 million and approximately RM9,000 (0.05% and 0.01% of our total revenue) for the FYE 2019 and FPE 2020 respectively was generated from rental of construction machinery and equipment to external parties.

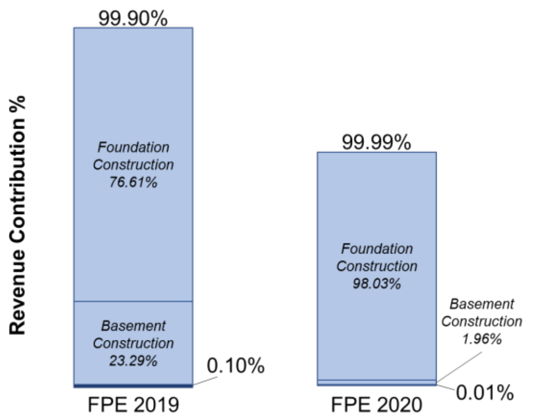
Revenue contribution by business activities



	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000
Foundation and Basement Construction	171,079	266,663	221,055
Other Related Business	74	209	117
Total Group Revenue	171,153	266,872	221,172

Within foundation and basement construction segment, revenue derived from foundation construction was RM183.75 million and RM102.18 million, representing 83.09% and 98.03% of our total revenue for the FYE 2019 and FPE 2020 respectively. This was generated from our Malaysia and Indonesia operations. Our revenue from foundation construction increased at a CAGR of 27.00% between FYE 2017 and FYE 2019.

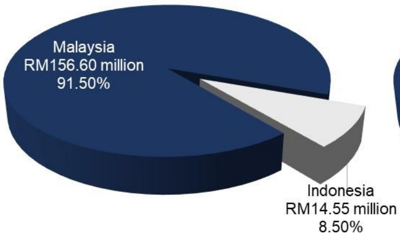
Meanwhile, RM37.30 million or 16.86% of our total revenue in the FYE 2019 was generated from basement construction. This was generated from our Malaysia operations. Our revenue from basement construction grew from RM57.14 million in the FYE 2017 to RM105.74 million in the FYE 2018 before decreasing to RM37.30 million in the FYE 2019. While for the FPE 2020, revenue from basement construction was RM2.04 million or 1.96% of our total revenue.



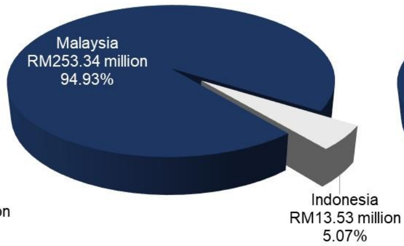
	FPE 2019 RM'000	FPE 2020 RM'000
Foundation and Basement Construction	159,959	104,217
Other Related Business	163	9
Total Group Revenue	160,122	104,226

Please refer to Section 11.3.1(i) of this Prospectus for further year-on-year analysis on revenue by business activities.

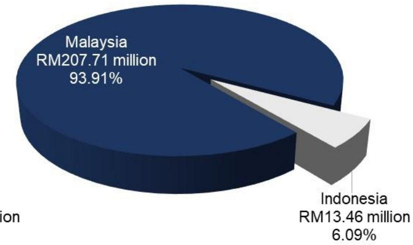
For the Financial Years / Period Under Review, our revenue from Malaysia and Indonesia is summarised below:-



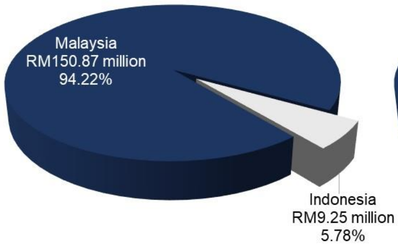
FYE 2017 Total revenue = RM171.15 million



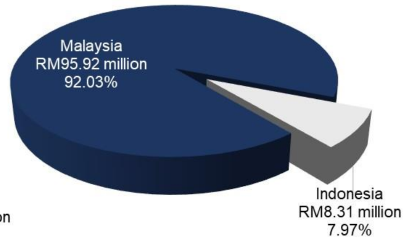
FYE 2018 Total revenue = RM266.87 million



FYE 2019 Total revenue = RM221.17 million



FPE 2019 Total revenue = RM160.12 million



FPE 2020 Total revenue = RM104.23 million

Our construction activities in Malaysia are transacted with revenue reported in Ringgit Malaysia (RM). Meanwhile, our construction activities in Indonesia are transacted with revenue reported in Indonesian Rupiah (IDR).

Generally, the nature of contracts secured in these 2 countries differs specifically on the supply and procurement of construction materials. The differences in the contracts secured for the Financial Years / Period Under Review and up to LPD are as follows:-

(i) Malaysia operations: Our contracts include procurement of construction materials, supply of construction machinery and equipment, as well as labour to carry out construction works; and

(ii) Indonesia operations: Our contracts mainly include supply of construction machinery and equipment as well as labour to carry out the foundation construction. It excludes procurement of construction materials which are supplied by our customers.

For the Financial Years / Period Under Review, the average foreign currency exchange rates used in our audited combined statements of comprehensive income to convert values denominated in IDR to RM are as follows:-

	<---------------------- Audited	-----------------	------------------>	Unaudited	Audited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2019**	**FPE 2020**
Exchange rate of RM per IDR100	RM0.032589	RM0.028315	RM0.028786	RM0.028611	RM0.029280
Change in value of IDR relative to RM compared to previous FYE / FPE[(1)]	-	-13.11%	1.66%	-	2.34%

Note:-

(1) A negative change in value indicates that the value of the IDR decreased or depreciated relative to the RM, while a positive change in value indicates that the value of the IDR increased or appreciated relative to the RM.

Please refer to Section 11.3.1(ii) of this Prospectus for further year-on-year analysis on revenue by geographical markets.

11. FINANCIAL INFORMATION (CONT'D)

(i) Revenue by business activities

The table below presents the breakdown of our total revenue by business activities:-

	<----------Audited				---------->		<----Unaudited---->		<------Audited------>	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Foundation and Basement Construction	**171,079**	**99.96**	**266,663**	**99.92**	**221,055**	**99.95**	**159,959**	**99.90**	**104,217**	**99.99**
Foundation construction	113,938	66.57	160,928	60.30	183,758	83.09	122,662	76.61	102,177	98.03
Basement construction	57,141	33.39	105,735	39.62	37,297	16.86	37,297	23.29	2,040	1.96
Other Related Business	**74**	**0.04**	**209**	**0.08**	**117**	**0.05**	**163**	**0.10**	**9**	**0.01**
Rental of construction machinery and equipment	74	0.04	209	0.08	117	0.05	163	0.10	9	0.01
Total	**171,153**	**100.00**	**266,872**	**100.00**	**221,172**	**100.00**	**160,122**	**100.00**	**104,226**	**100.00**

(a) FYE 2018 compared to FYE 2017

Our total revenue increased by 55.93% or RM95.72 million to RM266.87 million in the FYE 2018, which was mainly contributed by our foundation and basement construction segments.

Foundation Construction

Our revenue from foundation construction increased by 41.24% or RM46.99 million to RM160.93 million in the FYE 2018. This reflected an increase in the levels of our construction activities associated with greater proportion of projects with higher activities of foundation construction works in the FYE 2018. In the context of the Management's Discussion and Analysis in this Section 11, higher activities generally refer to a higher proportion of work done in the respective financial year.

Some of the projects that had higher activities in the FYE 2018 are as follows:-

(i) BBCC Project's revenue increased by RM31.86 million from the commencement of retaining wall construction and bored piling works for Parcels 4 and 5 as well as higher activities of construction works for Parcel 1 of this project;

(ii) UOB Tower 2 Project's revenue increased by RM22.48 million from higher activities of bored piling and retaining wall construction works;

(iii) Bangsar 61 Project's revenue increased by RM14.45 million from higher activities of bored piling and retaining wall construction works where the project was completed in March 2018 with the issuance of CPC; and

(iv) HSBC Malaysia @ TRX Project's revenue increased by RM13.35 million from higher activities of retaining wall construction works as well as commencement of bored piling works in the FYE 2018.

The increase was also partly contributed by revenue of RM32.46 million from the commencement of various foundation construction projects in the FYE 2018. This mainly includes Menara Hap Seng 3 Project, MRT 2 Project, and Scarletz Suites @ KLCC Project.

The above increase in revenue of our foundation construction segment was partially offset by a decrease in revenue by RM71.94 million. This was mainly due to the following projects which recorded lower activities of foundation construction in the FYE 2018 combined with low or no revenue recorded from projects previously completed in the FYE 2017:-

(i) Some of the projects with lower activities of foundation construction works in the FYE 2018 mainly include Nidoz Residences Project and Rica Residence Project, both of which were completed in the FYE 2018. Revenue from this type of projects collectively decreased by RM37.39 million in the FYE 2018; and

(ii) Some of the projects previously completed in the FYE 2017 that recorded low or no revenue in the FYE 2018 mainly include Sunshine Tower Project, One Maxim Project, Wawasan Metro Project, Medini 10 Project, and NPE Interchange Project. Revenue from this type of projects collectively decreased by RM34.54 million in the FYE 2018.

Basement construction

Our revenue from basement construction segment increased by 85.04% or RM48.59 million to RM105.73 million in the FYE 2018. This was mainly contributed by the following:-

(i) 2 projects with higher activities of basement construction works in the FYE 2018 namely Sentral Suites Project and Pavilion Ceylon Hills Project where its revenue increased by RM35.92 million and RM17.85 million in the FYE 2018 respectively; and

(ii) Revenue contribution of RM10.50 million from 8th & Stellar @ Sri Petaling Project which commenced construction in the FYE 2018.

The above increase in revenue from basement construction segment was partially offset by a decrease in revenue by RM16.05 million. This was due to completion as well as lower activities of basement construction works from the Bukit Jalil City Project and MAIWP HQ Project in the FYE 2018.

Other Related Business

Revenue from rental of construction machinery and equipment grew by RM0.14 million to RM0.21 million in the FYE 2018 due to rental of an additional unit of excavator to a new customer.

(b) FYE 2019 compared to FYE 2018

Our total revenue decreased by 17.12% or RM45.70 million to RM221.17 million in the FYE 2019 which was mainly due to a decrease in activity levels of completed projects from our basement construction segment.

Basement construction

Revenue from our basement construction segment decreased by 64.73% or RM68.44 million to RM37.30 million in the FYE 2019. This was mainly due to the following:-

(i) Completion of 2 projects which resulted in lower activities in basement construction works in the FYE 2019, namely Sentral Suites Project and Pavilion Ceylon Hills Project. Revenue from Sentral Suites Project and Pavilion Ceylon Hills Project decreased by RM59.66 million and RM10.86 million in the FYE 2019 respectively; and

(ii) No revenue being recorded from MAIWP HQ Project and Bukit Jalil City Project in the FYE 2019 as both projects were completed in the FYE 2018.

The above decrease in revenue from our basement construction segment was partially offset by an increase in revenue by RM11.00 million from 8th & Stellar @ Sri Petaling Project contributed by its higher activities in basement construction works in the FYE 2019.

Foundation construction

The decrease in our total revenue in the FYE 2019 was partially offset by an increase in revenue from our foundation construction segment by 14.19% or RM22.83 million to RM183.76 million in the FYE 2019. The increase was mainly contributed by the commencement of the following foundation construction projects with a combination of bored piling and/or retaining wall construction projects:-

(i) Revenue contributions of RM120.33 million from commencement of various foundation construction projects in the FYE 2019, mainly from MET 5 @ KL Metropolis (Stage 1) Project, Infrastructure for Merdeka 118 Project, Belfield Tunnel Project, Platinum Arena Project, YouCity 3 Project, and Parkland Residence Project; and

(ii) The increase was also partly due to higher activities of foundation construction works for other projects in the FYE 2019 where revenue from this type of projects increased by RM29.75 million in the FYE 2019. This was mainly contributed by the MRT 2 Project from commencement of a new package of construction pertaining to secant pile wall.

The above increase in revenue from our foundation construction segment in the FYE 2019 was partially offset by a decrease in revenue of RM119.97 million. This was mainly due to the following:-

(i) Projects with lower activities of foundation construction works that were either completed and/or nearing completion in the FYE 2019. This mainly includes BBCC Project, UOB Tower 2 Project, Menara Hap Seng 3 Project and HSBC Malaysia @ TRX Project. Revenue from this type of projects collectively decreased by RM86.04 million in the FYE 2019; and

(ii) Projects previously completed in the FYE 2018 with low or no revenue recorded in the FYE 2019. This mainly includes Bangsar 61 Project, Nidoz Residences Project and Rica Residence Project. Revenue from these projects collectively decreased by RM33.93 million in the FYE 2019.

Other Related Business

In the FYE 2019, revenue from rental of construction machinery and equipment decreased by 44.02% or RM0.09 million to RM0.12 million in the FYE 2019 due to the end of a rental arrangement for 1 unit of excavator to a customer.

(c) FPE 2020 compared to FPE 2019

Foundation Construction

Our revenue from foundation construction decreased by 16.70% or RM20.49 million to RM102.18 million in the FPE 2020. This was mainly due to the suspension of our business operations and on-going foundation construction projects in Malaysia pursuant to the MCO which hindered the progress of our construction works.

In addition, there was a decrease in revenue of RM40.45 million from projects which were completed between September 2018 and August 2019 and this mainly includes Platinum Arena Project, Scarletz Suites @ KLCC Project as well as 4 bored piling packages from the MRT 2 Project. There was also a decrease in revenue from projects with lower activities of foundation construction works which were still on-going in the FPE 2020 including MET 5 @ KL Metropolis (Stage 1) Project, Infrastructure for Merdeka 118 Project and the secant pile wall construction package of the MRT 2 Project.

The revenue for the FPE 2020 was mainly derived from projects in Malaysia which commenced after the FPE 2019 and during the FPE 2020 and this mainly includes the Sunway South Quay (Parcel CP2) Project, Agile Embassy Garden Project, the non-piling works portion (diaphragm wall construction) of the MET 5 @ KL Metropolis (Stage 2) Project and a foundation construction project for a residential development in Kuala Lumpur.

Basement Construction

Our revenue from basement construction decreased by 94.53% or RM35.26 million to RM2.04 million in the FPE 2020 as there was no basement construction project secured during the financial period under review. In addition, save for the revenue of RM2.04 million below, no revenue from the basement construction segment was recorded as the Pavilion Ceylon Hills Project and 8^{th} & Stellar @ Sri Petaling Project were completed prior to the FPE 2020.

The revenue of RM2.04 million for the FPE 2020 was recorded upon obtaining the approved claims for additional works done on the Pavilion Ceylon Hills Project. This was based on the customer's request for additional depth of basement construction works with changes in construction method which differed from the original scope of work.

Other Related Business

Revenue from rental of construction machinery and equipment decreased by RM0.15 million to RM0.01 million in the FPE 2020 which was mainly due to the temporary suspension of the rental of a drilling rig by our customer.

(ii) Revenue by geographical markets

The table below presents the breakdown of our total revenue by geographical markets:-

	<----Audited----						<---Unaudited--->		<-----Audited----->	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	156,597	91.50	253,343	94.93	207,709	93.91	150,873	94.22	95,915	92.03
Indonesia	14,556	8.50	13,529	5.07	13,463	6.09	9,249	5.78	8,311	7.97
Total	**171,153**	**100.00**	**266,872**	**100.00**	**221,172**	**100.00**	**160,122**	**100.00**	**104,226**	**100.00**

(a) FYE 2018 compared to FYE 2017

Malaysia Operations

Revenue generated from our Malaysia operations grew by 61.78% or RM96.74 million to RM253.34 million in the FYE 2018. This was mainly attributed to a growth in revenue from foundation and basement construction segments.

Revenue from foundation and basement construction projects in Malaysia grew by 61.72% or RM96.61 million to RM253.14 million in the FYE 2018. This was mainly contributed by an increase in our levels of activities associated with higher activities of construction works and commencement of various projects in the FYE 2018. Please refer to Section 11.3.1(i)(a) of this Prospectus for further details on revenue analysis by business activities.

Indonesia Operations

Revenue from our Indonesia operations decreased by 7.06% or RM1.03 million to RM13.53 million in the FYE 2018. This was mainly due to the depreciation of the IDR relative to the RM. The analysis of revenue denominated in RM and IDR is as follows:-

Indonesia	**FYE 2017**	**FYE 2018**	***Growth Rate***
Revenue (RM'000)	14,556	13,529	-7.06%
Revenue (IDR'000)	44,664,583	47,779,544	6.97%
Exchange rate of RM per IDR100	RM0.032589	RM0.028315	-13.11%

Revenue denominated in IDR recorded an increase by 6.97% in the FYE 2018 due to the increase in revenue generated from foundation construction projects specifically bored piling works for highway infrastructure projects in Indonesia. This was mainly from the Bocimi Toll Road (Section 1) Project and Cisumdawu Toll Road (Phase 2) Project as we received more work orders on different packages and portion of the toll road development for both projects in the FYE 2018.

(b) FYE 2019 compared to FYE 2018

Malaysia Operations

Revenue generated from our Malaysia operations decreased by 18.01% or RM45.63 million to RM207.71 million in the FYE 2019, which was mainly attributed to our basement construction in Malaysia.

Revenue from basement construction decreased by 64.73% or RM68.44 million in the FYE 2019, mainly due to completion of 2 projects, namely Sentral Suites Project and Pavilion Ceylon Hills Project. Please refer to Section 11.3.1(i)(b) of this Prospectus for further details on revenue segmentation by business activities.

Nevertheless, the decrease in revenue from our Malaysia operations was offset by the increase in revenue from our foundation construction in Malaysia by 15.53% or RM22.90 million to RM170.30 million in the FYE 2019. This was mainly contributed by the commencement of foundation construction projects with a combination of bored piling and/or retaining wall construction works. Please refer to Section 11.3.1 for further details on revenue analysis.

Indonesia Operations

Revenue from our Indonesia operations decreased slightly by 0.49% or RM0.07 million to RM13.46 million in the FYE 2019. This was due to the decrease in revenue from our foundation construction projects in Indonesia despite a slight appreciation of the IDR relative to the RM.

The analysis of our revenue for our Indonesia operations denominated in IDR is as follows:-

Indonesia	FYE 2018	FYE 2019	*Growth rate*
Revenue (RM'000)	13,529	13,463	-0.49%
Revenue (IDR'000)	47,779,544	46,769,417	-2.11%
Exchange rate RM per IDR100	RM0.028315	RM0.028786	1.66%

Revenue denominated in IDR recorded a decrease by 2.11% in the FYE 2019. The decrease was mainly due to lower activities of construction work due to the completion and near completion of projects in Indonesia mainly including Bocimi Toll Road (Section 1) Project, Bakter Toll Road (Section 1) Project, and Cisumdawu Toll Road (Phase 2) Project.

This was partially offset by an increase in the revenue from the commencement of various new foundation construction projects including, among others, Istiqlal Mosque Project, DAPENBI Building Project, and Cimanggis-Cibitung Toll Road (Section 2) Project.

(c) FPE 2020 compared to FPE 2019

Malaysia Operations

Revenue from our Malaysia operations decreased by 36.43% or RM54.96 million to RM95.92 million for the FPE 2020. This was mainly due to the impact of COVID-19 and the MCO which resulted in a suspension of our business operations and on-going foundation construction projects in Malaysia. Please refer to Section 11.3.1(i)(c) of this Prospectus for further details on revenue analysis by business activities.

Indonesia Operations

Revenue from our Indonesia operations decreased by 10.14% or RM0.94 million to RM8.31 million in the FPE 2020. This was mainly due to the decrease in revenue from our foundation construction projects in Indonesia despite an appreciation of the IDR relative to the RM.

The analysis of our revenue for our Indonesia operations denominated in IDR is as follows:-

Indonesia	FPE 2019	FPE 2020	*Growth Rate*
Revenue (RM'000)	9,249	8,311	-10.14%
Revenue (IDR'000)	32,328,068	28,384,273	-12.20%
Exchange rate of RM per IDR100	RM0.028611	RM0.029280	2.34%

Revenue denominated in IDR decreased by 12.20% in the FPE 2020. This was mainly due to the completion of some of our foundation construction projects in Indonesia between September 2018 and August 2019 with no revenue recorded in the FPE 2020. These mainly include the completion of the DAPENBI Building Project, Bocimi Toll Road (Section 1) Project, Minangkabau International Airport Terminal Project and Infinity Building 2 Project.

The decrease in revenue was partially offset by the revenue contribution from foundation construction projects which commenced after the FPE 2019, including, among others, TTL Residence (North Tower) Project, Cikarang Underpass Project, Manggarai-Jatinegara Railway Project and Tanjung Barat Flyover Project.

11.3.2 Segmental analysis by GP and GP margin

Our total GP increased from RM24.18 million in the FYE 2017 to RM39.15 million in the FYE 2019, which represented a CAGR of 27.23% over the same period. Meanwhile, our total GP margin decreased from 14.13% in the FYE 2017 to 12.52% in the FYE 2018 and subsequently increased to 17.70% in the FYE 2019. Our total GP for FPE 2020 was RM17.76 million with a GP margin of 17.04%. Please refer to Section 11.3.2(i) for further details on year-on-year analysis on our GP and GP margin by business activities.

Performance of our GP margin may be affected by, among others, the following factors:-

(i) Type of construction projects secured in Malaysia where generally, the GP margin from our foundation construction segment is higher compared to our basement construction segment. This is mainly because certain proportion of the basement construction such as basement excavation works, basement RC works and M&E works has to be subcontracted to external parties or specialists;

(ii) Cost of materials due to fluctuations in the prices of construction materials such as steel materials and concrete;

(iii) Project planning or coordination that affects the efficiency and productivity at the construction site which may affect the timing of project completion for example, planning for mobilisation of construction equipment to coincide with the timing of construction activities. This may increase construction costs such as subcontractor costs, machinery and equipment related costs and site overhead costs;

(iv) Remedial works due to unforeseen circumstances will incur additional costs;

(v) Generally, GP margin from our Indonesia operations is higher than the GP margin obtained from our Malaysia operations for the Financial Years / Period Under Review.

This is mainly due to the fact that most of our Indonesian projects involved the supply of construction machinery and equipment, and labour, while construction materials are supplied by the customers. All of our Malaysia projects include the procurement of construction materials for the Financial Years / Period Under Review;

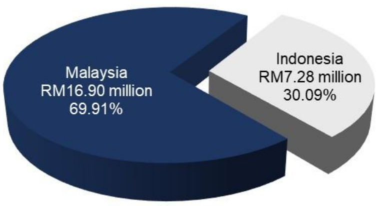
(vi) Using our own construction machinery and equipment will generally contribute to the cost savings for our projects as compared to the rental of construction machinery and equipment from external parties; and

(vii) Other factors may include the following:-

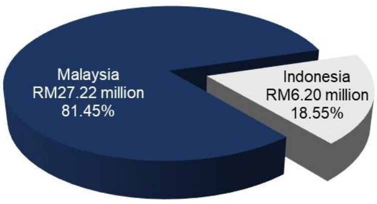
(a) timing of site handover by the project owner may result in additional costs due to waiting time; and

(b) wastage of construction materials.

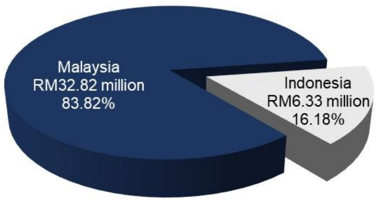
For the Financial Years / Period Under Review, our GP contributions from the Malaysia and Indonesia markets are summarised below:-



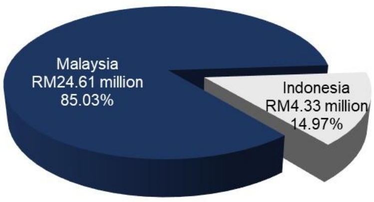
FYE 2017 Total GP = RM24.18 million



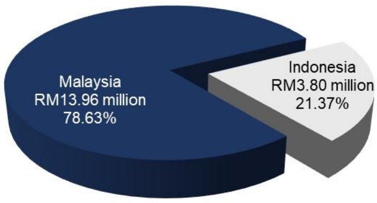
FYE 2018 Total GP = RM33.42 million



FYE 2019 Total GP = RM39.15 million



FPE 2019 Total GP = RM28.94 million



FPE 2020 Total GP = RM17.76 million

Please refer to Section 11.3.2(ii) of this Prospectus for further year-on-year analysis on GP and GP margin by geographical markets.

11. FINANCIAL INFORMATION (CONT'D)

(i) GP and GP margin by business activities

The table below presents the breakdown of our total GP and GP margin by business activities:-

	<---Audited---								--->	<---Unaudited---		--->	<---Audited---		--->
	FYE 2017			FYE 2018			FYE 2019			FPE 2019			FPE 2020		
	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin
Foundation and Basement Construction	**24,150**	**99.86**	**14.12%**	**33,294**	**99.62**	**12.49%**	**39,094**	**99.86**	**17.69%**	**28,841**	**99.66**	**18.03%**	**17,751**	**99.98**	**17.03%**
Foundation construction	21,227	87.77	18.63%	27,825	83.26	17.29%	41,361	105.65	22.51%	30,097	104.00	24.54%	15,970	89.95	15.63%
Basement construction	2,923	12.09	5.12%	5,469	16.36	5.17%	(2,267)	(5.79)	(6.08%)	(1,256)	(4.34)	(3.37%)	1,781	10.03	87.30%
Other Related Business	**34**	**0.14**	**45.95%**	**126**	**0.38**	**60.29%**	**54**	**0.14**	**46.15%**	**97**	**0.34**	**59.51%**	**4**	**0.02**	**45.08%[(1)]**
Rental of construction machinery and equipment	34	0.14	45.95%	126	0.38	60.29%	54	0.14	46.15%	97	0.34	59.51%	4	0.02	45.08%[(1)]
Total	**24,184**	**100.00**	**14.13%**	**33,420**	**100.00**	**12.52%**	**39,148**	**100.00**	**17.70%**	**28,938**	**100.00**	**18.07%**	**17,755**	**100.00**	**17.04%**

Note:-

(1) Based on revenue of RM9,000 with a GP of RM4,057.

(a) FYE 2018 compared to FYE 2017

Our total GP increased by 38.19% or RM9.24 million to RM33.42 million in the FYE 2018. However, our overall GP margin declined from 14.13% in the FYE 2017 to 12.52% in the FYE 2018. This was contributed by our foundation and basement construction segments.

Foundation Construction

Our GP from foundation construction segment increased by 31.08% or RM6.60 million in the FYE 2018, which was mainly contributed by the increase in GP contribution from projects with higher construction activities of RM14.43 million, as well as GP of RM5.26 million derived from projects that commenced in the FYE 2018, mainly as follows:-

(i) Our GP from the BBCC Project increased by RM4.72 million which was in line with an increase in revenue from the commencement of retaining wall construction and bored piling works for Parcels 4 and 5, coupled with higher construction activities for Parcel 1. The commencement of works for Parcels 4 and 5, which command a higher GP margin, contributed to an improvement in overall GP margin for this project in the FYE 2018. In addition, the improvement in GP margin was partly attributed to cost savings on materials and subcontracted works for Parcel 1;

(ii) Our GP from the Bangsar 61 Project increased by RM4.27 million which was in line with an increase in revenue from bored piling works and retaining wall construction for this project. The GP margin of this project improved, mainly attributed to cost savings on subcontracted works and site expenses during the FYE 2018; and

(iii) Total cumulative GP contribution of RM5.26 million in the FYE 2018 was contributed by the commencement of various projects, mainly from Menara Hap Seng 3 Project, Scarletz Suites @ KLCC Project and MRT 2 Project.

The increase in GP from our foundation construction segment for the FYE 2018 was partially offset by a decrease in GP of RM14.30 million. This was mainly attributed to some projects that were associated with lower activities of construction works due to their completion in the FYE 2018 as well as projects that were previously completed in the FYE 2017. Some of these projects include Sunshine Tower Project, Nidoz Residences Project, One Maxim Project, Wawasan Metro Project and Medini 10 Project.

The GP margin for our foundation construction segment declined from 18.63% in the FYE 2017 to 17.29% in the FYE 2018. This was partly due to the commencement of certain foundation construction projects with lower GP margins in the FYE 2018, arising partly from an increase in rental of construction machinery and equipment from external parties. In the FYE 2018, we rented certain types of construction machinery and equipment including crawler cranes, vibratory hammer, mobile cranes and rotary drilling rigs for the commencement of various foundation construction projects due to conflicting timing of completion for projects.

Basement construction

Our GP from basement construction increased by 87.10% or RM2.55 million in the FYE 2018. This was mainly contributed by 2 projects with higher activities of construction works, namely Sentral Suites Project and Pavilion Ceylon Hills Project, which were in line with the revenue growth from this segment. The GP margin from our basement construction segment increased slightly from 5.12% in the FYE 2017 to 5.17% in the FYE 2018.

Generally, GP margin from our basement construction segment was about 5% for the FYE 2017 and FYE 2018, which was lower compared to our foundation construction segment. The lower GP margin was mainly attributed to subcontractor costs while we focus on the physical construction of retaining wall and bored piling works. Some of the subcontracted construction works include site preparation and earthworks, basement excavation works, temporary support system, basement RC works and M&E works.

Other Related Business

GP from the rental of construction machinery and equipment grew from RM0.03 million in the FYE 2017 to RM0.13 million in the FYE 2018. This was in line with the revenue growth from this segment. The GP margin from this segment improved from 45.95% in the FYE 2017 to 60.29% in the FYE 2018 mainly due to the lower depreciation cost for the additional excavator that was rented out in the FYE 2018.

(b) FYE 2019 compared to FYE 2018

Our total GP increased by 17.14% or RM5.73 million to RM39.15 million in the FYE 2019, and our overall GP margin also improved from 12.52% in the FYE 2018 to 17.70% in the FYE 2019. The improvement was mainly contributed by our foundation construction segment.

Foundation Construction

Our GP from foundation construction segment increased by 48.65% or RM13.54 million in the FYE 2019. Our GP margin for this segment also improved from 17.29% in the FYE 2018 to 22.51% in the FYE 2019. The improvement in GP was mainly contributed by GP of RM25.89 million derived from projects that commenced in the FYE 2019 as well as increased GP contribution of RM4.60 million from the MRT 2 Project, as follows:-

(i) RM21.88 million out of the RM25.89 million in the FYE 2019 was contributed by the commencement of various projects in Malaysia, mainly from MET 5 @ KL Metropolis (Stage 1) Project, Infrastructure for Merdeka 118 Project, Belfield Tunnel Project, Platinum Arena Project, SPE (Section 2) Project, and Parkland Residence Project. The commencement of these projects achieved a higher GP margin which contributed to an improvement in the GP margin for our foundation construction segment. This was mainly contributed by project cost savings from using our own construction machinery and equipment for these projects as some of these said construction machinery and equipment have been fully depreciated. Generally, machinery and equipment cost forms part of the project cost. This is mainly in the form of depreciation and maintenance cost for our own construction machinery and equipment and / or rental cost of construction machinery and equipment from external parties. Fully depreciated machinery and equipment carry lower cost that covers only maintenance cost, and therefore this had contributed to an overall project cost saving as mentioned above; and

(ii) The increase in GP contribution of RM4.60 million from the MRT 2 Project was due to the commencement of a new package pertaining to the construction of a secant pile wall. Our GP margin from this project also improved in the FYE 2019 and this was mainly attributed to an additional variation order for a higher margin bored piling works.

The increase in GP from our foundation construction segment for the FYE 2019 was partially offset by a decrease in GP by RM17.70 million which was mainly due to the completion of various foundation construction projects. Some of these lower GP contribution projects in the FYE 2019 were mainly associated with lower activities of construction works due to project completion. In addition, some of these projects had no revenue and GP contributions in the FYE 2019 as these projects were completed in the FYE 2018. Some of these include BBCC Project, Bangsar 61 Project and Rica Residence Project in Malaysia as well as Bocimi Toll Road (Section 1) Project and Cisumdawu Toll Road (Phase 2) Project in Indonesia.

Basement Construction

The increase in our total GP in the FYE 2019 was partially offset by a decrease in GP from our basement construction segment by 141.45% or RM7.74 million to a gross loss of RM2.27 million in the FYE 2019. Our basement construction segment recorded a gross loss margin of 6.08% in the FYE 2019. This was mainly attributed to a gross loss of RM2.91 million recorded from the Sentral Suites Project in the FYE 2019. The gross loss for this project was mainly due to subcontractor costs for RC works, which were higher than budgeted when finalised upon project completion in October 2018. This was partly contributed by the consequential effects of the increase in steel prices in FYE 2018 as steel is one of the materials for RC works. This was shown in our average purchase price of steel bars which was 15.97% higher as compared to the earlier quoted price, which has resulted in an additional RM2.36 million in steel costs incurred for the said project. As a result of the increase in steel costs, the project's overall construction cost was higher than the budgeted cost. Despite the gross loss recorded in the FYE 2019, this project recorded positive GP overall.

Other Related Business

For the FYE 2019, GP from rental of construction machinery and equipment decreased from RM0.13 million in the FYE 2018 to RM0.05 million in the FYE 2019. This was in line with the decrease in revenue from this segment. The decrease in the GP margin from 60.29% in the FYE 2018 to 46.15% in the FYE 2019 was due to the end of the rental arrangement for the excavator which commanded a higher margin due to the lower depreciation cost.

(c) FPE 2020 compared to FPE 2019

Foundation Construction

Our GP from foundation construction segment declined by 46.94% or RM14.13 million to RM15.97 million in the FPE 2020. The GP margin from our foundation construction segment declined from 24.54% in the FPE 2019 to 15.63% in the FPE 2020. This was mainly due to the impact of COVID-19 and the MCO which resulted in a temporary suspension of our business operations and on-going projects in Malaysia. Our GP of RM15.97 million for the FPE 2020 was mainly contributed by some of the projects which commenced after the FPE 2019 and during the FPE 2020 as mentioned earlier, as well as 2 projects which had higher activities in the FPE 2020, namely Belfield Tunnel Project and SUKE (Package CA2) Project.

The decrease in GP margin was mainly due to the impact of COVID-19 and the MCO where we did not generate any revenue during the aforesaid business suspension, but continued to incur certain fixed costs such as site personnel staff cost and depreciation which impacted on our GP margin.

Basement Construction

GP from our basement construction segment improved from a gross loss of RM1.26 million in the FPE 2019 to a GP of RM1.78 million in the FPE 2020, with a GP margin of 87.30%. This was mainly attributed to the Pavilion Ceylon Hills Project for the additional work done as mentioned earlier. The high GP margin was because the construction cost incurred was recognised prior to the FPE 2020 while our Group obtained the approved claims during the FPE 2020 after negotiation with the customer on the said additional works done.

Other Related Business

For the FPE 2020, GP from rental of construction machinery and equipment decreased from RM97,000 in the FPE 2019 to RM4,057 in the FPE 2020. This was in line with the decrease in revenue from this segment. GP margin from this segment declined from 59.51% for the FPE 2019 to 45.08% for the FPE 2020 which was mainly contributed by the temporary suspension of the rental of a drilling rig by our customer while depreciation and insurance costs were incurred.

11. FINANCIAL INFORMATION (CONT'D)

(ii) GP and GP margin by geographical markets

The table below presents the breakdown of our total GP and GP margin by geographical markets:-

	Audited									Unaudited			Audited		
	FYE 2017			FYE 2018			FYE 2019			FPE 2019			FPE 2020		
	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin	GP RM'000	% of total GP	GP margin
Malaysia	16,906	69.91	10.80%	27,221	81.45	10.74%	32,815	83.82	15.80%	24,606	85.03	16.31%	13,960	78.63	14.55%
Indonesia	7,278	30.09	50.00%	6,199	18.55	45.82%	6,333	16.18	47.04%	4,332	14.97	46.84%	3,795	21.37	45.66%
Total	**24,184**	**100.00**	**14.13%**	**33,420**	**100.00**	**12.52%**	**39,148**	**100.00**	**17.70%**	**28,938**	**100.00**	**18.07%**	**17,755**	**100.00**	**17.04%**

(a) FYE 2018 compared to FYE 2017

Malaysia Operations

The GP from our Malaysia operations increased by 61.01% or RM10.32 million in the FYE 2018 in line with revenue growth from our foundation and basement construction segments. The GP margin from our Malaysia operations decreased marginally from 10.80% in the FYE 2017 to 10.74% in the FYE 2018, mainly affected by a decline in GP margin for foundation construction segment, partly due to the commencement of certain foundation construction projects with lower GP margins in the FYE 2018, arising partly from an increase in rental of construction machinery and equipment from external parties. Please refer to Section 11.3.2(i)(a) of this Prospectus for further details on GP and GP margin by business activities.

Indonesia Operations

The GP from our Indonesia operations decreased by 14.83% or RM1.08 million, which was mainly attributed to a depreciation of the IDR relative to the RM. The analysis of GP denominated in RM and IDR is as follows:-

Indonesia	FYE 2017	FYE 2018	*Growth rate*
GP (RM'000)	7,278	6,199	-14.83%
GP (IDR'000)	22,331,295	21,894,963	-1.95%
Exchange rate of RM per IDR100	RM0.032589	RM0.028315	-13.11%

Our GP denominated in IDR decreased slightly by 1.95% or IDR436.33 million in the FYE 2018. The GP margin from our Indonesia operations decreased from 50.00% in FYE 2017 to 45.82% in FYE 2018. The decrease in GP and GP margin was due to higher depreciation cost from additional construction machinery and equipment purchased in the FYE 2018, namely 1 unit of rotary drilling rig and 1 unit of excavator, for our Indonesia operations.

Generally, GP margin from our Indonesia operations range from approximately 46% to 50% which was higher than the GP margin obtained from our Malaysia operations for the Financial Years / Period Under Review. The higher GP margin from our Indonesia operations was mainly due to the fact that most of our Indonesian projects involved the supply of construction machinery and equipment, and labour, while construction materials are supplied by the customers. All of our Malaysia projects include the procurement of construction materials for the Financial Years / Period Under Review.

(b) FYE 2019 compared to FYE 2018

Malaysia Operations

The GP from our Malaysia operations grew by 20.55% or RM5.59 million in the FYE 2019, and GP margin improved from 10.74% in the FYE 2018 to 15.80% in the FYE 2019. The improvement was mainly due to GP contributions from foundation construction projects that commenced in the FYE 2019.

The GP margin from our Malaysia operations increased from 10.74% in the FYE 2018 to 15.80% in the FYE 2019, which was mainly contributed by the commencement of higher GP margin projects for foundation construction as mentioned in Section 11.3.2(i)(b)(i), as well as an improvement in GP margin from the MRT 2 Project. In addition, the improvement was partly attributed to lower activities from our basement construction segment as this type of projects command lower GP margin as mentioned in Section 11.3.2 as compared to foundation construction projects.

Please refer to Section 11.3.2(i)(b) of this Prospectus for further details on our GP and GP margin analysis by business activities.

Indonesia Operations

The GP from our Indonesia operations increased by 2.16% or RM0.13 million in the FYE 2019 which was mainly attributed to appreciation of the IDR relative to the RM. The analysis of GP denominated in RM and IDR is as follows:-

Indonesia	FYE 2018	FYE 2019	*Growth rate*
GP (RM'000)	6,199	6,333	2.16%
GP (IDR'000)	21,894,963	22,002,084	0.49%
Exchange rate of RM per IDR100	RM0.028315	RM0.028786	1.66%

Our GP denominated in IDR increased slightly by 0.49% or IDR107.12 million in the FYE 2019, mainly attributed to GP contribution from various projects that commenced in the FYE 2019 such as Istiqlal Mosque Project, DAPENBI Building Project, and Cimanggis-Cibitung Toll Road (Section 2) Project. The GP margin from our Indonesia operations improved from 45.82% in the FYE 2018 to 47.04% in the FYE 2019, mainly contributed by higher margin projects that commenced in the FYE 2019.

Please refer to Section 11.3.2(i)(b) of this Prospectus for further details of our GP and GP margin analysis by business activities.

(c) FPE 2020 compared to FPE 2019

Malaysia Operations

The GP from Malaysia operations decreased by 43.27% or RM10.65 million to RM13.96 million in the FPE 2020, while GP margin declined from 16.31% in the FPE 2019 to 14.55% in the FPE 2020.

This was mainly due to the temporary suspension of business operations and on-going projects during the MCO in Malaysia where we did not generate any revenue but continued to incur certain fixed costs. Despite the decrease, the GP of RM13.96 million was mainly contributed by some of the projects which commenced after the FPE 2019 and during the FPE 2020 as mentioned earlier. The decrease in GP margin was mainly due to the decrease in our revenue as a result of the MCO and certain fixed costs which continued to be incurred, which in turn have impacted on our margin.

Indonesia Operations

The GP from our Indonesia operations decreased by 12.40% or RM0.54 million to RM3.80 million in the FPE 2020, while GP margin declined slightly from 46.84% in the FPE 2019 to 45.66% in the FPE 2020. This was mainly due to the decrease in GP contribution from our foundation construction projects in Indonesia, while the slight drop in GP margin was contributed by lower margin projects as compared to the previous FPE 2019.

The analysis of our GP for our Indonesia operations denominated in IDR is as follows:-

Indonesia	**FPE 2019**	**FPE 2020**	***Growth rate***
GP (RM'000)	4,332	3,795	-12.40%
GP (IDR'000)	15,142,135	12,960,373	-14.41%
Exchange rate of RM per IDR100	RM0.028611	RM0.029280	2.34%

GP contribution denominated in IDR decreased by 14.41% in the FPE 2020. This was in line with the decrease in revenue from our Indonesia operations by 12.20% due to the completion of some of our foundation construction projects in Indonesia between September 2018 and August 2019. Therefore, there was no revenue and GP recorded from these projects in the FPE 2020.

11. FINANCIAL INFORMATION (CONT'D)

11.3.3 Segmental analysis by cost of sales

(i) Cost of sales by composition

The table below sets forth the breakdown of our cost of sales by compositions:-

	<---Audited				--->		<---Unaudited--->		<---Audited--->	
	FYE 2017		**FYE 2018**		**FYE 2019**		**FPE 2019**		**FPE 2020**	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Foundation and basement construction	**146,929**	**99.98**	**233,370**	**99.97**	**181,961**	**99.97**	**131,118**	**99.95**	**86,466**	**99.99**
Construction materials and consumables	61,874	42.10	97,154	41.62	77,821	42.75	53,052	40.44	23,250	26.89
Subcontractor costs	36,447	24.80	72,576	31.09	48,846	26.84	37,412	28.52	28,094	32.49
Machinery and equipment related costs	31,491	21.43	43,759	18.74	36,804	20.22	26,904	20.51	21,750	25.15
Site overhead and related costs	17,117	11.65	19,881	8.52	18,490	10.16	13,750	10.48	13,372	15.46
Other related business[(1)]	**40**	**0.02**	**82**	**0.03**	**63**	**0.03**	**66**	**0.05**	**5**	**0.01**
Others[(1)]	40	0.02	82	0.03	63	0.03	66	0.05	5	0.01
Total	**146,969**	**100.00**	**233,452**	**100.00**	**182,024**	**100.00**	**131,184**	**100.00**	**86,471**	**100.00**

Note:-

(1) Refers to depreciation and insurance cost incurred for the rental of construction machinery and equipment segment.

11. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by business activities

The table below sets forth the breakdown of our cost of sales by business activities:-

	<---Audited---				--->		<-----Unaudited----->		<-------Audited------->	
	FYE 2017		**FYE 2018**		**FYE 2019**		**FPE 2019**		**FPE 2020**	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Foundation and basement construction	**146,929**	**99.97**	**233,370**	**99.96**	**181,961**	**99.97**	**131,118**	**99.95**	**86,466**	**99.99**
Foundation construction	92,712	63.08	133,104	57.01	142,397	78.23	92,565	70.56	86,207	99.69
Basement construction	54,217	36.89	100,266	42.95	39,564	21.74	38,553	29.39	259	0.30
Other related business[(1)]	**40**	**0.03**	**82**	**0.04**	**63**	**0.03**	**66**	**0.05**	**5**	**0.01**
Rental of construction machinery and equipment[(1)]	40	0.03	82	0.04	63	0.03	66	0.05	5	0.01
Total	**146,969**	**100.00**	**233,452**	**100.00**	**182,024**	**100.00**	**131,184**	**100.00**	**86,471**	**100.00**

Note:-

(1) Refers to depreciation and insurance cost incurred for the rental of construction machinery and equipment segment.

11. FINANCIAL INFORMATION (CONT'D)

(a) Cost of sales for foundation and basement construction segment

Cost of sales for our foundation and basement construction segment are as follows:-

(1) Construction materials and consumables

Construction materials and consumables constituted the largest component of our cost of sales. Some of these materials include steel bars, structural steel, cement, ready-mix concrete, diesel, piling tools and other accessories, bentonite powder and polymer mixture, adhesive/epoxy products, quarry products and lubricants. For the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, construction materials and consumables accounted for 42.10%, 41.62%, 42.75% and 26.89% of our total cost of sales respectively.

For the FYE 2018, cost of sales for construction materials and consumables increased by 57.02% or RM35.28 million, which was mainly due to an increase in steel and concrete materials used for our foundation and basement construction projects. This was reflected in the increase in revenue from our foundation and basement construction projects in Malaysia by 61.72% in the FYE 2018.

For the FYE 2019, cost of sales for construction materials and consumables decreased by 19.90% or RM19.33 million, which was mainly due to the lower cost of sales incurred from steel and concrete materials resulting from lower activities of basement construction works. This was reflected in the decrease in revenue from our basement construction segment by 64.73% in the FYE 2019.

For the FPE 2020, cost of sales for construction materials and consumables decreased by 56.18% or RM29.80 million mainly due to impact of COVID-19 and the MCO which hindered the progress of our construction works.

All the construction materials and consumables purchased were recognised as cost of sales and charged to the respective projects. No inventories were recognised as the construction materials and consumables purchased are fabricated and consumed upon arrival at the site.

(2) Subcontractor costs

We engage various subcontractors to carry out certain portions of the construction works including earthworks, RC works, piling and geotechnical services, supply of contract labour, testing and quality control, M&E works, installation of temporary support systems, waterproofing works, and other services. For the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, subcontractor costs accounted for 24.80%, 31.09%, 26.84% and 32.49% of our total cost of sales respectively.

For the FYE 2018, subcontractor costs increased by 99.13% or RM36.13 million mainly due to our basement construction segment. This was mainly attributed to an increase in cost incurred from subcontracting of RC works and earthworks for basement construction projects, namely Sentral Suites Project, Pavilion Ceylon Hills Project and 8th & Stellar @ Sri Petaling Project. The increase in subcontractor costs was approximately in line with the increase in revenue from our basement construction segment by 85.04% in the FYE 2018. Our core competency is in bored piling works and construction of retaining wall. From this perspective, we subcontract earthworks and RC works to external parties. In addition, certain construction works such as RC works are labour intensive in nature. Although we engage subcontractors for the said construction works, we are responsible in supervising and managing all subcontracted works that are being carried out at our job site.

For the FYE 2019, subcontractor costs decreased by 32.70% or RM23.73 million mainly due to a decrease in earthworks as well as subcontracted bored piling works following the completion of certain projects. We subcontract bored piling works in situations where we have conflicting timing of completion for projects or when we have a shortage of bored piling machinery and equipment.

For the FPE 2020, subcontractor costs decreased by 24.91% or RM9.32 million due to a decrease in RC works and earthworks following the completion of certain projects as well as the suspension and slowdown of works due to the impact of COVID-19 and the MCO conditions. The decrease was partially offset by the increase in subcontracted works for the installation of temporary ground anchor works for our on-going projects.

(3) Machinery and equipment costs

Machinery and equipment costs comprise rental of supporting machinery and equipment such as lifting cranes, excavators and generator sets, as well as depreciation, repair and maintenance costs. For the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, machinery and equipment costs accounted for 21.43%, 18.74%, 20.22% and 25.15% of our total cost of sales respectively.

For the FYE 2018, our machinery and equipment costs increased by 38.96% or RM12.27 million. This was mainly due to an increase in rental of machinery and equipment of RM5.41 million for our foundation and basement construction, and increase in depreciation of machinery and equipment by RM4.96 million mainly arising from the purchase of 5 units of rotary drilling rigs and 2 units of skid steer loaders for our Malaysia operations as well as 1 unit of rotary drilling rig and 1 unit of excavator for our Indonesia operations in the FYE 2018.

For the FYE 2019, our machinery and equipment costs decreased by 15.89% or RM6.96 million. This was mainly due to the decrease in rental of machinery and equipment by RM3.86 million in the FYE 2019 associated with the completion of 2 major basement construction projects, namely Sentral Suites Project and Pavilion Ceylon Hills Project, and decrease in depreciation costs by RM1.89 million in the FYE 2019. Some of the machinery and equipment have already been fully depreciated while 3 units of excavators were disposed in the FYE 2019.

For the FPE 2020, our machinery and equipment costs decreased by 19.16% or RM5.15 million mainly due to the decrease in rental of machinery and equipment resulting from the suspension and slowdown of works pursuant to the COVID-19 and the MCO conditions.

(4) Site overhead and related costs

Site overhead and related costs consist of staff related costs, mobilisation and demobilisation costs such as transportation of personnel, equipment and supplies to the site, as well as site expenses. Site expenses included consultation fees, rental and upkeep of site office and facilities, security fees, utility charges, insurance charges and site penalty charges. For the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, our site overhead and related costs accounted for 11.65%, 8.52%, 10.16% and 15.46% of our total cost of sales respectively.

For the FYE 2018, site overhead and related cost increased by 16.15% or RM2.76 million. This was mainly attributed to the increase in staff related costs that were directly involved in construction works where the number of construction site workers increased from 366 personnel in the FYE 2017 to 425 personnel in the FYE 2018.

For the FYE 2019, site overhead and related costs decreased by 7.00% or RM1.39 million. This was mainly due to the decrease in staff related costs and site expenses, where our construction site workers decreased from 425 personnel in the FYE 2018 to 371 personnel in the FYE 2019.

For the FPE 2020, site overhead and related costs decreased slightly by 2.75% or RM0.38 million because of lower site expenses and transportation cost due to the MCO conditions. However, we continued to pay salaries to site personnel and construction workers.

(b) Cost of sales for rental of construction machinery and equipment segment

The cost of sales for rental of construction machinery and equipment includes depreciation costs and insurance costs. This was because our rental of construction machinery and equipment was based on a bare rental basis without any machine operators.

For the FYE 2018, the cost of sales for the rental of construction machinery and equipment segment increased by RM0.04 million which was mainly due to an increase in depreciation costs incurred in the FYE 2018 for 2 units of construction machinery and equipment rented out compared to only 1 unit in the FYE 2017.

For the FYE 2019, the cost of sales for the rental of construction machinery and equipment decreased by RM0.02 million due to a decrease in the number of equipment rented out.

For the FPE 2020, the decrease in cost of sales for the rental of construction machinery and equipment was mainly due to the temporary suspension of the rental of a drilling rig.

11. FINANCIAL INFORMATION (CONT'D)

11.3.4 Other Income

	<------Audited				------>		Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Other Income	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Reversal of provision	-	-	-	-	-	-	-	-	3,760	78.58
Gains on disposal of PPE	185	23.13	953	54.86	757	26.07	496	20.56	-	-
Bad debt recovery	-	-	-	-	707	24.35	707	29.30	-	-
Interest income	322	40.25	563	32.41	413	14.22	323	13.39	326	6.81
Net unrealised foreign exchange gains	-	-	-	-	349	12.02	297	12.31	-	-
Net realised foreign exchange gains	17	2.13	-	-	-	-	-	-	-	-
Insurance claim	146	18.25	59	3.40	307	10.57	307	12.72	-	-
Rental income	103	12.88	137	7.89	160	5.51	120	4.97	116	2.42
Gains on disposal of investment property	-	-	-	-	71	2.44	25	1.04	-	-
Gains on disposal of an associate	-	-	-	-	50	1.72	50	2.07	-	-
Reversal of impairment loss	-	-	-	-	-	-	-	-	310	6.48
Miscellaneous income(1)	27	3.36	25	1.44	90	3.10	88	3.64	273	5.71
Total	**800**	**100.00**	**1,737**	**100.00**	**2,904**	**100.00**	**2,413**	**100.00**	**4,785**	**100.00**

Note:-

(1) Includes sales of scrap.

FYE 2018 compared to FYE 2017

For the FYE 2018, our other income increased by 117.13% or RM0.94 million. This was mainly due to the increase in gains on disposal of PPE, namely a rotary drilling rig for RM0.95 million in the FYE 2018. As at the FYE 2018, this rotary drilling rig has been fully depreciated. The increase in other income was also partly contributed by an increase in interest income from banks and rental income.

There were receipts from insurance claims of approximately RM146,000 and RM59,000 in the FYE 2017 and FYE 2018 respectively. These were related to insurance claims on damaged assets, namely motor vehicles, a crawler crane, a Kelly bar and a rotary drilling rig.

FYE 2019 compared to FYE 2018

For the FYE 2019, our other income increased by 67.18% or RM1.17 million. This was mainly attributed to a partial recovery of bad debt of RM0.71 million out of a total bad debt of RM1.86 million which was written off in the FYE 2017. This was associated with a foundation construction project in Malaysia, which was physically completed in the FYE 2016 and payment was overdue since then. The increase in our other income was also partly contributed by insurance claims of RM0.31 million relating to the damage claims for a Kelly bar and a rotary drilling rig due to soil condition and lightning at site, respectively.

The increase in other income was partially offset by a decrease in gains on disposal of PPE by RM0.20 million in the FYE 2019. The gains on disposal of PPE of RM0.76 million in the FYE 2019 was mainly contributed by a gain of RM0.55 million from the disposal of 26 units of motor vehicles in the FYE 2019, while the remaining RM0.21 million was from the disposal of 3 units of excavators.

FPE 2020 compared to FPE 2019

For the FPE 2020, our other income increased by 98.30% or RM2.37 million. This was mainly due to the reversal of the provision of LAD of RM3.76 million where the customer has waived a LAD during the FPE 2020. This LAD was previously imposed for a delay in the completion of bored piling works for a foundation construction project in Kuala Lumpur, which was provided for in the FYE 2016. The impact of the reversal of this LAD on our other income was partially offset by us not recording any income from recovery of bad debt, insurance claims as well as gains on disposal of PPE in the FPE 2020 as compared to FPE 2019.

11. FINANCIAL INFORMATION (CONT'D)

11.3.5 Administrative expenses

	<----Audited	----	----	----	---->		Unaudited		Audited	
	FYE 2017		FYE 2018		FYE 2019		FPE 2019		FPE 2020	
Administrative expenses	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Staff costs	3,646	35.57	4,314	44.70	4,825	45.13	3,481	44.78	3,792	52.85
Directors remuneration	1,641	16.01	1,672	17.33	1,683	15.74	1,268	16.31	1,338	18.65
Bank charges(1)	685	6.68	649	6.73	632	5.91	506	6.51	94	1.31
Legal and professional fees	136	1.33	326	3.38	621	5.81	588	7.56	284	3.96
Depreciation / Amortisation cost	371	3.62	409	4.24	490	4.58	277	3.57	506	7.05
Office expenses	281	2.74	266	2.76	407	3.81	331	4.26	237	3.30
Accommodation and travelling car expenses	466	4.55	332	3.44	366	3.42	294	3.78	139	1.94
Impairment loss on trade receivables	-	-	-	-	339	3.17	-	-	-	-
Bad debts written off	1,860	18.14	-	-	197	1.84	197	2.53	101	1.41
Insurance	97	0.95	241	2.49	189	1.77	141	1.81	217	3.02
Others(2)	1,067	10.41	1,441	14.93	943	8.82	691	8.89	467	6.51
Total	**10,250**	**100.00**	**9,650**	**100.00**	**10,692**	**100.00**	**7,774**	**100.00**	**7,175**	**100.00**

Notes:-

(1) Includes commission charges on banking facilities such as bank guarantees, bankers' acceptance and other administrative charges.

(2) Includes mainly rental of office premises, postage and delivery expenses, unrealised foreign exchange loss, tax penalty as well as miscellaneous and sundry expenses.

FYE 2018 compared to FYE 2017

For the FYE 2018, our administrative expenses decreased by 5.85% or RM0.60 million which resulted from no bad debts being written off in the FYE 2018. There were bad debts written off of RM1.86 million in the FYE 2017 mainly relating to 2 foundation construction projects in Malaysia. One of the bad debts was partially recovered in the FYE 2019. Please refer to Section 11.3.4 of this Prospectus for further details on the recovery of bad debts.

The decrease was partially offset by an increase in the following administrative expenses:-

(i) Our staff cost increased by RM0.67 million in the FYE 2018 which was mainly contributed by higher bonus payment as well as salary increments during the financial year;

(ii) Our legal and professional fees increased by RM0.19 million in the FYE 2018, which was mainly attributed to legal fees incurred for our construction contracts; and

(iii) Our insurance fees increased by RM0.14 million in the FYE 2018, which mainly consisted of additional medical and personal accident insurance for our employees. This was mainly due to an increase in 60 employees covered under the insurance plan as well as upgrade of insurance policy benefits for our senior employees.

FYE 2019 compared to FYE 2018

For the FYE 2019, our administrative expenses increased by 10.80% or RM1.04 million, which was mainly attributed to the following:-

(i) An increase in staff cost by RM0.51 million in the FYE 2019 which was mainly contributed by salary increments as well as increase in number of administrative staff during the financial year; and

(ii) An impairment loss on trade receivables of approximately RM339,000 in the FYE 2019 attributed to a foundation construction project in Malaysia which was overdue since FYE 2018. As at the LPD, we have recovered approximately RM110,000 from the said customer.

In addition, there were bad debts of approximately RM0.19 million which was written off in the FYE 2019. These bad debts comprised 2 outstanding amounts of approximately RM0.09 million and RM0.10 million which have been overdue since FYE 2015 and FYE 2016, respectively. The outstanding amounts were billings for tools and equipment to 2 companies. Despite issuance of letters of demand, we were unable to recover the outstanding amounts which were subsequently written off as bad debts.

The increase was partially offset by the decrease in other administrative expenses by RM0.50 million, which was mainly due to the decrease in unrealised foreign exchange loss of RM0.36 million in FYE 2018 to nil in FYE 2019 from our Indonesia operations. In FYE 2019, we recorded unrealised foreign exchange gains. Please refer to Section 11.3.4 of this Prospectus for further details.

FPE 2020 compared to FPE 2019

For the FPE 2020, our administrative expenses decreased by 7.71% or RM0.60 million, which was mainly due to a decline of RM0.41 million from bank charges due to the lower utilisation of banking facilities and services during the MCO and CMCO periods, as well as a decrease in professional fees by RM0.30 million in FPE 2020.

The decrease was partially offset by an increase of RM0.23 million due to the depreciation of office equipment as well as amortisation of right-of-use assets.

11. FINANCIAL INFORMATION (CONT'D)

11.3.6 Finance costs

	<------Audited				------>		Unaudited		Audited	
	FYE 2017		**FYE 2018**		**FYE 2019**		**FPE 2019**		**FPE 2020**	
Finance costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:-										
Finance lease liabilities	1,293	60.08	2,087	61.86	1,907	51.02	1,455	54.62	1,166	44.08
Bankers' acceptance	418	19.42	870	25.79	1,039	27.80	781	29.32	690	26.09
Term loans	363	16.87	381	11.29	512	13.70	304	11.41	265	10.02
Promissory notes	-	-	-	-	132	3.53	36	1.35	284	10.74
Invoice financing	78	3.63	36	1.06	91	2.43	65	2.44	73	2.76
Bank overdraft	-	-	-	-	57	1.52	23	0.86	167	6.31
Total	**2,152**	**100.00**	**3,374**	**100.00**	**3,738**	**100.00**	**2,664**	**100.00**	**2,645**	**100.00**

FYE 2018 compared to FYE 2017

Our finance costs increased by 56.78% or RM1.22 million to RM3.37 million in the FYE 2018, which was mainly attributed to the increase in interest expenses on finance lease liabilities by RM0.79 million. These finance lease liabilities were used to finance the purchase of construction machinery and equipment, and tools. In the FYE 2018, we purchased 5 new units of rotary drilling rigs for our Malaysia operations, which amounted to RM25.40 million. This was also reflected in our finance lease liabilities of RM39.70 million as at 31 August 2018, which was higher compared to RM26.44 million as at 31 August 2017.

The increase was also partly contributed by the increase in interest expenses on bankers' acceptance by RM0.45 million in the FYE 2018. These bankers' acceptance were mainly used to pay our suppliers for the purchases of construction materials and consumables as well as payment of subcontracted works. As at 31 August 2018, our outstanding bankers' acceptance were RM16.77 million, which was higher compared to RM9.23 million as at 31 August 2017.

FYE 2019 compared to FYE 2018

For the FYE 2019, our finance costs increased by 10.79% or RM0.36 million to RM3.74 million, which was mainly contributed by an increase in interest expenses on bankers' acceptance and promissory notes by RM0.17 million and RM0.13 million respectively, due mainly to the higher utilisation of these types of banking facilities to pay our suppliers and subcontractors in the FYE 2019.

In addition, the increase in interest expenses on term loans by RM0.13 million in the FYE 2019 was mainly attributed to 2 new term loans of RM6.00 million secured in the FYE 2019. This was mainly used for the repayment of the term loans and settlement of outstanding trade facilities with the previous bank.

FPE 2020 compared to FPE 2019

For the FPE 2020, our finance costs decreased by 0.71% or RM0.02 million to RM2.65 million mainly due to the decrease in interest expenses on finance lease liabilities in line with our lower outstanding finance lease liabilities in the FPE 2020.

11.3.7 PBT and effective tax rate

	<-------------Audited---------------->			Unaudited	Audited
	FYE 2017	FYE 2019	FYE 2020	FPE 2019	FPE 2020
PBT (RM'000)	12,513	22,098	27,604	20,895	12,720
PBT Margin	7.31	8.28	12.48	13.05%	12.20%
Total Taxation[(1)] (RM'000)	3,950	7,277	7,470	5,324	3,501
Group Effective tax rate (%):	31.57	32.93	27.06	25.48	27.52
Malaysia operations					
- *Statutory tax rate (%):*	*24.00*	*24.00*	*24.00*	*24.00*	*24.00*
- *Effective tax rate (%):*	*45.16*	*37.91*	*29.03*	*26.81*	*28.58*
Indonesia operations[(2)]					
- *Statutory tax rate (%):*	*3.00*	*3.00*	*3.00*	*3.00*	*3.00*
- *Effective tax rate (%):*	*3.04*	*3.00*	*3.00*	*3.00*	*3.00*
PAT (RM'000)	8,563	14,821	20,134	15,571	9,219
PAT Margin (%)	5.00	5.55	9.10	9.72	8.85

Notes:-

(1) We operate in a multi-jurisdiction tax environment and the corporate tax rates of entities within our Group in Malaysia and PT Aneka, being an entity within our Group outside of Malaysia, differ for the Financial Years / Period Under Review. The following table sets out the details of our tax expenses for the Financial Years / Period Under Review:

	<-------------------Audited----------------->			Unaudited	Audited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2019 RM'000	FPE 2020 RM'000
Current tax	3,209	6,410	6,793	5,050	2,925
- *Malaysia operations*	*2,766*	*6,004*	*6,389*	*4,773*	*2,676*
- *Indonesia operations*	*443*	*406*	*404*	*277*	*249*
Deferred tax (Malaysia operations)	741	867	677	274	576
Income tax expense recognised in profit and loss statement	**3,950**	**7,277**	**7,470**	**5,324**	**3,501**

(2) PT Aneka's final income tax expense is recognised proportionally with the revenue recognised during the year based on a tax rate of 3%. The company is entitled to a tax rate of 3% based on the certification from *Lembaga Pengembangan Jasa Konstruksi* valid for 3 years until 29 December 2018 and has been extended until 14 February 2021. Barring any unforeseen circumstances in the change of Indonesia's regulations, PT Aneka will be entitled to the applicable tax rate of 3% beyond 14 February 2021.

FYE 2018 compared to FYE 2017

Our PBT and PAT increased by 76.60% and 73.08% in the FYE 2018 respectively, mainly attributed to the increase in our revenue and GP by 55.93% and 38.19% respectively for the FYE 2018. The increase in our revenue and GP was mainly from our foundation and basement construction segments. Please refer to Section 11.3.1 and Section 11.3.2 of this Prospectus for further details of our revenue and GP analysis. In addition, the increase in our PBT in the FYE 2018 was contributed by an increase of 117.13% in other income, mainly contributed by gains on disposal of PPE, coupled with a decrease in administrative expenses by 5.85% due to a bad debt being written off in the FYE 2017.

Our PBT margin increased from 7.31% in the FYE 2017 to 8.28% in the FYE 2018, while our PAT margin improved from 5.00% in the FYE 2017 to 5.55% in the FYE 2018. This was mainly attributed to an increase in other income from gains on disposal of PPE in the FYE 2018 as well as lower administrative expenses as there were no bad debts written off in the FYE 2018. Please refer to Section 11.3.4 and Section 11.3.5 of this Prospectus for further details of our other income and administrative expenses.

For the Malaysia operations, our effective tax rate was 37.91% in the FYE 2018, which was higher than the statutory tax rate of 24.00%. This was mainly due to certain expenses which were non-deductible for tax purposes including depreciation, professional fee, bank guarantee commission fee, as well as term loan interest.

For the Indonesia operations, our effective tax rate was 3.00% in the FYE 2018, which is in line with our applicable tax rate of 3.00%. In the FYE 2017, the effective tax rate for our Indonesia operations was 3.04%.

Please refer to Note 25 of the Accountants' Report as set out in Section 12 of this Prospectus for further details on income tax expense.

FYE 2019 compared to FYE 2018

Our PBT and PAT increased by 24.92% and 35.85% in the FYE 2019 respectively. This was mainly attributed to the increase of 17.14% in our GP in FYE 2019, arising mainly from increase in GP from our foundation construction operations by 48.65%. In addition, this was partly contributed by an increase of 67.18% in our other income in the FYE 2019, arising mainly from the recovery of a bad debt of RM0.71 million. Please refer to Section 11.3.2 and Section 11.3.4 of this Prospectus for further details of our GP analysis and other income respectively.

Our PBT margin increased from 8.28% in the FYE 2018 to 12.48% in the FYE 2019. Similarly, our PAT margin also improved from 5.55% in the FYE 2018 to 9.10% in the FYE 2019. The improvement was mainly attributed to an improvement in our GP margin from our foundation construction operations. Please refer to Section 11.3.2 of this Prospectus for further details of our GP analysis.

For the Malaysia operations, our effective tax rate was 29.03% in the FYE 2019, which was higher than the statutory tax rate for Malaysia of 24.00%. This was mainly due to certain expenses which were not deductible for tax purposes including depreciation, professional fee, bank guarantee commission fee, term loan interest as well as impairment loss on trade receivables.

For the Indonesia operations, our effective tax rate was 3.00% in the FYE 2019, which was in line with our applicable tax rate of 3.00%.

Please refer to Note 25 of the Accountants' Report as set out in Section 12 of this Prospectus for further details on income tax expense.

FPE 2020 compared to FPE 2019

Our PBT and PAT declined by 39.12% and 40.79% respectively in the FPE 2020. This was mainly due to the decrease in GP by 38.64% in the FPE 2020. Our PBT margin declined from 13.05% in the FPE 2019 to 12.20% in the FPE 2020, while PAT margin declined from 9.72% in the FPE 2019 to 8.85% in the FPE 2020. This was mainly due to the decrease in GP margin from our foundation construction segment in Malaysia, which was cushioned by the reversal of the provision of LAD of RM3.76 million where the customer waived a LAD during FPE 2020 as mentioned earlier. Please refer to Section 11.3.2 and Section 11.3.4 of this Prospectus for further details on GP margin analysis and other income respectively.

For the Malaysia operations, our effective tax rate was 28.58% in the FPE 2020, which was higher than the statutory tax rate for Malaysia of 24.00%. This was mainly due to certain expenses which were not deductible for tax purposes including depreciation, certain professional fees, bank guarantee commission fee and term loan interest.

For the Indonesia operations, our effective tax rate was 3.00% in the FPE 2020, which was in line with our applicable tax rate of 3.00%.

11.3.8 Other tax related information

As at the LPD, Aneka Jaringan has settled all the outstanding tax liabilities including the penalties imposed by the IRB pursuant to Section 112(3) of Income Tax Act 1967, which was mainly attributed to underpayment of tax for the years of assessment 2003 to 2017 as detailed below:-

(i) FYE 2003 to FYE 2014: A total additional tax of RM940,697 was imposed pertaining to the underpayment of tax during the said years of assessment. This was mainly due to:-

- timing and methods of recognition of project income where prior to FYE 2015, the revenue recognition was based on progress billings instead of percentage of completion ("**POC**") method; and

- inappropriate treatment of non-deductible expenses for tax purposes.

(ii) FYE 2015 to FYE 2017: A total additional tax of RM551,723 was imposed pertaining to underpayment of tax during the said years of assessment. This was mainly due to changes in reporting of project income for certain financial years resulting from the changes in project POC estimations pursuant to the reaudit process.

The penalties imposed on Aneka Jaringan by the IRB are as follows:-

Period	Penalty (RM)
FYE 2003 to FYE 2008	142,368
FYE 2009 to FYE 2014	194,935
FYE 2015 to FYE 2017	55,172

As at the LPD, our Group has adopted the following key measures to address the issues relating to tax compliance:-

(a) Our Group has strengthened our accounts and finance team which is presently headed by our CFO, Steven Koh (please refer to Section 5.2.8 of this Prospectus for further details of his profile), and the team currently focuses on our financial reporting to uphold the standards of financial reporting and ensure proper monitoring and tracking;

11. FINANCIAL INFORMATION (CONT'D)

(b) Appointment of Baker Tilly Monteiro Heng PLT, an audit firm registered with the Audit Oversight Board of the SC as our external auditors since the FYE 2018; and

(c) Appointment of an established tax agent firm, i.e. Baker Tilly Monteiro Heng Tax Services Sdn Bhd, to advise on tax compliance and related matters of Aneka Jaringan beginning from 6 December 2019.

Our Directors have confirmed that as at the LPD, having made all reasonable enquiries and to the best of their knowledge and belief, Aneka Jaringan:-

(a) has settled all its outstanding tax liabilities due and owing to the IRB; and

(b) is not liable in anyway whatsoever, to make any payment of further tax liabilities to the IRB, whether actual or threatened.

11.3.9 Significant factors materially affecting our operations and financial results

Our business operations and financial conditions have been and will continue to be affected by internal and external factors including, but not limited to, the following:-

(i) External factors which may result in a delay in the completion of projects

We may be subjected to external factors that are beyond our control which may affect the timely completion of our projects. This includes, among others, site handover, timely receipt of regulatory approvals and permits required, satisfactory performance of subcontractors appointed, availability and timely delivery of construction materials and equipment and unforeseen ground conditions. As our revenue recognition and billings are based on the construction works undertaken and completed by us in accordance with our contractual agreements with customers, any delays in the completion of a project may affect our revenue recognition and billings and in turn, adversely affect our financial performance. Project delays could also lead to cost overrun and/or result in LAD being imposed by our customers, which will further affect our financial performance. Our Group's reputation and future business opportunities may also be detrimentally affected by project delays caused by us.

For further details, please refer to Risk Factors in Section 8.1.2 of this Prospectus.

(ii) Impact of outbreaks of diseases such as the COVID-19 pandemic

Our business is susceptible to any outbreaks of diseases affecting Malaysia and Indonesia including global pandemics such as the COVID-19 pandemic that cause interruptions in our operations, which will in turn adversely affect our financial performance.

For further details, please refer to Risk Factors in Section 8.1.1 of this Prospectus.

(iii) Fluctuations in the prices of construction materials

Construction materials such as concrete and steel materials are common materials used in our foundation and basement construction projects. Hence, we are subject to risks relating to unfavourable increases in prices of construction materials, which may adversely impact on our financial performance.

For further details, please refer to Risk Factors in Section 8.1.3 of this Prospectus.

(iv) Impact of claims arising from defect liability period

We mainly extend a defect liability period of 12 to 24 months from the official handover date of our completed projects to our customers. During the defect liability period, we are responsible for any remediation or rectification of any defects attributable to our works or those of our subcontractors', which may surface or be identified during this period at our own costs. A high number of defects would result in additional costs incurred, which may consequently have an adverse impact on our profitability.

Any material exposure to cost incurred arising from claims during the defect liability period will adversely affect our profitability and margins. For further details, please refer to Risk Factors in Section 8.1.7 of this Prospectus.

(v) Impact on foreign currency exchange rate fluctuations

Our Group's reporting currency is in RM whilst the reporting currency of our foreign subsidiary, PT Aneka, is in IDR. If the IDR depreciates against the RM, our Group's reported financial results may be materially and adversely affected. For the FYE 2019 and FPE 2020, approximately 6.09% and 7.97% of our Group's revenue was denominated in IDR respectively.

In addition, some of our purchases of materials are denominated in foreign currencies. For FYE 2019, approximately 4.99% of our purchases was denominated in IDR, USD and EUR, and 4.47% of our purchases was denominated in IDR for the FPE 2020.

The breakdown of our revenue and purchases transacted in RM, IDR, USD and EUR for the FYE 2019 and FPE 2020 is summarised in the following table:-

	FYE 2019				FPE 2020			
	Revenue		Purchases		Revenue		Purchases	
Currency	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	207,709	93.91	144,676	95.01	95,915	92.03	62,218	95.53
IDR	13,463	6.09	5,665	3.72	8,311	7.97	2,912	4.47
USD	-	-	1,894	1.24	-	-	-	-
EUR	-	-	45	0.03	-	-	-	-
Total	**221,172**	**100.00**	**152,280**	**100.00**	**104,226**	**100.00**	**65,130**	**100.00**

Our revenue and purchases in IDR are naturally hedged as the transactions are solely conducted in Indonesia where we maintain IDR bank accounts and borrowings in IDR for our business operations in Indonesia. For the FYE 2019, we recorded net unrealised foreign exchange gain for IDR of RM0.35 million. We did not record any foreign exchange gains for the FPE 2020.

Nevertheless, our business is subject to risks relating to any unfavourable foreign currency exchange rate fluctuations which may materially affect our financial performance. For further details, please refer to Risk Factors in Section 8.1.9 of this Prospectus.

(vi) Impact on interest rate fluctuations

All our borrowings are interest bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on banking facilities including finance lease liabilities, term loans, bank overdraft, bankers' acceptance, invoice financing and promissory notes that are granted by bank and financial institutions.

With the exception of finance lease liabilities, all our borrowings were based on prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. Meanwhile, our finance lease liabilities were charged based on the fixed rates.

In this respect, we face financial risks relating to increase in interest rates that may impact on our financial performance including profitability and margins. For the Financial Years / Period Under Review and up to LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings. For further details, please refer to Risk Factors that are set out in Section 8.1.6 of this Prospectus.

(vii) Impact of inflation

Our financial performances for the Financial Years / Period Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to pass on all future increases in costs of materials and services of our operations to our customers. Accordingly, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(viii) Government/economic/fiscal/monetary policies

Our business is subject to the risks relating to government, economic, fiscal or monetary policies. Any unfavourable changes in the government policies, economic conditions or fiscal or monetary policies may materially affect our operations in Malaysia and Indonesia. For further details, please refer to Risk Factors in Section 8.2.3 of this Prospectus.

11.3.10 Liquidity and capital resources

(i) Working capital

Our business had been financed by a combination of internal and external sources of funds. Internal sources comprised shareholders' equity and cash generated from our business operations, while external sources were mainly banking facilities from financial institutions. The principal utilisation of these funds was for our business operations and growth.

Based on our audited combined statements of financial position as at 31 May 2020, our cash and bank balances amounted to RM10.41 million, and total borrowings were RM57.52 million. As at 31 May 2020, our gearing ratio was 0.62 times and current ratio was 1.56 times. As at the LPD, banking facilities available to us for working capital purposes amounted to RM85.01 million, of which RM42.05 million has yet to be utilised.

Our Directors are of the opinion that after taking into consideration our cash and cash equivalents, expected cash flow to be generated from our operations, the impact of the COVID-19 pandemic on our business operations and financial performance including our previous business suspension during the MCO as detailed in Section 6.3.14 of this Prospectus, amount that is available under our existing financing facilities, as well as proceeds expected to be raised from our Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus. This is also after taking into consideration of the Sensitivity Analysis as set out in Section 6.3.14 of this Prospectus. Please refer to Section 6.3.14 of this Prospectus for our key assumptions for the said Sensitivity Analysis.

In view of the COVID-19 pandemic and the MCO, we have adopted cash flow management procedures to ensure that we will have adequate cash resources for our operations. Our priority in cash flow management is focused on essential expenses for the continuation of our operations which mainly include paying our administration expenses such as staff costs. At the same time, we follow up closely on our collection of outstanding receivables from our customers on a regular basis. In addition, to conserve our cash, we have opted for the 6 months payment deferment for some of our finance lease liabilities, commencing from 1 April 2020 up to 30 September 2020. We have also been communicating with our suppliers and subcontractors to obtain their support and understanding of the COVID-19 pandemic situation where we will prioritise our payment to them based on collection.

11. FINANCIAL INFORMATION (CONT'D)

(ii) Cash flow

The following is our cash flow for the FYE 2017, FYE 2018, FYE 2019, FPE 2019 and FPE 2020 based on our combined financial statements. This should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

	<-------------Audited------------->			Unaudited	Audited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2019 RM'000	FPE 2020 RM'000
Cash flows from operating activities					
Profit before tax:	12,513	22,098	27,604	20,895	12,720
Adjustments for:					
Amortisation/depreciation of investment properties	76	87	130	102	60
Gain on disposal of investment properties	-	-	(71)	(25)	-
Bad debts written off	1,860	-	197	197	101
Bad debts recovered	-	-	(707)	(707)	-
Amortisation/depreciation of property, plant and equipment	14,607	19,632	17,766	13,117	11,800
Gain on disposal of property, plant and equipment	(185)	(953)	(757)	(496)	-
Impairment loss on trade receivables	-	-	339	-	-
Reversal of impairment loss on trade receivable	-	-	-	-	(310)
Insurance claim	(146)	(59)	(307)	(307)	-
Share of results of associates, net of tax	69	35	18	18	-
Gain on disposal of an associate	-	-	(50)	(50)	-
Finance costs	2,152	3,374	3,738	2,664	2,645
Finance income	(322)	(563)	(413)	(323)	(326)
Employee benefits	(20)	44	(54)	(40)	28
Unrealised loss/(gain) on foreign exchange	70	356	(349)	(297)	-
Operating profit before changes in working capital	**30,674**	**44,051**	**47,084**	**34,748**	**26,718**
<u>Changes in working capital</u>					
Trade and other receivables	(31,066)	7,184	663	(17,264)	22,843
Contract assets	3,530	(34,713)	(23,399)	2,158	10,462
Trade and other payables	26,171	(3,531)	9,385	12,834	(24,293)
Employee benefits	175	62	311	233	32
Provisions	-	-	-	-	(3,760)
Contract liabilities	(6,329)	12,322	(16,534)	(15,997)	(2,193)
Net cash generated from operations	**23,155**	**25,375**	**17,510**	**16,712**	**29,809**
Income tax paid	(4,577)	(4,402)	(8,514)	(5,376)	(4,026)
Interests received	322	563	413	323	326
Interests paid	-	-	(57)	(23)	(167)
Net cash from operating activities	**18,900**	**21,536**	**9,352**	**11,636**	**25,942**

11. FINANCIAL INFORMATION (CONT'D)

	<-------------Audited	--------------	-------------->	Unaudited	Audited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2019 RM'000	FPE 2020 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(6,387)	(1,775)	(2,942)	(1,433)	(601)
Purchase of investment properties	(48)	-	-	-	-
Proceeds from disposal of property, plant and equipment	597	953	2,437	825	-
Proceeds from disposal of an associate	-	-	50	50	-
Proceed from insurance claim	146	59	307	307	-
Changed in pledged deposits	(425)	(2,632)	182	252	324
Changed in restricted cash	-	-	-	-	(891)
Net cash (used in)/from investing activities	**(6,117)**	**(3,395)**	**34**	**1**	**(1,168)**
Cash flows from financing activities					
Interest paid	(2,152)	(3,374)	(3,681)	(2,641)	(2,478)
Net change in term loans	1,305	(1,904)	1,373	1,295	(1,382)
Net change in finance lease liabilities	(7,581)	(15,014)	(21,034)	(16,143)	(12,191)
Net change in bankers' acceptances	(2,727)	7,535	(2,818)	(1,482)	(1,648)
Net change in invoice financing	297	(560)	1,383	797	128
Net change on promissory notes	-	-	8,007	5,000	431
Net change in amount owing (by)/to directors	52	(449)	215	-	-
Net change in amount owing by related party	-	404	-	213	-
Dividends paid	-	(2,800)	(1,150)	-	-
Net cash used in financing activities	**(10,806)**	**(16,162)**	**(17,705)**	**(12,961)**	**(17,140)**
Net increase/(decrease) in cash and cash equivalents	1,977	1,979	(8,319)	(1,324)	7,634
Cash and cash equivalents at the beginning of the financial year	4,897	6,845	8,918	8,918	482
Effect of exchange rate changes on cash and cash equivalents	(29)	94	(117)	(122)	(32)
Cash and cash equivalents at the end of the financial year[(1)]	**6,845**	**8,918**	**482**	**7,472**	**8,084**

Note:-

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

	<--------------Audited-------------->			Unaudited	Audited
	<------- As at 31 August -------->			31 May	31 May
	2017	2018	2019	2019	2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	6,718	8,788	3,888	9,345	10,414
Fixed deposits with licensed bank	6,528	9,163	8,851	8,781	8,527
Restricted cash	-	-	-	-	891
	13,246	17,951	12,739	18,126	19,832
Less: Pledged deposits	(6,401)	(9,033)	(8,851)	(8,781)	(8,527)
Less: Restricted cash	-	-	-	-	(891)
Less: Bank overdraft	-	-	(3,406)	(1,873)	(2,330)
	6,845	**8,918**	**482**	**7,472**	**8,084**

FYE 2017

Net cash from operating activities

For the FYE 2017, our operating cash flow before working capital changes was RM30.67 million. Our net cash from operating activities was RM18.90 million after adjusting for the following key items for working capital changes:-

(a) increase in trade and other receivables of RM31.07 million mainly due to the increase in billings to customers in the last quarter of the FYE 2017 as well as slower payments from several customers for foundation construction projects in Malaysia;

(b) increase in trade and other payables of RM26.17 million mainly due to an increase in trade payables relating to purchases of construction materials and consumables as well as rental of crane and excavators;

(c) decrease in contract liabilities of RM6.33 million mainly attributed to lower advance billings issued to customers; and

(d) others include income tax paid amounting to RM4.58 million and interest received amounting to RM0.32 million.

Net cash used in investing activities

Our net cash used in investing activities amounted to RM6.12 million. This was mainly attributed to the following:-

(a) RM6.39 million used to fund part of the total purchase of RM27.40 million of PPE, mainly construction machinery and equipment namely 3 units of rotary drilling rigs, 1 unit of crawler crane, 2 units of excavators, 1 unit of pile driving rig, 3 units of diaphragm wall grabs, 2 units of Kelly bars and 13 units of motor vehicles as well as our 4-storey head office building in Bukit Jalil City. The remaining RM21.01 million was funded through borrowings; and

(b) increase in deposits pledged with banks amounting to RM0.43 million.

The net cash used in investing activities was partially offset by RM0.60 million received from the disposal of construction machinery and equipment including 3 units of crawler cranes, 6 units of motor vehicles as well as 1 unit of residential apartment in Puncak Alam, Selangor.

Net cash used in financing activities

Our net cash used in financing activities amounted to RM10.81 million. This was mainly attributed to cash outflow from the following:-

(a) repayment of finance lease liabilities of RM7.58 million mainly for construction machinery and equipment;

(b) repayment of bankers' acceptance of RM2.73 million mainly for the purchase of construction materials; and

(c) interest payment of RM2.15 million for finance lease liabilities, term loans and trade facilities.

The net cash used in financing activities was partially offset by net cash inflow of RM1.31 million mainly arising from proceeds of pre-export financing facility amounting to RM1.54 million by PT Aneka to finance its working capital.

FYE 2018

Net cash from operating activities

For the FYE 2018, our operating cash flow before working capital changes was RM44.05 million. Our net cash from operating activities was RM21.54 million after adjusting for the following key items:-

(a) increase in contract assets of RM34.71 million mainly contributed by the increase in unbilled progress payments from on-going projects during the FYE 2018;

(b) decrease in trade and other receivables of RM7.18 million mainly due to collection of outstanding trade receivables for various projects;

(c) decrease in trade and other payables of RM3.53 million mainly attributed to repayment of RM4.12 million for the purchase of 1 unit of crawler crane in FYE 2017;

(d) increase in contract liabilities of RM12.32 million mainly attributed to higher advance billings that were issued to customers; and

(e) others include income tax paid amounting to RM4.40 million and interest received amounting to RM0.56 million.

Net cash used for investing activities

Our net cash used for investing activities amounted to RM3.40 million. This was mainly attributed to the following:-

(a) RM1.78 million used to fund part of the total purchase of RM30.05 million of PPE, mainly 6 units of rotary drilling rigs, 2 units of skid steer loaders, 1 unit of excavator, 2 units of Kelly bars and 2 units of motor vehicles. The remaining RM28.28 million was funded through borrowings; and

(b) increase in deposits pledged with licensed banks amounting to RM2.63 million.

The net cash used for investing activities was partially offset by RM0.95 million received mainly from the disposal of a rotary drilling rig for RM0.95 million.

Net cash used in financing activities

Our net cash used in financing activities amounted to RM16.16 million. This was mainly attributed to cash outflow from the following:-

(a) repayment of finance lease liabilities of RM15.01 million mainly for construction machinery and equipment;

(b) interest payments of RM3.37 million for finance lease liabilities, term loans and trade facilities;

(c) dividend payments of RM2.80 million to the Promoters;

(d) repayment of term loans of RM1.90 million mainly from the repayment of pre-export financing facility by PT Aneka; and

(e) RM0.45 million was repayment of advances to the directors of Aneka Geotechnics.

The net cash used in financing activities was partially offset by cash inflow arising from net proceeds of RM7.54 million received from bankers' acceptance, which were mainly used for the purchase of construction materials.

Additionally, there was a repayment of advances of RM0.40 million received from the directors and shareholders of PT Aneka.

FYE 2019

Net cash from operating activities

For the FYE 2019, our operating cash flow before working capital changes was RM47.08 million. Our net cash from operating activities was RM9.35 million after adjusting for the following key items:-

(a) increase in contract assets of RM23.40 million contributed by an increase in unbilled progress payments from on-going projects during the FYE 2019. The increase in unbilled progress payments from on-going projects was mainly due to delays in approval of claims by customers;

(b) increase in trade and other payables of RM9.39 million mainly due to an increase in trade accruals by RM16.28 million arising from construction materials that were supplied but yet to be billed by our suppliers;

(c) decrease in contract liabilities of RM16.53 million mainly due to lower advance billings issued to customers. The decrease in advanced billings was mainly due to lesser new projects commencing in the last quarter of FYE 2019. Generally, at the commencement of projects, our Group will be able to bill customers in advance upon mobilisation; and

(d) others include income tax paid of RM8.51 million, interest received of RM0.41 million and interest paid for bank overdraft of RM0.06 million.

The net cash from operating activities in the FYE 2019 was lower at RM9.35 million compared to RM21.54 million in the FYE 2018. This was mainly attributed to higher unbilled progress billings and lower deposits or advance payment collected as mentioned above. In addition, this was also partly attributed to slower payments from several customers for foundation and basement construction projects in Malaysia as at the end of FYE 2019. Please refer to Section 11.3.10(x)(a) of this Prospectus for further details on our trade receivables for the FYE 2019.

Net cash from investing activities

Our net cash from investing activities amounted to RM0.34 million. This was mainly attributed to the following:-

(a) RM2.44 million received mainly from the disposal of PPE including 30 units of motor vehicles and 3 units of excavators;

(b) RM0.18 million received from the decrease in deposits pledged with banks; and

(c) RM0.05 million received from the disposal of an associate company namely Suria Kren Sdn Bhd, a company involved in the rental of cranes.

The net cash from investing activities was partially offset by RM2.94 million used to fund part of the total purchase of PPE amounting to RM13.03 million comprising mainly construction machinery and equipment including 3 units of rotary drilling rigs, 1 unit of diaphragm wall grab, 1 unit of excavator, 1 unit of Kelly bar, 1 unit of vibratory hammer and 1 unit of dynamic pile driver, furniture and fittings, as well as our new Indonesia office in Jakarta, while the remaining RM10.09 million was funded through borrowings.

Net cash used in financing activities

Our net cash used in financing activities amounted to RM17.71 million. This was mainly attributed to cash outflow from the following:-

(a) repayment of finance lease liabilities of RM21.03 million mainly for construction machinery and equipment;

(b) interest payments of RM3.68 million for finance lease liabilities, term loans, trade facilities and promissory notes;

(c) repayment of bankers' acceptance of RM2.82 million for purchase of construction materials; and

(d) dividend payments of RM1.15 million to the Promoters.

The net cash used in financing activities was partially offset by cash inflow arising from net proceeds of RM10.97 million mainly from the following:-

(a) RM8.01 million received from drawdown of promissory notes for working capital to pay suppliers and subcontractors;

(b) RM1.38 million received from usage of invoice financing for the purchase of diesel;

(c) RM1.37 million received from the drawdown of 2 new term loans of RM6.00 million mainly used for the repayment of term loans and settlement of outstanding trade facilities with the previous bank as well as proceeds from pre-export financing facility amounting to RM0.45 million by PT Aneka to finance its working capital; and

(d) RM0.22 million of advances from a director to PT Aneka.

<u>**FPE 2020**</u>

Net cash from operating activities

For the FPE 2020, our operating cash flow before working capital changes was RM26.72 million. Our net cash from operating activities was RM25.94 million after adjusting for the following key items:-

(a) decrease in contract assets by RM10.46 million mainly due to higher billings to customers during FPE 2020;

(b) decrease in trade and other receivables by RM22.84 million due to higher collections from trade receivables during the FPE 2020;

(c) decrease in trade and other payables of RM24.29 million mainly due to payments to our suppliers for construction materials, rental of machineries, as well as subcontractors;

(d) a reversal of the provision of LAD of RM3.76 million where the customer waived a LAD during FPE 2020 as mentioned above;

(e) decrease in contract liabilities of RM2.19 million mainly due to lower advance billings issued to customers; and

(f) others include income tax paid of RM4.03 million, interest received of RM0.33 million and interest paid for bank overdraft of RM0.17 million.

Net cash used in investing activities

Our net cash used in investing activities was RM1.17 million, which was mainly contributed by RM0.89 million of restricted cash pledged for banking facilities for our Indonesia operations and RM0.60 million used to fund part of the total purchase of RM7.26 million of PPE mainly comprising construction machinery and equipment. The remaining RM6.66 million was funded through borrowings. This was partially offset by RM0.32 million received from the decrease in deposits pledged with banks.

Net cash used in financing activities

Our net cash used in financing activities was RM17.14 million. This was mainly attributed to the repayment of borrowings including RM12.19 million for the repayment of finance lease liabilities, RM1.65 million for the repayment of bankers' acceptance, and RM1.38 million for the repayment of term loans. In addition, there was RM2.48 million used for interest payment in FPE 2020.

The net cash used in financing activities was partially offset by the net proceeds of RM0.56 million from other trade facilities including RM0.13 million from invoice financing and RM0.43 million from the drawdown of promissory notes.

11. FINANCIAL INFORMATION (CONT'D)

(iii) Borrowings

For the Financial Years / Period Under Review, our borrowings are all interest-bearing as set out below:-

		As at 31 August 2017			As at 31 August 2018			As at 31 August 2019			As at 31 May 2020		
	Notes	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Finance lease liabilities	(1)	14,185	12,253	26,438	19,932	19,770	39,702	16,874	11,882	28,756	11,613	11,937	23,550
Term loans	(2)	1,910	8,767	10,677	383	8,579	8,962	1,509	8,826	10,335	275	8,678	8,953
Bankers' acceptance	(3)	9,233	-	9,233	16,768	-	16,768	13,950	-	13,950	12,302	-	12,302
Promissory notes	(3)	-	-	-	-	-	-	8,007	-	8,007	8,438	-	8,438
Bank overdraft	(3)	-	-	-	-	-	-	3,406	-	3,406	2,330	-	2,330
Invoice financing	(3)	992	-	992	432	-	432	1,815	-	1,815	1,943	-	1,943
Total		**26,320**	**21,020**	**47,340**	**37,515**	**28,349**	**65,864**	**45,561**	**20,708**	**66,269**	**36,901**	**20,615**	**57,516**

Notes:-

(1) Finance lease liabilities were mainly used for the purchase of construction machinery and equipment including rotary drilling rigs, excavators, crawler cranes, diaphragm wall grabs and Kelly bars, as well as motor vehicles.

(2) Term loans were used for the purchase of our head office building in Bukit Jalil City and a condominium unit in Kuala Lumpur, the settlement of previous term loans and trade facilities with a previous bank, as well as the working capital requirements of PT Aneka.

(3) Bankers' acceptance, promissory notes, bank overdraft and invoice financing were utilised to finance our working capital and business operations.

11. FINANCIAL INFORMATION (CONT'D)

For the Financial Years / Period Under Review, our total borrowings were denominated in RM and IDR as set out below:-

	As at 31 August 2017			As at 31 August 2018			As at 31 August 2019			As at 31 May 2020		
Borrowings	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**
Denominated in:												
RM	24,770	21,020	45,790	36,758	28,186	64,944	44,051	18,935	62,986	35,688	18,950	54,638
IDR	1,550	-	1,550	757	163	920	1,510	1,773	3,283	1,213	1,665	2,878
Total	**26,320**	**21,020**	**47,340**	**37,515**	**28,349**	**65,864**	**45,561**	**20,708**	**66,269**	**36,901**	**20,615**	**57,516**

For the Financial Years / Period Under Review, our Group's floating and fixed rate borrowings are set out below:-

	As at 31 August 2017			As at 31 August 2018			As at 31 August 2019			As at 31 May 2020		
	Floating rate(1) RM'000	**Fixed rate(2) RM'000**	**Total RM'000**	**Floating rate(1) RM'000**	**Fixed rate(2) RM'000**	**Total RM'000**	**Floating rate(1) RM'000**	**Fixed rate(2) RM'000**	**Total RM'000**	**Floating rate(1) RM'000**	**Fixed rate(2) RM'000**	**Total RM'000**
Total borrowings	20,902	26,438	47,340	26,162	39,702	65,864	37,513	28,756	66,269	33,966	23,550	57,516

Notes:-

(1) Include term loans, bankers' acceptance, bank overdrafts, promissory notes and invoice financing.

(2) Include finance lease liabilities.

The details of the types of credit facilities that we have secured and its balance unutilised as at the LPD are as follows:-

Type of financial instruments	Tenure	Effective interest rate per annum	Credit limit RM'000	Balance unutilised as at the LPD RM'000
Finance lease liabilities	3 to 5 years	5.89%	30,801[(1)]	-
Term loans	Up to 20 years	3.09% to 10.50%[(2)]	11,600 [(2)]	2,556
Trade line - Bankers' acceptance and invoice financing / Bank guarantee	120 days	3.87% to 6.57% / 1.20%	65,450	30,789
Bank overdraft	On demand	6.42% to 6.60%	7,000	7,000
Promissory notes	30 to 90 days	3.68%	10,000	1,708
Total				**42,053**

Notes:-

(1) Includes finance lease liabilities secured by PT Aneka amounting to IDR9.15 billion (equivalent to RM2.60 million based on IDR100 = RM0.028400 as at the LPD).

(2) Includes a pre-export financing facility secured by PT Aneka for working capital purposes which has a credit limit and unutilised balance of IDR9.00 billion (equivalent to RM2.56 million based on IDR100 = RM0.028400 as at the LPD).

As at the LPD, the interest rates for our term loans in Malaysia range between 3.09% and 3.60% per annum, while PT Aneka's pre-export financing facility carries interest rate of 10.50% per annum.

As at the LPD, all our borrowings were interest bearing. We have not defaulted on any payments of either principal sums or interests in relation to our borrowings for the Financial Years / Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there are no restrictions on our committed borrowing facilities.

As at the LPD, we have not breached any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect the financial position and results of our business operations or investment holders of our securities.

As at the LPD, save as disclosed above, we did not use any other financial instruments.

(iv) Treasury policies and objectives

We have been funding our operations through shareholders' equity, cash generated from our operations, and external sources of funds.

The external sources of funds consisted of credit terms granted by our suppliers as well as borrowings from financial institutions. The normal credit term granted by our suppliers ranges from 14 days to 60 days.

As at the LPD, our borrowings from financial institutions mainly consisted of the following:-

(a) Finance lease arrangements mainly comprising finance lease liabilities used for the purchase of construction machinery and equipment including rotary drilling rigs, excavators, crawler cranes and others, as well as motor vehicles;

(b) Term loans used to fund the purchase of our head office and investment properties; and

(c) Bankers' acceptance, bank overdraft, invoice financing and promissory notes used to finance our working capital and business operations.

As at the LPD, the total facility limit of our banking facilities amounted to approximately RM124.85 million, where approximately RM42.05 million was unutilised.

The interest rates of our borrowings were based on a combination of fixed rates and floating rates.

In addition, our cash and bank balances were denominated in RM, IDR and EUR as summarised in the following table:-

	<----------------------Audited---------------------->			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**
	RM'000	***RM'000***	***RM'000***	***RM'000***
Cash and bank balances	**6,718**	**8,788**	**3,888**	**10,414**
Denominated in:				
- *RM*	*6,105*	*6,366*	*2,278*	*7,416*
- *IDR*	*586*	*2,395*	*1,610*	*2,998*
- *EUR*	*27*	*27*	-	-
Fixed deposits with licensed bank	**6,528**	**9,163**	**8,851**	**8,527**
Denominated in:				
- *RM*	*6,528*	*9,163*	*8,851*	*8,527*
Restricted cash	**-**	**-**	**-**	**891**
Denominated in:				
- *IDR*	-	-	-	*891*
	13,246	*17,951*	*12,739*	*19,832*
Less: Pledged deposits	*(6,401)*	*(9,033)*	*(8,851)*	*(8,527)*
Less: Restricted cash	-	-	-	*(891)*
	6,845	**8,918**	**3,888**	**10,414**

(v) Financial instruments for hedging purposes

Financial instruments, from an accounting perspective, may primarily include trade receivables, other receivables, and deposits, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables, and borrowings as shown in our combined statements of financial position. The abovementioned financial instruments were used in our ordinary course of business. We have a foreign exchange hedging account which we have not utilised in the Financial Years / Period Under Review.

(vi) Contingent liabilities

As at the LPD, the details of our material contingent liabilities are as follows:-

	RM'000
Bank guarantees	16,016
Total	**16,016**

As at the LPD, the RM16.02 million were bank guarantees for performance bonds and tender bonds of various construction projects, which mainly comprised the following:-

(a) A total of RM12.85 million of bank guarantees are performance bond for completed construction projects in Malaysia which are still in their defect liability period, mainly Sentral Suites Project, HSBC Malaysia @ TRX Project, and YouCity 3 Project.

(b) RM2.66 million of bank guarantees are performance bond for on-going construction projects, namely Agile Embassy Garden Project, Infrastructure for Merdeka 118 Project and Bukit Tunku Project;

(c) A total of RM0.35 million of bank guarantees are tender bonds for bids for foundation and basement construction projects for buildings in Malaysia; and

(d) A total of IDR0.55 billion (equivalent to RM0.16 million based on conversion rate of IDR100 = RM0.028400 as at the LPD) of bank guarantees are performance bond for construction projects in Indonesia including Sky House Project, Tanjung Barat Flyover Project and Bekasi Station Building Project.

As at the LPD, save as disclosed above, we do not have any contingent liability which will or may substantially affect our financial results or position upon becoming enforceable.

(vii) Material litigation, claims or arbitration

As at the LPD, neither our Company nor our subsidiaries are involved in any legal actions, proceedings, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on our business operations or financial position, and our Directors confirm that our Group is not involved in any legal proceeding, and is not aware of any pending or threatened legal proceeding, or of any fact that would give rise to any legal proceedings which may have a material adverse effect on our business operations or financial position.

(viii) Capital expenditure and divestiture

Capital expenditure

Our capital expenditure for the Financial Years / Period Under Review, and from 1 June 2020 up to the LPD, are as follows:-

	<----------------------------Audited-------------------------->				Unaudited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**	**1 June 2020 up to the LPD**
Capital expenditure	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Land and buildings	3,246[(1)]	-	-	-	40
Right of use assets	-	-	-	6,883	10,500
Plant and machinery	16,722	27,651	9,936	-	-
Tools, equipment and containers	3,379	1,957	1,642	72	10
Motor vehicles	3,913	160	269	-	-
Capital work-in-progress	-	-	483[(2)]	177[(2)]	59[(2)]
Investment properties	425	4,132	239	-	-
Others[(3)]	136	285	700	127	8
	27,821	**34,185**	**13,269**	**7,259**	**10,617**

Notes:-

(1) This refers to the acquisition of our head office in Bukit Jalil City amounting to RM6.57 million.

(2) This refers to the acquisition of our new Indonesia office in Kelapa Gading, Jakarta amounting to IDR5.90 billion (equivalent to RM1.68 million based on conversion rate of IDR100 = RM0.028400 as at the LPD).

(3) Others include computers, office equipment, furniture and fittings, as well as renovation works.

For the FYE 2017, our capital expenditure of RM27.82 million was mainly contributed by the following:-

(a) RM16.72 million for the purchase of plant and machinery including 2 units of rotary drilling rigs, 1 unit of crawler crane, 1 unit of pile driving rig and 2 units of excavators for our Malaysia operations, as well as 1 unit of rotary drilling rig for our Indonesia operations;

(b) RM3.91 million for 13 units of motor vehicles;

(c) RM3.38 million for the purchase of tools and equipment, mainly 3 units of diaphragm wall grabs and 2 units of Kelly bars for our Malaysia operations;

(d) RM3.25 million of remaining balance for our 4-storey head office building in Bukit Jalil City at a total cost of RM6.57 million; and

(e) RM0.43 million of building under construction of an investment property, namely a condominium in Kuala Lumpur.

For the FYE 2018, our capital expenditure of RM34.19 million was mainly contributed by the following:-

(a) RM27.65 million for the purchase of plant and machinery including 5 units of rotary drilling rigs and 2 units of skid steer loaders for our Malaysia operations as well as 1 unit of rotary drilling rig and 1 unit of excavator for our Indonesia operations;

(b) RM4.13 million comprising mainly of RM3.94 million relating to payment in kind for the investment property of 1 unit of 3-storey commercial building located in Bukit Jalil City. The remaining balance of RM0.19 million is relating to the completion of the abovementioned condominium in Kuala Lumpur; and

(c) RM1.96 million for the purchase of tools and equipment, mainly 2 units of Kelly bars for our Malaysia operations.

For the FYE 2019, our capital expenditure of RM13.27 million was mainly contributed by the following:-

(a) RM9.94 million for the purchase of plant and machinery, mainly 1 unit of rotary drilling rig and 1 unit of diaphragm wall grab for our Malaysia operations, as well as 2 units of rotary drilling rigs and 1 unit of excavator for our Indonesia operations;

(b) RM1.64 million for the purchase of tools and equipment, mainly 1 unit of Kelly bar, 1 unit of vibratory hammer and 1 unit of dynamic pile driver for our Malaysia operations;

(c) RM0.48 million of capital work-in-progress for our new Indonesia office, namely a shop office at Sedayu City at Kelapa Gading Phase 2 in Jakarta at a total cost of IDR5.90 billion (or RM1.68 million based on conversion rate of IDR100 = RM0.028400 as at the LPD); and

(d) RM0.24 million of investment properties relating to the completion of the above mentioned 3-storey commercial building located in Bukit Jalil City.

For the FPE 2020, our capital expenditure of RM7.26 million was mainly attributed to the following:-

(a) RM6.88 million of right-of-use assets mainly comprising RM4.82 million for the purchase of construction machinery including 1 unit of rotary drilling rig for our Malaysia operations, RM1.17 million for the purchase of 1 unit of rotary drilling rig for our Indonesia operations as well as RM0.87 million for the purchase of tools and equipment mainly includes 1 unit of diaphragm wall grab and several units of chisels; and

(b) RM0.18 million of capital work-in-progress for our new Indonesia office.

From 1 June 2020 up to the LPD, our capital expenditure of RM10.62 million was mainly attributed to right-of-use assets of RM10.50 million pertaining to the purchase of 1 unit of rotary drilling rig and 1 unit of crawler crane for our Malaysia operations.

Capital divestiture

Our capital divestiture for the Financial Years / Period Under Review, and from 1 June 2020 up to the LPD, are as follows:-

	<---------------------Audited------------------->				Unaudited
	FYE 2017	FYE 2018	FYE 2019	FPE 2020	1 June 2020 up to the LPD
Capital divestiture	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Motor vehicles	1,964	102	5,086	-	4
Investment properties	-	-	4,773	-	-
Plant and machinery	546	-	810	-	493
Land and buildings	65	-	-	-	-
Tools, equipment and container	-	-	-	-	-
Others[(1)]	114	-	17	-	-
	2,689	**102**	**10,686**	-	497

Note:-

(1) Others include computers, office equipment, furniture and fittings.

For the FYE 2017, our capital divestiture of RM2.69 million was mainly contributed by the following:-

(a) RM1.96 million from the disposal of 6 units of motor vehicles from our Malaysia operations.

(b) RM0.55 million from the disposal of plant and machinery including 3 units of crawler cranes from our Indonesia operations.

For the FYE 2018, our capital divestiture of RM0.10 million was mainly from the write-off of 2 units of motor vehicles.

For the FYE 2019, our capital divestiture of RM10.69 million was mainly contributed by the following:-

(a) RM5.09 million from the disposal of 30 units of motor vehicles with 29 units and 1 unit from our Malaysia operations and Indonesia operations, respectively;

(b) RM4.77 million from the disposal of investment properties, namely 1 unit of 3-storey commercial building located in Bukit Jalil City at RM4.18 million, and 1 unit of a duplex hotel suite in Selayang at RM0.59 million; and

(c) RM0.81 million from the disposal of 3 units of excavators from our Malaysia operations.

For the FPE 2020, there was no capital divestiture. While from 1 June 2020 up to the LPD, our capital divestiture of RM0.50 million was mainly from the disposal of 1 unit of rotary drilling rig.

(ix) Material capital commitment

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

		To be funded by	
		IPO proceeds	Internally generated funds / Bank borrowings
Capital expenditure	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for	**3,048**	**-**	**3,048**
- Shop office in Jakarta[(1)]	900	-	900
- Investment properties[(2)]	2,148	-	2,148
Approved but not contracted for	**32,839**	**17,300**	**15,539**
- Construction machinery and equipment for Malaysia operations[(3)]	17,300	17,300	-
- Construction machinery and equipment for Indonesia operations[(4)]	13,939		13,939
- Investment properties[(5)]	1,600	-	1,600
Total material capital commitments	**35,887**	**17,300**	**18,587**

Notes:-

(1) On 24 July 2019, we signed a conditional sale and purchase agreement with PT Citra Abadi Mandiri to purchase a shop office at Sedayu City at Kelapa Gading Phase 2 for the total price of IDR5.90 billion (equivalent to RM1.68 million based on conversion rate of IDR100 = RM0.028400 as at the LPD). The built-up area of the shop office is approximately 2,906 sq. ft. in size. The shop office is currently under construction. As at the LPD, we have made total progress payment of IDR2.73 billion (equivalent to RM0.78 million) via internally generated funds. The remaining balance of IDR3.17 billion (equivalent to RM0.90 million) will also be funded by internally generated funds. We expect to relocate to this new office premise by 2022.

(2) Being 2 service apartment units in Agile Embassy Garden, Kuala Lumpur acquired by our Group pursuant to Contra Payment and Project Support arrangement. These properties are currently under construction. As at the LPD, we have yet to make any payment for these properties. The consideration for these properties will be funded by way of Contra Payment. Please refer to Section 6.4.1(b) of this Prospectus for further details.

(3) As part of our future plans, we plan to expand our fleet of construction machinery and equipment for our Malaysia operations where we plan to purchase 2 units of rotary drilling rigs and 1 unit of crawler crane between 2021 and 2023* for a total estimated cost of RM17.30 million. We plan to utilise our IPO proceeds to fund the cost of these purchases. Please refer to Section 6.11.1(i) of this Prospectus for further details of this future plan.

(4) As part of our future plans, we plan to expand our fleet of construction machinery and equipment for our Indonesia operations where we plan to purchase 6 units of rotary drilling rigs, 6 units of excavators and 3 units of crawler cranes between 2021 and 2023* for a total estimated cost of IDR49.08 billion (equivalent to RM13.94 million based on conversion rate of IDR100 = RM0.028400 as at the

LPD). We plan to utilise bank borrowings and/or internally generated funds to fund the cost of these purchases. Please refer to Section 6.11.2(i) of this Prospectus for further details of this future plan.

(5) Being properties within the MET 5 @ KL Metropolis (Stage 2) Project to be acquired by our Group pursuant to Project Support arrangement. This arrangement was confirmed by us vide our letter to the customer dated 4 March 2020. As at the LPD, the type of properties to be acquired has yet to be determined, and we have yet to make any payment for these properties. The method of settlement of the consideration for these properties has yet to be determined as at the LPD. Please refer to Section 6.4.1(b) of this Prospectus for further details.

* In light of the global COVID-19 pandemic situation, we may experience a delay in implementing these business strategies and capital expenditure in accordance with the expected timeline. Please refer to Section 6.3.14 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

(x) Key financial ratios

The following table sets forth the key financial ratios based on our Group's combined financial statements for the financial years indicated below:-

	<-------------------Audited------------------->			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**
Trade receivables turnover period (days)[(1)]	97	72	72	81
Trade payables turnover period (days)[(2)]	79	68	86	121
Current ratio (times)[(3)]	1.16	1.12	1.27	1.56
Gearing ratio (times)[(4)]	0.82	1.02	0.79	0.62

Notes:-

(1) Based on net average trade receivables (excluding retention sums) of the respective financial years over total revenue of the respective financial years or period, and multiplied by 365 days or 274 days.

(2) Based on net average trade payables (excluding retention sums) of the respective financial years over total cost of sales of the respective financial years or period, and multiplied by 365 days or 274 days.

(3) Based on current assets over current liabilities.

(4) Based on total borrowings over total equity.

(a) Trade receivables

We mainly grant a credit period of 30 to 60 days to our customers from the date of invoices during the Financial Years / Period Under Review, with the exception of a customer which was granted a credit period of 90 days in the FYE 2019. We generally consider the customer's creditworthiness, quantum of amount owing and payment history with us when determining the credit period granted to such customers. In addition, credit terms granted to customers are assessed and approved on a case-by-case basis based on the consideration factors mentioned above. In addition, our management assesses trade receivables individually as to their ageing conditions and any reasons behind the failure to pay within the normal credit period. It is our management's practice to follow up closely on our collection of overdue trade receivables from customers on a regular basis by way of verbal and / or written reminders. We would normally identify the reasons for late payment and negotiate on a payment schedule.

For the FYE 2017, our trade receivables turnover period stood at 97 days which was higher than the credit period granted to our customers. This was mainly due to increase in billings to customers in the last quarter of the FYE 2017 as well as slower payments from several customers for foundation construction projects in Malaysia. This was mainly attributed to an overdue payment of RM3.76 million for a foundation construction project since the FYE 2016 pending a LAD which was incurred prior to the Financial Years / Period Under Review. During the FPE 2020, the project owner agreed to waive the LAD. Pursuant to the waiver of LAD, the outstanding payment has been settled during the FPE 2020. In addition, the other outstanding abovementioned slow payments for the FYE 2017 have been settled as at the LPD.

For the FYE 2018, our trade receivables turnover period improved to 72 days compared to 97 days for the FYE 2017 which was mainly due to our management's concerted efforts to follow-up with customers closely to recover the outstanding payments. Despite our management's efforts, the trade receivables turnover period of 72 days in the FYE 2018 was still higher than the credit period granted to our customers. This was mainly due to slower payments from several customers for foundation and basement construction projects in Malaysia. This includes the abovementioned overdue payment of RM3.76 million which, as at the LPD, has been settled. In addition, the bulk of other outstanding slow payments mentioned above for the FYE 2018 have been settled as at the LPD.

Our trade receivables turnover period for the FYE 2019 maintained at 72 days and this was higher than the credit period granted to our customers. This was mainly due to slower payments from several customers for foundation and basement construction projects in Malaysia. As a result of these outstanding trade receivables, our operating cash flow was lower for the FYE 2019. Please refer to Section 11.3.10(ii) of this Prospectus for further details on our operating cash flow for the FYE 2019.

For the FPE 2020, our trade receivables turnover period increased to 81 days from 72 days for the FYE 2019, which was longer than the normal credit terms to customers of 30 to 60 days. This was mainly due to the increase in billings to customers in the FPE 2020, as well as slower payments from several customers in Malaysia. Please refer to the trade receivables ageing analysis as at 31 May 2020 below for further details.

Our trade receivables ageing analysis as at 31 May 2020 is as follows:-

	Within credit period	**Exceed credit period (past due days)**					**Total**
		1 - 30	**31 - 60**	**61 - 90**	**91 - 120**	**Over 120**	
Trade receivables[1] (RM'000)	3,057	1,275	6,117	3,918	655	7,017	22,039
Proportion of total net trade receivables (%)	*13.86*	*5.79*	*27.76*	*17.78*	*2.97*	*31.84*	*100.00*
Subsequent collections as at the LPD (RM'000)	2,763	1,273	6,110	328	21	2,538	13,033
Net trade receivables after subsequent collections (RM'000)	294	2	7	3,590	634	4,479	9,006
Proportion of trade receivables after subsequent collections (%)	*3.26*	*0.02*	*0.08*	*39.86*	*7.04*	*49.74*	*100.00*

Note:-

(1) Excluding retention sums.

As at the LPD, RM13.03 million or 59.14% of our total trade receivables outstanding have been collected. The remaining RM9.01 million or 40.86% of the total trade receivables were still outstanding as at the LPD.

Meanwhile, RM8.71 million or 96.74% of the outstanding amount exceeded the credit period. This was mainly attributed to slow payments from 4 customers. Our management has taken constant efforts to recover the outstanding amount including follow-up calls and issuance of letters of reminders. Nevertheless, these customers are still making payments on a monthly basis and we expect to fully recover this outstanding amount of RM8.71 million which has exceeded the credit period. We expect to recover approximately RM8.00 million of the said outstanding amount by December 2020, and the balance in 2021. In view of the COVID-19 pandemic and the MCO, our management continues to follow up with the customers through direct negotiations to fully recover the outstanding payments.

(b) Trade payables

The normal credit terms granted by our suppliers ranges from 14 to 60 days.

Our trade payables turnover period improved from 79 days in the FYE 2017 to 68 days in the FYE 2018 mainly due to our continuing effort to improve our payment to suppliers in a timely manner. However, the trade payables turnover period of 68 days in the FYE 2018 was still longer than the credit period granted by our suppliers. This was mainly due to slower payment to suppliers of construction materials and consumables as well subcontractors. As at the LPD, the outstanding payment for the FYE 2017 and FYE 2018 has been settled.

Our trade payables turnover period increased to 86 days for the FYE 2019, which was longer than the normal credit term. This was mainly due to higher billings issued by our suppliers as well as slower payment to suppliers of construction materials and consumables as well as subcontractors. These suppliers provided the materials and subcontracted services for some of our projects which were affected by the slower payment from our customers for some of the projects as mentioned earlier.

For the FPE 2020, our trade payables turnover period increased to 121 days compared to 86 days in the FYE 2019, which was longer than the normal credit term granted by suppliers. This was mainly due to slower payment to suppliers of construction materials and consumables, as well as subcontractors. These suppliers provided the materials and subcontracted services for some of our projects that were affected by the slower payment from our customers as mentioned above. Please refer to the trade payables ageing analysis as at 31 May 2020 below for further details.

Our trade payables ageing analysis as at 31 May 2020 is as follows:-

	Within credit period	Exceed credit period (past due days)					Total
		1 - 30	31 - 60	61 - 90	91 - 120	Over 120	
Trade payables[(1)] (RM'000)	10,412	132	3,927	8,396	4,182	9,878	36,927
Proportion of total trade payables (%)	*28.20*	*0.36*	*10.63*	*22.74*	*11.32*	*26.75*	*100.00*
Subsequent payments as at the LPD (RM'000)	3,709	132	2,929	5,102	2,627	5,480	19,979
Net trade payables after subsequent collections (RM'000)	6,703	-	998	3,294	1,555	4,398	16,948
Proportion of trade payables after subsequent payments (%)	*39.55*	-	*5.89*	*19.44*	*9.17*	*25.95*	*100.00*

Note:-

(1) Excludes retention sums and trade accruals.

As at the LPD, RM19.98 million or 54.10% of our total trade payables outstanding have been paid. The remainder of 45.90% or RM16.95 million were still unpaid as at the LPD. These trade payables which remained unpaid were mainly amount owing to suppliers for the rental of cranes and excavators, and building materials such as concrete materials as well as subcontractors for various works including installation of temporary ground anchors, testing services and RC works for our Malaysia operations. Nevertheless, we are still making payments to these suppliers on a monthly basis.

The slow payment to suppliers was partly due to our slower collection from customers as affected by the COVID-19 pandemic. In this respect, our Group has been communicating with suppliers and subcontractors to obtain their support and understanding relating to the prioritisation of payment to our suppliers based on collection. We will continue to make payments to these suppliers as well as communicate with them on this matter until full settlement of our trade payables.

As at the LPD, there are no disputes and no letters or notices of demand being issued by our suppliers in relation to the outstanding amount. Our Directors confirm that our Group is not involved in any legal proceeding, and is not aware of any pending or threatened legal proceeding, or any fact likely to give rise to any potential legal action by our suppliers for the outstanding amount. We do not expect any dispute with, and any letter or notice of demand to be issued by, our suppliers in relation to the outstanding amount.

(c) Inventory turnover

We do not keep inventories due to the nature of our principal business in foundation and basement construction.

(d) Current ratio

As at 31 August 2018, our current ratio was 1.12 times, which was marginally lower compared to 1.16 times as at 31 August 2017. This was mainly due to higher finance lease liabilities to purchase construction machinery and equipment as well as bankers' acceptance to finance our working capital.

As at 31 August 2019, our current ratio was 1.27 times, which was higher compared to 1.12 times as at 31 August 2018. This was mainly due to higher contract assets of RM72.89 million as at 31 August 2019 compared to RM49.49 million as at 31 August 2018 as there were higher unbilled progress payment for some of our on-going projects.

As at 31 May 2020, our current ratio was 1.56 times, which was higher than the current ratio of 1.27 times as at 31 August 2019. The improvement in current ratio position is mainly attributed to the reversal of a provision of LAD of RM3.76 million where the customer has waived the LAD during the FPE 2020 as mentioned earlier as well as lower borrowings as at 31 May 2020 mainly due to repayment of finance lease liabilities, bankers' acceptance, and term loans during the FPE 2020.

(e) Gearing ratio

As at 31 August 2018, our gearing ratio was 1.02 times, which was higher compared to 0.82 times as at 31 August 2017. This was mainly attributed to higher borrowings including increase in finance lease liabilities to finance the purchase of 5 units of rotary drilling rigs, 2 units of skid steer loaders and 2 units of Kelly bars for our Malaysia operations and 1 unit of excavator for our Indonesia operations, as well as utilisation of bankers' acceptance to finance our working capital.

Despite the increase in our borrowings as at 31 August 2019, our gearing ratio improved to 0.79 times. This was mainly attributed to an increase in our retained earnings from RM58.52 million as at 31 August 2018 to RM75.63 million as at 31 August 2019.

As at 31 May 2020, our gearing ratio was 0.62 times, which is lower than the gearing ratio of 0.79 times as at 31 August 2019. The improvement in gearing ratio was due to the lower utilisation of borrowings such as bankers' acceptance and bank overdraft, and repayment of finance lease liabilities and term loans during the FPE 2020. In addition, the improvement in gearing ratio was also partly attributed to higher retained earnings, which increased from RM75.63 million as at 31 August 2019 to RM84.29 million as at 31 May 2020.

11.3.11 Trend analysis

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

(i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this section and Sections 6 and 8 of this Prospectus;

(ii) material commitment for capital expenditure, save as disclosed in Section 11.3.10(ix) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Section 8 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section and in Section 8 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Section 8 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 8 of this Prospectus that may affect our future financial condition and results of operations.

Our Board is optimistic about the future prospects of our Group after taking into account the overview of the construction industry in Malaysia and Indonesia as set out in Section 7 of this Prospectus, our competitive advantages and key strengths as set out in Section 6.1.2 of this Prospectus and our business strategies as set out in Section 6.11 of this Prospectus.

11.3.12 Order book

Our business is principally in foundation and basement construction, where we usually secure contracts for construction projects. As our revenue from our foundation and basement construction segments are recognised based on stage of completion method, our order book excludes the value of completed works in respect of on-going projects which have been recognised in revenue.

As at the LPD, our total unbilled contract value is summarised as follows:-

By business activity	As at the LPD RM'000
Foundation and basement construction	
- **Foundation construction**	**96,172**
Malaysia	
• Belfield Tunnel Project	4,740
• Agile Embassy Garden Project	7,151
• West Coast Expressway (Section 3) Project	2,667
• BBCC (Parcels 4 & 5) Project	1,755
• MET 5 @ KL Metropolis (Stage 2) Project	70,470
• LRT 3 Underground Tunnel Project	497
• Bukit Setongkol Flyover Project	2,658
• Klang Factory Project	1,125
• Bukit Tunku Project	2,948
Indonesia	
• Manggarai-Jatinegara Railway Project	1,619
• Sky House Project	539
• Bekasi Station Building Project	3
- **Basement construction**	**-**
Total	**96,172**

By geographical market	As at the LPD RM'000
Malaysia	94,011
Indonesia	2,161
Total	**96,172**

The order book of RM96.17 million as at the LPD is expected to be fully recognised by the FYE 2021. This is mainly due to the nature of our projects and/or contracts which are generally not long term in nature.

For our Malaysia operations, the duration of our projects and/or contracts of the abovementioned order book ranges from 6 months and up to 24 months, depending on the size of the contract. In some cases, these projects may be given an extension of time. Meanwhile, for our Indonesia operations, the duration of our projects and/or contracts of the abovementioned order book ranges from 2 months up to 14 months depending on the size of the contract.

Please refer to Sections 6.3.3(c) and 6.3.3(d) of this Prospectus for further information on our on-going construction projects in Malaysia and Indonesia, respectively.

Our management has been continuing to submit tenders and quotations in Malaysia and Indonesia with the intention of building up our order book. In this respect, our management is confident of the prospects of our Group in line with the expected normalisation of the Malaysian economy by the second half of 2020 and early 2021.

Malaysia's GDP is expected to contract by 3.5% to 5.5% in 2020 before staging a rebound to grow within a range of 5.5% to 8.0% by 2021. In the second half of 2020, the gradual improvement in Malaysia's economy is underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. This will be supported by growth factors including large public projects and high multiplier smaller projects, as well as recovery on commodity production.

Some of the construction related activities that is expected to contribute to the improvement in Malaysia's economy includes the continuation of large-scale infrastructure projects namely MRT2, LRT3, Pan Borneo Highway, East Coast Rail Link project, Johor Bahru-Singapore rapid transit system, National Fiberisation and Connectivity Plan, ramp-up of upstream and downstream oil and gas projects, and power generation projects.
(Source: Industry Overview)

11.3.13 Significant changes

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there is no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FPE 2020 up to the LPD. Please refer to Section 6.3.14 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

11.4 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Our Group did not declare any dividend in the FYE 2017. The dividends declared by our Group in the FYE 2018 and FYE 2019 are RM7.57 million and RM1.15 million, respectively, which represented approximately 56.41% and 6.24% of our PAT attributable to shareholders for the FYE 2018 and FYE 2019, respectively. We declared a lower dividend for the FYE 2019 after taking into consideration our lower net cash from operating activities for the FYE 2019 and our financing commitments. We did not declare any dividend in the FPE 2020.

Notwithstanding the above, our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:-

(i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) our Company is solvent as the Act requires;

(v) any material impact of tax laws and other regulatory requirements; and

(vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. There is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividend for the year.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

11.5 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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2 September 2020

The Board of Directors
Aneka Jaringan Holdings Berhad
K-2-1
Pusat Perdagangan Bandar Bukit Jalil
Persiaran Jalil 2
57000 Kuala Lumpur

Dear Sirs,

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Aneka Jaringan Holdings Berhad ("Aneka Holdings" or "Company") and its subsidiaries, namely Aneka Jaringan Sdn. Bhd., Aneka Jaringan & Persis Waja JV Sdn. Bhd., PT Aneka Jaringan Indonesia and Aneka Geotechnics Sdn. Bhd. ("Aneka Group") for which the directors of Aneka Holdings are solely responsible. The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position as at 31 May 2020 together with the accompanying notes thereon, as set out in the accompanying statement, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Aneka Holdings have compiled the pro forma consolidated statement of financial position are as described in Note 2 to the pro forma consolidated statement of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statement of financial position of Aneka Group has been compiled by the directors of Aneka Holdings, for illustrative purposes only, for inclusion in the prospectus of Aneka Holdings ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of Aneka Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of Aneka Group as at 31 May 2020 adjusted for the transactions as described in Note 2.7, the public issue and the utilisation of proceeds as described in Notes 1.2.2 and 3.2.1, respectively.

As part of this process, information about Aneka Group's pro forma consolidated financial position has been extracted by the directors of Aneka Holdings from the audited financial statements of Aneka Holdings and the audited financial statements of its subsidiaries as follows:

Company Name	Financial Period Ended ("FPE")
Aneka Holdings	31 May 2020
Aneka Jaringan Sdn. Bhd. ("Aneka Jaringan")	31 May 2020
Aneka Geotechnics Sdn. Bhd. ("Aneka Geotechnics")	31 May 2020
Aneka Jaringan & Persis Waja JV Sdn. Bhd. ("Aneka PW")	31 May 2020
PT Aneka Jaringan Indonesia ("PT Aneka")	31 May 2020

The audited financial statements of Aneka Holdings and each of its subsidiaries for the FPE 31 May 2020 were reported by the auditors to their respective members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The directors of Aneka Holdings are responsible for compiling the pro forma consolidated statement of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institutes of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the directors of Aneka Holdings based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Aneka Holdings have compiled, in all material respects, the pro forma consolidated statement of financial position based on the Applicable Criteria.

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

The purpose of the pro forma consolidated statement of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of Aneka Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Aneka Holdings in the compilation of the pro forma consolidated statement of financial position of Aneka Group provide a reasonable basis for presenting the significant effects directly attributable to Public Issue and the acquisition of subsidiaries as described in Notes 1.2.2 and 1.2.1, respectively to the pro forma consolidated statement of financial position, and to obtain sufficient appropriate evidence about whether:

(a) The pro forma consolidated statement of financial position of Aneka Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the audited financial statements of Aneka Holdings for the FPE 31 May 2020 and the audited financial statements of its subsidiaries for the FPE 31 May 2020, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 31 May 2020 and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statement of financial position; and

(b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

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ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES
Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statement of Financial Position
as at 31 May 2020 Included in A Prospectus

The procedures selected depend on our judgement, having regard to our understanding of the nature of Aneka Group, the events and transactions in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

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

Our opinion

In our opinion:

(a) the pro forma consolidated statement of financial position of Aneka Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statement of financial position, based on the audited financial statements of Aneka Holdings for the FPE 31 May 2020 and the audited financial statements of its subsidiaries for the FPE 31 May 2020 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 31 May 2020, which had been adopted by Aneka Holdings as its group's accounting policies and the adoption of the new accounting policies as described in Note 2.6 to the pro forma consolidated statement of financial position; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statement of financial position of Aneka Group is appropriate for the purpose of preparing the pro forma consolidated statement of financial position.

Other matter

This report has been prepared for inclusion in the Prospectus in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statement of financial position of Aneka Jaringan Holdings Berhad ("Aneka Holdings" or "Company") and its subsidiaries (hereinafter collectively referred to as the "Aneka Group") has been compiled by the directors of Aneka Holdings, for illustrative purposes only, for inclusion in the prospectus of Aneka Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of Aneka Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.1 Aneka Holdings is undertaking a listing of and quotation for its entire enlarged issued share capital of RM125,805,700 comprising 538,100,000 new ordinary shares in Aneka Holdings on the ACE Market of Bursa Securities. The Listing comprises the following:

1.2 Listing Scheme

1.2.1 Acquisition of subsidiaries (the "Acquisitions")

Acquisitions of Aneka Jaringan Sdn. Bhd. ("Aneka Jaringan") and Aneka Geotechnics Sdn. Bhd. ("Aneka Geotechnics")

Aneka Holdings had on 21 January 2020, entered into a share sale agreement with vendors of Aneka Jaringan and Aneka Geotechnics to:

(i) acquire the entire issued share capital of Aneka Jaringan of RM2,300,000 comprising 2,300,000 ordinary shares from the vendors of Aneka Jaringan for a purchase consideration of RM71,363,996. The Acquisition of Aneka Jaringan was wholly satisfied by the issuance of 356,819,979 new Shares at an issue price of RM0.20 per Share.

The purchase consideration of Aneka Jaringan of RM71,363,996 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited consolidated net assets ("NA") of Aneka Jaringan as at 31 August 2019 of RM71,363,724.

(ii) acquire the entire issued share capital of Aneka Geotechnics of RM1,000,000 comprising 1,000,000 ordinary shares from the vendors of Aneka Geotechnics for a purchase consideration of RM8,278,000. The Acquisition of Aneka Geotechnics was wholly satisfied by the issuance of 41,390,000 new Shares at an issue price of RM0.20 per Share.

The purchase consideration of Aneka Geotechnics of RM8,278,000 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA of Aneka Geotechnics as at 31 August 2019 of RM8,278,153.

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

1. **INTRODUCTION (CONTINUED)**

1.2.2 **Public Issue**

The public issue of 139,890,000 Shares at the initial public offering ("IPO") price of RM0.33 per Share, representing approximately 26.00% of the enlarged number of shares of Aneka Holdings, to be allocated and allotted in the following manner:

(i) 26,906,000 new Shares made available to the Malaysian public;

(ii) 13,453,000 new Shares made available for application by the eligible directors and employees and persons who have contributed to the success of Aneka Group;

(iii) 45,721,000 new Shares made available by way of private placement to selected investors; and

(iv) 53,810,000 new Shares made available by way of private placement to selected Bumiputera investors approved by the MITI.

(Collectively hereinafter referred to as "Public Issue").

1.3 **Listing**

Admission to the official list and the listing of and quotation for the entire enlarged issued share capital of Aneka Holdings of RM125,805,700 comprising 538,100,000 Shares on the ACE Market of Bursa Securities.

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.1 The pro forma consolidated statement of financial position have been prepared to illustrate the pro forma consolidated financial position of Aneka Group as at 31 May 2020, adjusted for the transactions as described in Note 1.2.1, the Public Issue and the utilisation of proceeds as described in Notes 1.2.2 and 3.2.1, respectively.

2.2 The pro forma consolidated statement of financial position has been prepared based on the following audited financial statements for the financial period ended ("FPE") 31 May 2020 of the subsidiaries adjusted for the transactions as described in Note 1.2.1:

Company Name	FPE
Aneka Holdings	31 May 2020
Aneka Jaringan Sdn. Bhd.	31 May 2020
Aneka Geotechnics Sdn. Bhd.	31 May 2020
Aneka Jaringan & Persis Waja JV Sdn. Bhd. ("Aneka PW")	31 May 2020
PT Aneka Jaringan Indonesia ("PT Aneka")	31 May 2020

2.3 The audited financial statements of Aneka Holdings and each of its subsidiaries for the financial period under review were reported by the auditors to their respective members without any modifications.

2.4 The pro forma consolidated statement of financial position of Aneka Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of Aneka Group and does not purport to predict the future financial position and results of Aneka Group.

2.5 The pro forma consolidated statement of financial position of Aneka Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statement of financial position based on the audited financial statements of Aneka Holdings for FPE 31 May 2020 and audited financial statements of each of the subsidiaries for FPE 31 May 2020, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.6 The pro forma consolidated statement of financial position of Aneka Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by the subsidiaries in the preparation of its audited financial statements for the FPE 31 May 2020 and the adoption of the following new accounting policies, which had been adopted by Aneka Group as the group's accounting policies.

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, Aneka Group is a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entities immediately before the business combination are those of Aneka Group; and
- the equity structure, however, reflects the equity structure of Aneka Group and the difference arising from the change in equity structure of Aneka Group will be accounted for in reorganisation reserve.

2.7 In connection with the Listing, the pro forma consolidated statement of financial position has been presented after adjusting for the following material transactions subsequent to 31 May 2020 but before the Public Issue as described in Note 1.2.

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP

3.1 The pro forma consolidated statement of financial position of Aneka Group as set out below, for which the directors of Aneka Holdings are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of Aneka Group as at 31 May 2020, had the transactions as described in Note 1.2.1, the Public Issue as described in Note 1.2.2 and the utilisation of proceeds as described in Note 3.2.1 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

		Pro Forma I	Pro Forma II	Pro Forma III
	Audited Statement of Financial Position as at 31 May 2020 RM'000	After the Acquisitions RM'000	After Pro Forma I and the Public Issue RM'000	After Pro Forma II and the utilisation of proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	48,924	48,924	48,924
Investment properties	-	4,667	4,667	4,667
Deferred tax assets	-	-	-	-
Trade and other receivables	-	20,220	20,220	20,220
Total non-current assets	-	73,811	73,811	73,811
Current assets				
Current tax assets	-	1,378	1,378	1,378
Trade and other receivables	-	40,442	40,442	40,442
Contract assets	-	62,423	62,423	62,423
Other current assets	-	2,183	2,183	158
Cash and short-term deposits	1	19,832	65,996	39,158
Total current assets	1	126,258	172,422	143,559
TOTAL ASSETS	1	200,069	246,233	217,370
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	#	79,642	125,806	124,610
Reorganisation reserve	-	(76,342)	(76,342)	(76,342)
Exchange reserve	-	20	20	20
Retained earnings	(88)	84,291	84,291	80,887
	(88)	87,611	133,775	129,175
Non-controlling interests	-	5,343	5,343	5,343
TOTAL EQUITY	(88)	92,954	139,118	134,518

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)**

3.1 (Continued)

	Audited Statement of Financial Position as at 31 May 2020 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the utilisation of proceeds RM'000
Non-current liabilities				
Loans and borrowings	-	20,615	20,615	3,637
Employees benefits	-	741	741	741
Deferred tax liabilities	-	2,396	2,396	2,396
Trade payables	-	2,412	2,412	2,412
Total non-current liabilities	-	26,164	26,164	9,186
Current liabilities				
Loans and borrowings	-	36,901	36,901	29,616
Provision	-	-	-	-
Current tax liabilities	-	731	731	731
Trade and other payables	89	43,240	43,240	43,240
Contract liabilities	-	79	79	79
Total current liabilities	89	80,951	80,951	73,666
TOTAL LIABILITIES	89	107,115	107,115	82,852
TOTAL EQUITY AND LIABILITIES	1	200,069	246,233	217,370
Number of ordinary shares assumed to be in issue ('000)	@	398,210	538,100	538,100

NA^ (RM'000)	(88)	87,611	133,775	129,175
NA per ordinary share (RM)	(4,388.76)	0.22	0.25	0.24

^ attributable to owners of Aneka Holdings

\# RM4.20

@ 21 Shares

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)**

3.2 Notes to the pro forma consolidated statement of financial position are as follows:

3.2.1 The proceeds from the Public Issue would be utilised in the following manner:

Purposes	**RM'000**	**%**	**Estimated time frame for use (from the listing date)**
Purchase of new rotary drilling rigs and crawler cranes [(1)]	17,300	37.48%	Within 36 months
Repayment of borrowings	24,264	52.56%	Within 3 months
Estimated listing expenses	4,600	9.96%	Upon Listing
	46,164	100.00%	

(1) As at the latest practicable date, the Company has yet to issue any purchase orders in relation to the purchase of new rotary drilling rigs and crawler cranes. Accordingly, the utilisation of proceeds earmarked for the purchase of new rotary drilling rigs and crawler cranes are not reflected in the pro forma consolidated statement of financial position.

3.2.2 The pro forma consolidated statement of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma 1 incorporates the effects of the Acquisitions as described in Note 1.2.1 on the audited statements of financial position of Aneka Group as at 31 May 2020.

The reorganisation reserve arising from the Acquisitions are as below:

	RM'000
Purchase consideration	79,642
Less: Share capital of subsidiaries	(3,300)
Reorganisation reserve	76,342

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

(a) **Pro Forma I (Continued)**

The Acquisitions had the following impact on the audited statement of financial position of Aneka Holdings as at 31 May 2020:

	Increase/(Decrease) Effects on Total Assets RM'000	Effects on Total Liabilities/ Equity RM'000
Property, plant and equipment	48,924	-
Investment properties	4,667	-
Deferred tax assets	-	-
Trade and other receivables		
- non-current	20,220	-
- current	40,484	-
Current tax assets	1,378	-
Contract assets	62,423	-
Other current assets	2,183	-
Cash and short-term deposits	19,831	-
Share capital	-	79,642
Exchange reserves	-	20
Reorganisation reserves	-	(76,342)
Retained earnings	-	84,379
Non-controlling interests	-	5,343
Loans and borrowings		
- non-current	-	20,615
- current	-	36,901
Employees benefits	-	741
Deferred tax liabilities	-	2,396
Trade and other payables		
- non-current	-	2,412
- current	-	43,193
Provision	-	-
Current tax liabilities	-	731
Contract liabilities	-	79
	200,110	200,110

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue as described in Note 1.2.2.

The Public Issue will have the following impact on the pro forma consolidated statement of financial position of Aneka Group as at 31 May 2020:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	46,164	-
Share capital	-	46,164
	46,164	46,164

(c) **Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM46.16 million after netting off RM4.60 million of estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM41.56 million will be utilised in the manner as described in Note 3.2.1.

The proceeds arising from the Public Issue earmarked for repayment of borrowings totalling RM24.26 million will be debited to the Loans and Borrowings account.

As at 31 May 2020, RM2.03 million of the estimated listing expenses has been incurred and recognised as other current assets. The remaining estimated listing expenses of RM2.57 million will be included in Retained Earnings account. The RM2.03 million which was recognised as other current assets as at 31 May 2020 of which RM0.83 million will be included in Retained Earnings account while RM1.20 million will be included in Share Capital account.

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

(c) **Pro Forma III (Continued)**

The utilisation of proceeds will have the following impact on the pro forma consolidated statement of financial position of Aneka Group as at 31 May 2020:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Liabilities/ Equity RM'000**
Other current assets	(2,025)	-
Cash and bank balances	(26,839)	-
Loan and borrowings		
- Non-current	-	(16,978)
- Current	-	(7,286)
Share capital	-	(1,196)
Retained earnings	-	(3,404)
	(28,864)	(28,864)

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ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF ANEKA GROUP (CONTINUED)

3.2 (Continued)

3.2.3 Movements in share capital and reserves are as follows:

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000	Exchange reserve RM'000
Audited statement of financial position of Aneka Holdings as at 31 May 2020	#	-	(88)	-	-
Arising from the Acquisitions	79,642	(76,342)	84,379	5,343	20
Per Pro Forma I	79,642	(76,342)	84,291	5,343	20
Arising from the Public Issue	46,164	-	-	-	-
Per Pro Forma II	125,806	(76,342)	84,291	5,343	20
Arising from the defrayment of estimated listing expenses in relation to the Listing	(1,196)	-	(3,404)	-	-
Per Pro Forma III	124,610	(76,342)	80,887	5,343	20

RM4.20

3.2.4 Movements in cash and short-term deposits are as follows:

	RM'000
Audited statement of financial position of Aneka Holdings as at 31 May 2020	1
Arising from the Acquisitions	19,831
Per Pro Forma I	19,832
Arising from the Public Issue	46,164
Per Pro Forma II	65,996
Arising from the use of proceeds:	
- Repayment of borrowings	(24,264)
- Defrayment of estimated listing expenses in relation to the Listing	(2,575)
Per Pro Forma III	39,157

ANEKA JARINGAN HOLDINGS BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Aneka Jaringan Holdings Berhad in accordance with a resolution dated 2 September 2020.

....	....
Pang Tse Fui	**Loke Kien Tuck**
Director	**Director**

BAKER TILLY MONTEIRO HENG PLT ★ (LLP0019411-LCA) AF 0117 12 For Identification Purposes Only

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
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info@bakertilly.my
www.bakertilly.my

2 September 2020

The Board of Directors
Aneka Jaringan Holdings Berhad
K-2-1,
Pusat Perdagangan Bandar Bukit Jalil
Persiaran Jalil 2
57000 Kuala Lumpur.

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Aneka Jaringan Holdings Berhad

Opinion

We have audited the accompanying combined financial statements of Aneka Jaringan Holdings Berhad, as defined in Note 2 to the combined financial statements (the "Group"), which comprise of the combined statements of financial position as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 131.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of Aneka Jaringan Holdings Berhad gives a true and fair view of the combined financial positions of the Group as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020 and of its financial performance and its cash flows for the financial years then ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division I: Equity of the Prospectus Guideline as issued by the Securities Commission ("SC").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ANEKA JARINGAN HOLDINGS BERHAD
(Incorporated in Malaysia)

Independence and Other Ethical Responsinilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Combined Financial Statements

The directors of Aneka Jaringan Holdings Berhad are responsible for the preparation of the combined financial statements contained in the Accountants' Report of Aneka Jaringan Holdings Berhad, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of Aneka Jaringan Holdings Berhad are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ANEKA JARINGAN HOLDINGS BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division I: Equity of the Prospectus Guidelines as issued by SC, no significant subsequent events have come to our attention since 31 May 2020, the reporting date of the most recent audited combined financial statements to the date of this report, that would require a material disclosure or adjustment to be made to the combined financial statements.

ANEKA JARINGAN HOLDINGS BERHAD
(Incorporated in Malaysia)

Other Matters

The comparative information for the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows and notes to the combined financial statements for the financial period ended 31 May 2019 has not been audited.

This report is made solely to the board of directors of Aneka Jaringan Holdings Berhad and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of Aneka Jaringan Holdings Berhad in connection with the listing and quotation of the entire issued share capital of Aneka Jaringan Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other persons for the content of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

Kuala Lumpur

Date: 2 September 2020

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **PANG TSE FUI** and **LOKE KIEN TUCK**, being two of the directors of ANEKA JARINGAN HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020 and of its financial performance and cash flows for the financial years then ended 31 August 2017, 31 August 2018, 31 August 2019 and for the financial period then ended 31 May 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
PANG TSE FUI
Director

....
LOKE KIEN TUCK
Director

Kuala Lumpur

Date: 2 September 2020

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	← Audited as at →			
		31.8.2017	31.8.2018	31.8.2019	31.5.2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	49,271	59,123	53,135	48,924
Investment properties	6	5,275	9,320	4,727	4,667
Investment in an associate	7	53	-	-	-
Deferred tax assets	8	381	164	123	-
Trade and other receivables	9	11,167	15,003	20,368	20,220
Total non-current assets		**66,147**	**83,610**	**78,353**	**73,811**
Current assets					
Current tax assets		1,317	538	424	1,378
Trade and other receivables	9	81,264	70,291	63,639	40,442
Contract assets	10	14,773	49,486	72,885	62,423
Other current assets		1,128	677	1,472	2,183
Cash and short-term deposits	11	13,246	17,951	12,739	19,832
		111,728	138,943	151,159	126,258
Non-current asset held for sale	12	-	18	-	-
Total current assets		**111,728**	**138,961**	**151,159**	**126,258**
TOTAL ASSETS		**177,875**	**222,571**	**229,512**	**200,069**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Group					
Invested equity	13	3,300	3,300	3,300	3,300
Retained earnings		52,611	58,523	75,632	84,291
Exchange reserve	14	(48)	(258)	11	20
		55,863	61,565	78,943	87,611
Non-controlling interests		1,872	3,038	4,748	5,343
TOTAL EQUITY		**57,735**	**64,603**	**83,691**	**92,954**

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Audited as at			
		31.8.2017	31.8.2018	31.8.2019	31.5.2020
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	15	21,020	28,349	20,708	20,615
Employee benefits	16	336	398	709	741
Deferred tax liabilities	8	657	1,307	1,943	2,396
Trade payables	17	2,169	3,628	3,058	2,412
Total non-current liabilities		**24,182**	**33,682**	**26,418**	**26,164**
Current liabilities					
Loans and borrowings	15	26,320	37,515	45,561	36,901
Provisions	18	3,760	3,760	3,760	-
Current tax liabilities		1,484	2,713	878	731
Trade and other payables	17	57,910	61,492	66,932	43,240
Contract liabilities	10	6,484	18,806	2,272	79
Total current liabilities		**95,958**	**124,286**	**119,403**	**80,951**
TOTAL LIABILITIES		**120,140**	**157,968**	**145,821**	**107,115**
TOTAL EQUITY AND LIABILITIES		**177,875**	**222,571**	**229,512**	**200,069**

The accompanying notes form an integral part of these combined financial statements.

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
		← Audited FYE 31 August →			Audited FPE 31 May	Unaudited
Revenue	**19**	171,153	266,872	221,172	104,226	160,122
Cost of sales	**20**	(146,969)	(233,452)	(182,024)	(86,471)	(131,184)
Gross profit		24,184	33,420	39,148	17,755	28,938
Other income	**21**	800	1,737	2,904	4,785	2,413
Administrative expenses		(10,250)	(9,650)	(10,692)	(7,175)	(7,774)
Operating profit		14,734	25,507	31,360	15,365	23,577
Finance costs	**22**	(2,152)	(3,374)	(3,738)	(2,645)	(2,664)
Share of results of associates, net of tax	**7**	(69)	(35)	(18)	-	(18)
Profit before tax	**23**	12,513	22,098	27,604	12,720	20,895
Income tax expense	**25**	(3,950)	(7,277)	(7,470)	(3,501)	(5,324)
Profit for the financial years/period		8,563	14,821	20,134	9,219	15,571
Other comprehensive (loss)/income, net of tax						
Items that may not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit plan		(20)	44	(54)	28	(40)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations		(136)	(408)	463	16	356
Other comprehensive (loss)/income for the financial years/period	**26**	(156)	(364)	409	44	316
Total comprehensive income for the financial years/period		8,407	14,457	20,543	9,263	15,887
Profit attributable to:						
Owners of the Group		6,356	13,424	18,439	8,644	14,573
Non-controlling interests		2,207	1,397	1,695	575	998
		8,563	**14,821**	**20,134**	**9,219**	**15,571**
Total comprehensive income attributable to:						
Owners of the Group		6,278	13,235	18,664	8,668	14,747
Non-controlling interests		2,129	1,222	1,879	595	1,140
		8,407	**14,457**	**20,543**	**9,263**	**15,887**

The accompanying notes form an integral part of these combined financial statements.

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	← Attributable to owners of the Group → Invested equity RM'000	Exchange reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 September 2016		3,300	20	46,265	49,585	(257)	49,328
Total comprehensive income for the financial year							
Profit for the financial year		-	-	6,356	6,356	2,207	8,563
Other comprehensive loss for the financial year	26	-	(68)	(10)	(78)	(78)	(156)
Total comprehensive income		-	(68)	6,346	6,278	2,129	8,407
At 31 August 2017		**3,300**	**(48)**	**52,611**	**55,863**	**1,872**	**57,735**
Total comprehensive income for the financial year							
Profit for the financial year		-	-	13,424	13,424	1,397	14,821
Other comprehensive (loss)/income for the financial year	26	-	(212)	23	(189)	(175)	(364)
Total comprehensive income		-	(212)	13,447	13,235	1,222	14,457
Transaction with owners							
Change in ownership interest in a subsidiary		-	2	38	40	(56)	(16)
Dividends paid on shares	27	-	-	(7,573)	(7,573)	-	(7,573)
Total transactions with owners		-	2	(7,535)	(7,533)	(56)	(7,589)
At 31 August 2018		**3,300**	**(258)**	**58,523**	**61,565**	**3,038**	**64,603**
Total comprehensive income for the financial year							
Profit for the financial year		-	-	18,439	18,439	1,695	20,134
Other comprehensive income/(loss) for the financial year	26	-	255	(30)	225	184	409
Total comprehensive income		-	255	18,409	18,664	1,879	20,543
Transaction with owners							
Change in ownership interest in a subsidiary		-	14	(150)	(136)	(169)	(305)
Dividends paid on shares	27	-	-	(1,150)	(1,150)	-	(1,150)
Total transactions with owners		-	14	(1,300)	(1,286)	(169)	(1,455)
At 31 August 2019		**3,300**	**11**	**75,632**	**78,943**	**4,748**	**83,691**

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Group Invested equity RM'000	Exchange reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 September 2019		3,300	11	75,632	78,943	4,748	83,691
Total comprehensive income for the financial period							
Profit for the financial period		-	-	8,644	8,644	575	9,219
Other comprehensive loss for the financial period	26	-	9	15	24	20	44
Total comprehensive income		-	9	8,659	8,668	595	9,263
At 31 May 2020		3,300	20	84,291	87,611	5,343	92,954

	Note	Attributable to owners of the Group Invested equity RM'000	Exchange reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 September 2018		3,300	(258)	58,523	61,565	3,038	64,603
Total comprehensive income for the financial period							
Profit for the financial period		-	-	14,573	14,573	998	15,571
Other comprehensive loss for the financial period	26	-	196	(22)	174	142	316
Total comprehensive income		-	196	14,551	14,747	1,140	15,887
Transaction with owners							
Change in ownership interest in a subsidiary		-	14	(150)	(136)	(169)	(305)
At 31 May 2019		3,300	(48)	72,924	76,176	4,009	80,185

The accompanying notes form an integral part of these combined financial statements.

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited FYE 31 August 2017 RM'000	2018 RM'000	2019 RM'000	Audited FPE 31 May 2020 RM'000	Unaudited 2019 RM'000
Cash flows from operating activities						
Profit before tax:		12,513	22,098	27,604	12,720	20,895
Adjustments for:						
Amortisation/depreciation of investment properties		76	87	130	60	102
Gain on disposal of investment properties		-	-	(71)	-	(25)
Bad debts written off		1,860	-	197	101	197
Bad debts recovered		-	-	(707)	-	(707)
Amortisation/depreciation of property, plant and equipment		14,607	19,632	17,766	11,800	13,117
Gain on disposal of property, plant and equipment		(185)	(953)	(757)	-	(496)
Impairment loss on trade receivables		-	-	339	-	-
Reversal of impairment loss on trade receivable		-	-	-	(310)	-
Insurance claim		(146)	(59)	(307)	-	(307)
Share of results of associates, net of tax		69	35	18	-	18
Gain on disposal of an associate		-	-	(50)	-	(50)
Finance costs		2,152	3,374	3,738	2,645	2,664
Finance income		(322)	(563)	(413)	(326)	(323)
Employee benefits		(20)	44	(54)	28	(40)
Unrealised loss/(gain) on foreign exchange		70	356	(349)	-	(297)
Operating profit before changes in working capital		**30,674**	**44,051**	**47,084**	**26,718**	**34,748**
Changes in working capital						
Trade and other receivables		(31,066)	7,184	663	22,843	(17,264)
Contract assets		3,530	(34,713)	(23,399)	10,462	2,158
Trade and other payables		26,171	(3,531)	9,385	(24,293)	12,834
Employee benefits		175	62	311	32	233
Provisions		-	-	-	(3,760)	-
Contract liabilities		(6,329)	12,322	(16,534)	(2,193)	(15,997)
Net cash generated from operations		**23,155**	**25,375**	**17,510**	**29,809**	**16,712**
Income tax paid		(4,577)	(4,402)	(8,514)	(4,026)	(5,376)
Interests received		322	563	413	326	323
Interests paid		-	-	(57)	(167)	(23)
Net cash from operating activities		**18,900**	**21,536**	**9,352**	**25,942**	**11,636**

ANEKA JARINGAN HOLDINGS BERHAD
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Audited FYE 31 August 2017 RM'000	2018 RM'000	2019 RM'000	Audited FPE 31 May 2020 RM'000	Unaudited FPE 31 May 2019 RM'000
Cash flows from investing activities						
Purchase of property, plant and equipment	(a)	(6,387)	(1,775)	(2,942)	(601)	(1,433)
Purchase of investment properties	(b)	(48)	-	-	-	-
Proceeds from disposal of property, plant and equipment		597	953	2,437	-	825
Proceeds from disposal of an associate		-	-	50	-	50
Proceed from insurance claim		146	59	307	-	307
Changed in pledged deposits		(425)	(2,632)	182	324	252
Changed in restricted cash		-	-	-	(891)	-
Net cash (used in)/from investing activities		**(6,117)**	**(3,395)**	**34**	**(1,168)**	**1**
Cash flows from financing activities	(c)					
Interest paid		(2,152)	(3,374)	(3,681)	(2,478)	(2,641)
Net change in term loans		1,305	(1,904)	1,373	(1,382)	1,295
Net change in finance lease liabilities/ lease liabilities		(7,581)	(15,014)	(21,034)	(12,191)	(16,143)
Net change in bankers' acceptances		(2,727)	7,535	(2,818)	(1,648)	(1,482)
Net change in invoice financing		297	(560)	1,383	128	797
Net change on promissory notes		-	-	8,007	431	5,000
Net change in amount owing (by)/to directors		52	(449)	215	-	-
Net change in amount owing by related party		-	404	-	-	213
Dividends paid		-	(2,800)	(1,150)	-	-
Net cash used in financing activities		**(10,806)**	**(16,162)**	**(17,705)**	**(17,140)**	**(12,961)**
Net increase/(decrease) in cash and cash equivalents		1,977	1,979	(8,319)	7,634	(1,324)
Cash and cash equivalents at the beginning of the financial year/period		4,897	6,845	8,918	482	8,918
Effect of exchange rate changes on cash and cash equivalents		(29)	94	(117)	(32)	(122)
Cash and cash equivalents at the end of the financial year/period	11	**6,845**	**8,918**	**482**	**8,084**	**7,472**

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COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(a) Purchase of property, plant and equipment:

		Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
		2017	2018	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	5	27,396	30,053	13,030	7,259	3,747
Financed by way of finance lease arrangements		(17,815)	(28,278)	(10,088)	(6,658)	(2,314)
Financed by way of term loan		(3,194)	-	-	-	-
Cash payments on purchase of property, plant and equipment		6,387	1,775	2,942	601	1,433

(b) Purchase of investment properties:

		Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
		2017	2018	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Purchase of investment properties	6	425	4,132	239	-	239
Financed by way of term loan		(377)	(189)	-	-	-
Contra with trade debtors		-	(3,943)	(239)	-	(239)
Cash payments on investment property		48	-	-	-	-

(c) Changes in liabilities arising from financing activities comprise of net cash flows from the interest paid, repayment of term loans, finance lease liabilities, bankers' acceptances, invoice financing, promissory notes, amount owing (by)/to directors, amount owing by related party and dividend paid during the financial years. There have been no non-cash changes in liabilities arising from financing activities.

The accompanying notes form an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Aneka Jaringan Holdings Sdn. Bhd. was incorporated on 24 August 2018 as a private limited liability company and is domiciled in Malaysia. It was converted to a public company limited by shares and assumed its present name of Aneka Jaringan Holdings Berhad on 30 August 2018. The registered office of Aneka Jaringan Holdings Berhad is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business of Aneka Jaringan Holdings Berhad is located at K-2-1, Pusat Perdagangan Bandar Bukit Jalil, Persiaran Jalil 2, 57000 Kuala Lumpur.

The principal activity of Aneka Jaringan Holdings Berhad is investment holding. The details of the combined entities are as follows:

Combined entities	Principal place of business/ Country of incorporation	Principal activities
Aneka Jaringan Sdn. Bhd. ("Aneka Jaringan")	Malaysia	Foundation and basement construction and other civil engineering works
Aneka Geotechnics Sdn. Bhd. ("Aneka Geotechnics")	Malaysia	Rental of construction machineries and equipment
Aneka Jaringan & Persis Waja JV Sdn. Bhd. ("Aneka PW")*	Malaysia	Foundation and basement construction and other civil engineering works
PT Aneka Jaringan Indonesia ("PT Aneka")*	Indonesia	Foundation and basement construction and other civil engineering works

* Aneka PW and PT Aneka are subsidiaries of Aneka Jaringan as at 31 August 2017, 31 August 2018, 31 August 2019 and 31 May 2020. The non-controlling interest in the Group's operating activities are disclosed in Note 1(b).

There have been no significant changes in the nature of these activities during the financial years/period under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 September 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(a) Increase in equity interests by Aneka Jaringan

(i) Movement of equity interests in PT Aneka

On 3 July 2018, Aneka Jaringan purchased an additional 2% equity interest (representing 550 ordinary shares) in PT Aneka from the non-controlling interest at a price of RM29.393 per share. Aneka Jaringan's effective ownership in PT Aneka increased from 50% to 52% as a result of additional shares purchased.

On 9 November 2018, Aneka Jaringan purchased an additional 5% equity interest (representing 1,375 ordinary shares) in PT Aneka from the non-controlling interest at a price of RM233.314 per share. Aneka Jaringan's effective ownership in PT Aneka increased from 52% to 57% as a result of additional shares purchased.

On 6 December 2018, Aneka Jaringan disposed 2% equity interest (representing 550 ordinary shares) in PT Aneka to non-controlling interest at a price of RM29.393 per share. Aneka Jaringan's effective ownership in PT Aneka decreased from 57% to 55% as a result of disposal of shares.

Effect of increase in Aneka Jaringan's ownership interest is as follows:

	FYE 31 August	
	2018	**2019**
	RM'000	**RM'000**
Fair value of consideration transferred	16	305
Increase/(decrease) in share of net assets	2	(150)
Increase in share of exchange reserves	38	14
Change in equity	56	169

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(b) Non-controlling *interest in operating entities*

The financial information of the Group's operating entities that have non-controlling interests are as follows:

Equity interest held by non-controlling interests:

	Ownership interest			
	31.8.2017	31.8.2018	31.8.2019	31.5.2020
Name of company	(%)	(%)	(%)	(%)
Aneka PW	45	45	45	45
PT Aneka	50	48	45	45

Carrying amount of non-controlling interests:

	Audited as at			
	31.8.2017	31.8.2018	31.8.2019	31.5.2020
Name of company	RM'000	RM'000	RM'000	RM'000
Aneka PW	395	389	552	551
PT Aneka	1,477	2,649	4,196	4,792

Profit or loss allocated to non-controlling interests:

	Audited			
	FYE 31 August			FPE 31 May
	2017	2018	2019	2020
Name of company	RM'000	RM'000	RM'000	RM'000
Aneka PW	(2)	(6)	163	(1)
PT Aneka	2,209	1,403	1,532	576

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(c) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows:

	Aneka PW RM'000	PT Aneka RM'000
Summarised statement of financial postion		
As at 31 August 2017		
Current assets	4,480	5,075
Non-current assets	1,663	4,480
Current liabilities	(3,636)	(6,274)
Non-current liabilities	(1,630)	(336)
Net assets	877	2,945
Summarised statement of comprehensive income		
FYE 31 August 2017		
Revenue	-	14,556
(Loss)/Profit for the financial year	(4)	4,303
Total comprehensive (loss)/income	(4)	4,283
Summarised cash flow information		
FYE 31 August 2017		
Cash flows (used in)/from operating activities	(268)	1,233
Cash flows used in investing activities	-	(3,784)
Cash flows (used in)/from financing activities	(503)	2,531
Net decrease in cash and cash equivalents	(771)	(20)
Summarised statement of financial position		
As at 31 August 2018		
Current assets	6,221	6,181
Non-current assets	-	5,337
Current liabilities	(5,356)	(4,808)
Non-current liabilities	-	(561)
Net assets	865	6,149
Summarised statement of comprehensive income		
FYE 31 August 2018		
Revenue	-	13,529
(Loss)/Profit for the financial year	(12)	3,567
Total comprehensive (loss)/income	(12)	3,612

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(c) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows (continued):

	Aneka PW RM'000	PT Aneka RM'000
Summarised cash flow information		
FYE 31 August 2018		
Cash flows (used in)/from operating activities	(20)	5,205
Cash flows used in investing activities	-	(805)
Cash flows used in financing activities	-	(2,518)
Net (decrease)/increase in cash and cash equivalents	(20)	1,882
Summarised statement of financial position		
As at 31 August 2019		
Current assets	6,413	7,709
Non-current assets	-	8,996
Current liabilities	(5,186)	(4,803)
Non-current liabilities	-	(2,481)
Net assets	1,227	9,421
Summarised statement of comprehensive income		
FYE 31 August 2019		
Revenue	459	13,463
Profit for the financial year	362	2,864
Total comprehensive income	362	2,810
Summarised cash flow information		
FYE 31 August 2019		
Cash flows (used in)/from operating activities	(65)	1,711
Cash flows used in investing activities	-	(1,509)
Cash flows used in financing activities	-	(1,132)
Net decrease in cash and cash equivalents	(65)	(930)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

(d) Summarised financial information (before intra-group elimination) of the Group that have non-controlling interests are as follows (continued):

	Aneka PW RM'000	PT Aneka RM'000
Summarised statement of financial position		
As at 31 May 2020		
Current assets	2,771	7,964
Non-current assets	-	9,196
Current liabilities	(1,546)	(4,193)
Non-current liabilities	-	(2,406)
Net assets	1,225	10,561
Summarised statement of comprehensive income		
FPE 31 May 2020		
Revenue	-	8,311
Profit for the financial period	(2)	1,095
Total comprehensive income	-	1,123
Summarised cash flow information		
FPE 31 May 2020		
Cash flows generated from operating activities	88	4,066
Cash flows used in investing activities	-	(338)
Cash flows used in financing activities	-	(1,450)
Net decrease in cash and cash equivalents	88	2,278

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION

The combined financial statements of Aneka Jaringan Holdings Berhad (as defined herein) for the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020 have been prepared pursuant to the listing and quotation of the entire issued share capital of Aneka Jaringan Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control (collectively hereinafter referred to as "Aneka Holdings" or the "Group") for each of the financial years/period:

	FYE 31 August			FPE 31 May	
Entities Under Common Control	**2017**	**2018**	**2019**	**2019**	**2020**
Aneka Holdings	*	*	√	#	√
Aneka Jaringan	√,@	√	√	#	√
Aneka Geotechnics	√,@	√	√	#	√
Aneka PW	√,@	√	√	#	√
PT Aneka	√,^	√	√	#	√

√ The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years/period.

* No financial statements are available for Aneka Holdings as the company was incorporated on 24 August 2018.

@ The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which are re-audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which was lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.

^ The combined financial statements of the Group for the respective financial years/period have been prepared based on the audited financial statements which are re-audited by an independent network firm of Baker Tilly International for the purpose of inclusion into the combined financial statements of the Group.

The combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and notes to the combined financial statements of the Company include the statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of these combining entities prepared in accordance with the MFRSs and International Financial Reporting Standards for the respective financial period.

The audited financial statements of all the combining entities within the Group for the relevant years reported above were not subject to any modifications.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs").

Aneka Jaringan, Aneka Geotechnics and Aneka PW previously applied Malaysian Private Entity Reporting Standard ("MPERS") for financial years ended 31 August 2017 and prior.

Aneka Jaringan, Aneka Geotechnics and Aneka PW adopted MFRSs for the first-time in the financial year ended 31 August 2018.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group has adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial period:

New MFRS	
MFRS 16	Leases
Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures
New IC Int	
IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the combined financial statements of the Group, and did not result in significant changes to the Group's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 September 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 September 2019. Existing lease contracts that are still effective on 1 September 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statement of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid into a principal portion and interest (presented within financing activities) in the statement of cash flows for the current financial year.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

(a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
(b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

The Group also applied the following practical expedients wherein it:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
(c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of premises that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary upon application of MFRS 16 as at 1 September 2019.

The following is reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 September 2019:

	Carrying amount as at 31 August 2019 RM	Remeasurement RM	MFRS 16 carrying amount as at 1 September 2019 RM
Property, plant and equipment	53,135	327	53,462
Loans and borrowings	(66,269)	(327)	(66,596)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

(a) The Group has not adopted the following new MFRSs and amendments/improvements to MFRSs, that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(a) The Group has not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRS		
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
# *Consequential amendments as a result of MFRS 17 Insurance Contracts*

(b) The Group plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Annual Improvements to MFRSs 2018–2020

Annual Improvements to MFRSs 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of MFRSs* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRSs.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80– 125% range during the period of uncertainty arising from the reform.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus ("Covid-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRSs and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency.

2.5 Basis of measurement

The combined financial statements of the Group has been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

Areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's combined financial statements are disclosed in Note 4.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/period presented in the combined financial statements of the Group.

3.1 Basis of combination

(a) Merger accounting for common control transactions

The combined financial statements of the Group comprise the financial statements of Aneka Jaringan, Aneka PW, PT Aneka and Aneka Geotechnics. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as Aneka Jaringan Holdings Berhad. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the combined financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) Subsidiaries and business combination (continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisitions-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) Subsidiaries and business combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiaries from the consolidated statements of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiaries, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or held for trading financial asset.

Changes in the Group's ownership interest in a subsidiaries that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the combined financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(c) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group and are presented separately in the combined statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operation

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal , at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency transactions and operation (continued)

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiaries, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.3 Financial instruments

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group become a party to the contract provisions of the financial instrument.

<u>Accounting policies applied from 1 September 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost
Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group itself purchases or sells an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied from 1 September 2018 (continued)

(d) Derecognition (continued)

The Group evaluates if, and to what extent, the Group has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 August 2018

Financial instruments are recognised initially at fair value, except for financial instruments not measured at FVPL, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

Financial assets at FVPL
Financial assets are classified as financial assets at FVPL when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, the financial assets at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 August 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows (continued):

(i) Financial assets (continued)

Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments
Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets comprise investments in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 August 2018 (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows (continued):

(i) Financial assets (continued)

Unquoted equity instruments carried at cost
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

(ii) Financial liabilities

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Accounting policies applied until 31 August 2018 (continued)

(d) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Same accounting policies applied until 31 August 2018 and from 1 September 2018.

3.4 Property, plant and equipment

(a) Recognition and measurement

In accordance with MFRS 116, an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment.

Property, plant and equipment are measured at cost less accumulated depreciation. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Leasehold land	78 - 88 years
Building	50 years
Excavator, crane, plant and equipment	5 - 8 years
Tools, equipment and containers	4 - 10 years
Motor vehicles	4 - 5 years
Computer and office equipment	4 - 5 years
Furniture and fittings	4 - 10 years
Renovation	10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases

(a) Definition of lease

Accounting policies applied from 1 September 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

Accounting policies applied until 31 August 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) Lessee accounting

Accounting policies applied from 1 September 2019

At the lease commencement date, the Group recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 September 2019 (continued)

Right-of-use asset (continued)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 September 2019 (continued)

Lease liabilities (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied until 31 August 2019

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(c) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated amortisation.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use.

3.7 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11.

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to customers when that right is conditioned on something other than passage of time (for example, the Group's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer.

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investment with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value. Cash and cash equivalents are presented net of bank overdrafts.

3.10 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Non-current assets or disposal groups held for sale (continued)

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

3.11 Impairment of assets

(a) Impairment of financial assets

Accounting policies applied from 1 September 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 September 2018 (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied from 1 September 2018 (continued)

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 August 2018

At each reporting date, all financial assets (except for financial assets categorised as FVPL and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Accounting policies applied until 31 August 2018 (continued)

Loans and receivables and held-to-maturity investments (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group uses its judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for amount due from customers for contract work and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGU").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Defined benefit plans

The Group operates defined benefit pension plan (unfunded) to employees as provided in the employment agreements between a company in the Group and its employees.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Employee benefits (continued)

(c) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net interest is calculated by applying the discount to the net balance of the defined benefit obligation and fair value of plan assets.

The Group recognises the following costs in profit or loss:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

Revenue from contract with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customers is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(a) Construction contracts

The Group is involved in foundation and basement construction works including bored piling works, retaining wall construction and basement construction under long-term and short-term contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of contracts, control of the infrastructure is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (continued)

(a) Construction contracts (continued)

Sales are made with a credit term of 30 to 60 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers for construction projects based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(b) Rendering of services

Revenue from services is recognised when the Group satisfies its performance obligation upon rendering its services.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentive granted are recognised as an integral part of the total rental income, over the term of the lease.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Borrowing costs (continued)

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income tax (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Fair value measurement (continued)

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Classification of finance lease and operating leases

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incident to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incident to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% the remaining economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used by the leasee without major modifications. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

4.2 Provision

The Group uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Group's historical experience and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers (such as a warranty provision), a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate (such as a provision for remedial costs), a reference contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made. The carrying amounts of the Group's provision are disclosed in Note 18.

4.3 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.4 Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group uses provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rates are depending on the number of days that a trade receivable is past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's financial assets are disclosed in Note 28(b).

The carrying amounts of the Group's financial assets are disclosed in Note 28.

4.5 Measurement of income taxes

The Group operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expenses of the Group is disclosed in Note 25.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.6 Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group uses its judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial positions and results if the actual cash flows are less than the expected.

The carrying amounts of the non-financial assets are disclosed in Note 5,6 and 7.

4.7 Contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, arbitration or government regulation. Judgement is required to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

4.8 Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 9.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Leasehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Capital work in progress RM'000	Total RM'000
FYE 31 August 2017											
Cost											
At 1 September 2016	-	2,148	-	39	46,174	10,315	4,788	518	36	3,322	67,340
Additions	-	-	-	-	16,722	3,379	3,913	125	11	3,246	27,396
Transfer to/(from)	2,627	-	3,941	-	-	-	-	-	-	(6,568)	-
Disposal	-	(26)	-	(39)	(546)	-	(1,964)	(111)	(3)	-	(2,689)
Exchange differences	-	-	-	-	(28)	-	14	1	1	-	(12)
At 31 August 2017	2,627	2,122	3,941	-	62,322	13,694	6,751	533	45	-	92,035
Accumulated amortisation/ depreciation											
At 1 September 2016	-	179	-	5	22,511	3,529	3,853	335	18	-	30,430
Amortisation/depreciation charge for the financial year	-	26	79	-	11,652	1,633	1,138	73	6	-	14,607
Disposal	-	(3)	-	(5)	(280)	-	(1,875)	(111)	(3)	-	(2,277)
Exchange differences	-	-	-	-	1	-	3	-	-	-	4
At 31 August 2017	-	202	79	-	33,884	5,162	3,119	297	21	-	42,764

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Leasehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Capital work in progress RM'000	Total RM'000
Carrying amount											
At 1 September 2016	-	1,969	-	34	23,663	6,786	935	183	18	3,322	36,910
At 31 August 2017	2,627	1,920	3,862	-	28,438	8,532	3,632	236	24	-	49,271

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Capital work in progress RM'000	Total RM'000
FYE 31 August 2018										
Cost										
At 1 September 2017	2,627	2,122	3,941	62,322	13,694	6,751	533	45	-	92,035
Additions	-	-	-	27,651	1,957	160	62	223	-	30,053
Disposal	-	-	-	-	-	(102)	-	-	-	(102)
Exchange difference	-	-	-	(601)	(21)	(38)	(3)	(1)	-	(664)
At 31 August 2018	2,627	2,122	3,941	89,372	15,630	6,771	592	267	-	121,322
Accumulated amortisation/ depreciation										
At 1 September 2017	-	202	79	33,884	5,162	3,119	297	21	-	42,764
Amortisation/depreciation charge for the financial year	-	26	79	16,299	1,981	1,140	79	28	-	19,632
Disposal	-	-	-	-	-	(102)	-	-	-	(102)
Exchange difference	-	-	-	(67)	(3)	(22)	(2)	(1)	-	(95)
At 31 August 2018	-	228	158	50,116	7,140	4,135	374	48	-	62,199

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Capital work in progress RM'000	Total RM'000
Carrying amount										
At 1 September 2017	2,627	1,920	3,862	28,438	8,532	3,632	236	24	-	49,271
At 31 August 2018	2,627	1,894	3,783	39,256	8,490	2,636	218	219	-	59,123

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work in progress RM'000	Total RM'000
FYE 31 August 2019											
Cost											
At 1 September 2018	2,627	2,122	3,941	89,372	15,630	6,771	592	267	-	-	121,322
Additions	-	-	-	9,936	1,642	269	108	589	3	483	13,030
Disposal	-	-	-	(810)	-	(5,086)	-	(17)	-	-	(5,913)
Exchange difference	-	-	-	485	19	26	3	2	15	-	550
At 31 August 2019	2,627	2,122	3,941	98,983	17,291	1,980	703	841	18	483	128,989
Accumulated amortisation/ depreciation											
At 1 September 2018	-	228	158	50,116	7,140	4,135	374	48	-	-	62,199
Amortisation/depreciation charge for the financial year	-	27	79	14,531	2,074	899	85	71	-	-	17,766
Disposal	-	-	-	(621)	-	(3,608)	-	(5)	-	-	(4,234)
Exchange difference	-	-	-	97	7	17	1	1	-	-	123
At 31 August 2019	-	255	237	64,123	9,221	1,443	460	115	-	-	75,854

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work in progress RM'000	Total RM'000
Carrying amount											
At 1 September 2018	2,627	1,894	3,783	39,256	8,490	2,636	218	219	-	-	59,123
At 31 August 2019	2,627	1,867	3,704	34,860	8,070	537	243	726	18	483	53,135

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work in progress RM'000	Right-of-use assets RM'000	Total RM'000
FPE 31 May 2020												
Cost												
At 1 September 2019												
- As previously stated	2,627	2,122	3,941	98,983	17,291	1,980	703	841	18	483	-	128,989
- Effect of adoption of MFRS 16	-	(2,122)	-	(52,548)	(4,308)	(832)	-	-	-	-	60,137	327
Adjusted balances as at 1 September 2019	2,627	-	3,941	46,435	12,983	1,148	703	841	18	483	60,137	129,316
Additions	-	-	-	-	72	-	126	1	-	177	6,883	7,259
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to/(from)	-	-	-	11,715	1,891	142	-	-	-	-	(13,748)	-
Exchange difference	-	-	-	-	-	-	-	-	-	3	17	20
At 31 May 2020	2,627	-	3,941	58,150	14,946	1,290	829	842	18	663	53,289	136,595

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Computers and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work in progress RM'000	Right-of-use assets RM'000	Total RM'000
FPE 31 May 2020												
Accumulated amortisation/ depreciation												
At 1 September 2019												
- As previously stated	-	255	237	64,123	9,221	1,443	460	115	-	-	-	75,854
- Effect of adoption of MFRS 16	-	(255)	-	(20,417)	(1,950)	(340)	-	-	-	-	22,962	-
Adjusted balances as at 1 September 2019	-	-	237	43,706	7,270	1,104	460	115	-	-	22,962	75,854
Amortisation/depreciation charge for the financial period	-	-	59	1,126	1,043	32	70	63	-	-	9,407	11,800
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to/(from)	-	-	-	8,184	1,418	107	-	-	-	-	(9,709)	-
Exchange difference	-	-	-	6	1	-	-	-	-	-	10	17
At 31 May 2020	-	-	296	53,022	9,732	1,243	530	178	-	-	22,670	87,671
Carrying amount												
At 1 September 2019 (Adjusted)	2,627	-	3,704	2,729	5,713	44	243	726	18	483	37,175	53,462
At 31 May 2020	2,627	-	3,645	5,128	5,214	47	299	664	18	663	30,619	48,924

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance lease

The carrying amount of assets under finance lease arrangements are as follows:

	Audited as at		
	31.8.2017 RM'000	**31.8.2018 RM'000**	**31.8.2019 RM'000**
Excavators, cranes, plant and machinery	16,287	35,097	32,131
Tools, equipment and containers	2,962	3,386	2,358
Motor vehicles	3,055	2,570	492
	22,304	41,053	34,981

(b) Assets pledged as security

	Audited as at			
	31.8.2017 RM'000	**31.8.2018 RM'000**	**31.8.2019 RM'000**	**31.5.2020 RM'000**
Freehold land	2,627	2,627	2,627	2,627
Leasehold land	1,920	1,894	1,867	1,847
Freehold building	3,862	3,783	3,704	3,645
	8,409	8,304	8,198	8,119

Freehold land, leasehold land and freehold building have been pledged as security to secure term loan of the Group as disclosed in Note 15(a).

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 15(b).

(c) Assets held in trust

Motor vehicles with a carrying amount of (31.8.2017: RM659,744; 31.8.2018: RM494,808 and 31.8.2019: RMNil) RMNil has been registered under the name of directors of the Group and held in trust for the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets

The right-of-use assets represent operating lease agreements entered into by the Group for the use of the hostel and office. The leases are mainly for an initial lease of one (1) to two (2) years with options to renew for another one (1) year.

The Group also has leased excavators, cranes, plant and machinery, tools, equipment and containers, and motor vehicle with the lease term three (3) to five (5) years and have options to purchase the assets at the end of the contract term.

Information about leases for which the Group as lessee is presented below:

Carrying amount	Leasehold land RM'000	Excavators, cranes, plant and machinery RM'000	Tools, equipment and containers RM'000	Motor vehicles RM'000	Hostel and office RM'000	Total RM'000
At 1 September 2019	1,867	32,131	2,358	492	327	37,175
Additions	-	5,992	872	-	19	6,883
Depreciation	(20)	(8,302)	(811)	(86)	(188)	(9,407)
Transfer to	-	(3,531)	(473)	(35)	-	(4,039)
Exchange difference	-	8	-	(1)	-	7
At 31 May 2020	1,847	26,298	1,946	370	158	30,619

The Group leases land for its warehouse. The leases for the warehouse have remaining lease term of 72 years.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Leasehold building RM'000	Building under construction RM'000	Total RM'000
FYE 31 August 2017						
Cost						
At 1 September 2016	236	1,688	354	2,531	330	5,139
Additions	-	-	-	-	425	425
At 31 August 2017	236	1,688	354	2,531	755	5,564
Accumulated amortisation/ depreciation						
At 1 September 2016	-	54	7	152	-	213
Amortisation/depreciation charge for the financial year	-	18	7	51	-	76
At 31 August 2017	-	72	14	203	-	289
Carrying amount						
At 1 September 2016	236	1,634	347	2,379	330	4,926
At 31 August 2017	236	1,616	340	2,328	755	5,275
FYE 31 August 2018						
Cost						
At 1 September 2017	236	1,688	354	2,531	755	5,564
Additions	-	-	-	-	4,132	4,132
Transfer to/(from)	377	-	566	-	(943)	-
At 31 August 2018	613	1,688	920	2,531	3,944	9,696
Accumulated amortisation/ depreciation						
At 1 September 2017	-	72	14	203	-	289
Amortisation/depreciation charge for the financial year	-	18	18	51	-	87
At 31 August 2018	-	90	32	254	-	376
Carrying amount						
At 1 September 2017	236	1,616	340	2,328	755	5,275
At 31 August 2018	613	1,598	888	2,277	3,944	9,320

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Freehold building RM'000	Leasehold building RM'000	Building under construction RM'000	Total RM'000
FYE 31 August 2019						
Cost						
At 1 September 2018	613	1,688	920	2,531	3,944	9,696
Additions	-	-	-	-	239	239
Transfer to/(from)	1,673	-	2,510	-	(4,183)	-
Disposal	(1,909)	-	(2,864)	-	-	(4,773)
At 31 August 2019	377	1,688	566	2,531	-	5,162
Accumulated amortisation/ depreciation						
At 1 September 2018	-	90	32	254	-	376
Amortisation/depreciation charge for the financial year	-	18	61	51	-	130
Disposal	-	-	(71)	-	-	(71)
At 31 August 2019	-	108	22	305	-	435
Carrying amount						
At 1 September 2018	613	1,598	888	2,277	3,944	9,320
At 31 August 2019	377	1,580	544	2,226	-	4,727
FPE 31 May 2020						
Cost						
At 1 September 2019/ 31 May 2020	377	1,688	566	2,531	-	5,162
Accumulated amortisation/ depreciation						
At 1 September 2019	-	108	22	305	-	435
Amortisation/depreciation charge for the financial period	-	14	8	38	-	60
At 31 May 2020	-	122	30	343	-	495
Carrying amount						
At 1 September 2019	377	1,580	544	2,226	-	4,727
At 31 May 2020	377	1,566	536	2,188	-	4,667

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties comprise a number of properties that are leased to third parties. Each lease contains an initial non-cancellable period of 1 year with option to renew for subsequent years. Subsequent renewals are negotiated with the lessee.

Investment properties of the Group with an aggregate carrying amount of (31.8.2017: RM4,698,634; 31.8.2018: RM4,807,264 and 31.8.2019: RM4,727,170) RM4,667,099 have been pledged as security to secure banking facilities granted to the Group as disclosed in Note 15.

The following are recognised in profit or loss in respect of investment properties:

	Audited			
	FYE 31 August			FPE 31 May
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Rental income	87	113	138	112
Direct operating expenses:				
- income generating investment properties	29	21	35	39
- non-income generating investment properties	13	11	12	7

Fair value information

The fair value of the investment properties of approximately (31.8.2017: RM5,295,888; 31.8.2018: RM11,996,435 and 31.8.2019: RM6,232,991) RM5,214,618 is categorised at Level 2 of the fair value hierarchy.

There are no Level 1 and Level 3 investment properties or transfers between levels during the financial years/period ended 31 August 2017, 31 August 2018, 31 August 2019 or 31 May 2020.

Level 2 fair value

Level 2 fair values of buildings have been derived using the sales comparison approach. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable buildings.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Valuation processes applied by the Group

The Group's finance department performs valuation analysis of investment properties required for financial reporting purposes, including Level 3 fair values. This team reports directly to the board of directors.

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

7. INVESTMENT IN AN ASSOCIATE

		Audited			
	Note	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Shares at cost		50	50	-	-
Share of post-acquisition reserves		3	(32)	-	-
		53	18	-	-
Non-current asset held for sale	12	-	(18)	-	-
		53	-	-	-

Details of the associate is as follows:

		Ownership interest Audited				
Name of company	Principal place of business/country of incorporation	31.8.2017 %	31.8.2018 %	31.8.2019 %	31.5.2020 %	Nature of relationship
Suria Kren Sdn Bhd*	Malaysia	33.33	33.33	-	-	Leasing and renting of construction machinery company.

* Audited by auditors other than Baker Tilly Malaysia.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATE (CONTINUED)

(a) Summarised financial information of a material associate

The following table illustrates the summarised financial information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate:

	Suria Kren Sdn. Bhd. RM'000
2017	
Assets and liabilities:	
Current assets	4,474
Non-current assets	3,756
Current liabilities	(4,379)
Non-current liabilities	(2,270)
Net assets	1,581
Results:	
Loss from continuing operations	(330)
Other comprehensive income	145
	(185)
Included in the total comprehensive income is:	
Revenue	2,437
Company's share of results:	
Company's share of profit or loss from:	
- Continuing operations	(69)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATE (CONTINUED)

(a) Summarised financial information of a material associate (continued)

The following table illustrates the summarised financial information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate:

	Note	Suria Kren Sdn. Bhd. RM'000
2018		
Assets and liabilities:		
Current assets		3,981
Non-current assets		2,863
Current liabilities		(4,342)
Non-current liabilities		(1,553)
Net assets		949
Results:		
Loss from continuing operations		(194)
Other comprehensive income		(438)
		(632)
Included in the total comprehensive income is:		
Revenue		3,042
Company's share of results:		
Company's share of profit or loss from:		
- Continuing operations		(35)
2019		
Company's share of results up to date of disposal:	12	
Company's share of profit or loss from:		
- Continuing operations		(18)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	As at 1 September 2016 RM'000	Recognised in profit or loss RM'000	As at 31 August 2017 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(267)	(390)	(657)
Deferred tax assets:			
Property, plant and equipment	732	(351)	381
	465	(741)	(276)

	As at 1 September 2017 RM'000	Recognised in profit or loss RM'000	As at 31 August 2018 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(657)	(650)	(1,307)
Deferred tax assets:			
Property, plant and equipment	381	(217)	164
	(276)	(867)	(1,143)

	As at 1 September 2018 RM'000	Recognised in profit or loss RM'000	As at 31 August 2019 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(1,307)	(636)	(1,943)
Deferred tax assets:			
Property, plant and equipment	164	(123)	41
Expected credit losses on receivables	-	82	82
	164	(41)	123
	(1,143)	(677)	(1,820)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	As at 1 September 2019 RM'000	Recognised in profit or loss RM'000	As at 31 May 2020 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(1,943)	(462)	(2,405)
Deferred tax assets:			
Property, plant and equipment	41	(41)	-
Expected credit losses on receivables	82	(74)	8
Lease liability	-	1	1
	123	(114)	9
	(1,820)	(576)	(2,396)

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Presentated after appropriate offsetting as follows:				
Deferred tax assets	381	164	123	9
Deferred tax liabilities	(657)	(1,307)	(1,943)	(2,405)
	(276)	(1,143)	(1,820)	(2,396)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES

		Audited as at			
	Note	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Non-current:					
Trade					
Retention sums					
- Third parties		11,120	14,996	20,362	20,214
Non-trade					
Deposits		47	7	6	6
		11,167	15,003	20,368	20,220
Current:					
Trade					
Trade receivables	(a)				
- Third parties		58,025	47,137	39,956	22,039
- Related parties		9	9	-	-
Retention sums		17,180	19,711	16,674	15,446
		75,214	66,857	56,630	37,485
Non-trade					
Other receivables		4,822	1,408	5,051	1,831
Goods and services tax receivable		-	1,272	1,283	469
Amount owing by a related party	(b)	404	-	-	-
Deposits		824	754	675	657
		6,050	3,434	7,009	2,957
Total trade and other receivables (current)		81,264	70,291	63,639	40,442
Total trade and other receivables (non-current and current)		92,431	85,294	84,007	60,662

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranges from 30 days to 90 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired
The Group's trade receivables that are impaired at the reporting date and the reconciliation of the movement in the impairment of trade receivables are as follows:

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
At 1 September	-	-	-	339
Charge for the financial year				
- Individually assessed	-	-	339	-
Reversal of impairment	-	-	-	(310)
	-	-	339	29

Trade receivables that are individually determined to be credit impaired at the reporting date relate to receivable that is in significant financial difficulties and has defaulted on payments.

The information about the credit exposures are disclosed in Note 28(b).

(b) Amount owing by a related party

Amount owing by a related party is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. CONTRACT ASSETS/(LIABILITIES)

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Contract assets relating to construction service contracts	14,773	49,486	72,885	62,423

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Contract liabilities relating to construction service contracts	(6,484)	(18,806)	(2,272)	(79)

(a) Significant changes in contract balances

	Audited as at							
	31.8.2017		31.8.2018		31.8.2019		31.5.2020	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year/period	-	12,813	-	6,484	-	18,806	-	2,272
Increases due to cash received, excluding amounts recognised as revenue during the year/period	-	(6,484)	-	(18,806)	-	(2,272)	-	(79)
Increases as a result of changes in the measure of progress	14,773	-	49,486	-	72,885	-	62,423	-
Transfers from contract assets recognised at the beginning of the period to receivables	(18,303)	-	(14,773)	-	(49,486)	-	(72,885)	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Revenue recognised in relation to contract balances

	Audited			
	FYE 31 August			FPE 31 May
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year/period	12,813	6,484	18,806	2,272

Revenue recognised that was included in the balances of contract liabilities at the beginning of the year/period represented primarily revenue from the construction services contracts when percentage of completion increases.

11. CASH AND SHORT-TERM DEPOSITS

	Audited as at			
	31.8.2017	31.8.2018	31.8.2019	31.5.2020
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	6,718	8,788	3,888	10,414
Short-term deposits	6,528	9,163	8,851	8,527
Restricted cash	-	-	-	891
	13,246	17,951	12,739	19,832

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Audited as at			
	31.8.2017	31.8.2018	31.8.2019	31.5.2020
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	6,528	9,163	8,851	8,527
Restricted cash	-	-	-	891
Less: Pledged deposits	(6,401)	(9,033)	(8,851)	(8,527)
Restricted cash	-	-	-	(891)
	127	130	-	-
Cash and bank balances	6,718	8,788	3,888	10,414
Bank overdraft	-	-	(3,406)	(2,330)
	6,845	8,918	482	8,084

The deposits placed with licensed banks amounting to (31.8.2017: RM6,401,376; 31.8.2018: RM9,033,263 and 31.8.2019: RM8,850,866) RM8,526,738 have been pledged to licensed banks to secure banking facilities granted to the Group as disclosed in Note 15.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. NON-CURRENT ASSET HELD FOR SALE

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Non-current asset held for disposal:				
- at carrying amount	-	18	-	-

Non-current asset held for sale is the investment in an associate with total net carrying amount of (31.8.2017: RMNil; 31.8.2018: RM17,642 and 31.8.2019: RMNil) RMNil.

As at 31 August 2018, the Group is committed to sell the associate with a carrying amount of RM17,642. On 20 December 2018, The Group sold the associate at a sale proceed of RM50,000. The gain on disposal amounting to RM50,000 was recognised in other income.

13. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested equity constitutes the share capital of Aneka Holdings, Aneka Jaringan and Aneka Geotechnics.

The share capital of Aneka PW and PT Aneka had been eliminated against the investment in subsidiaries of Aneka Jaringan.

14. EXCHANGE RESERVE

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Exchange reserve	(48)	(258)	11	20

The translation reserve comprise all foreign currency differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS

	Note	Audited as at 31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Non-current:					
Term loans	(a)	8,767	8,579	8,826	8,678
Finance lease liabilities/ Lease liabilities	(b)	12,253	19,770	11,882	11,937
		21,020	28,349	20,708	20,615
Current:					
Term loans	(a)	1,910	383	1,509	275
Finance lease liabilities/ Lease liabilities	(b)	14,185	19,932	16,874	11,613
Bank overdrafts	(c)	-	-	3,406	2,330
Bankers' acceptances	(d)	9,233	16,768	13,950	12,302
Invoice financing	(e)	992	432	1,815	1,943
Promissory notes	(f)	-	-	8,007	8,438
		26,320	37,515	45,561	36,901
		47,340	65,864	66,269	57,516
Total loans and borrowings					
Term loans	(a)	10,677	8,962	10,335	8,953
Finance lease liabilities/ Lease liabilities	(b)	26,438	39,702	28,756	23,550
Bank overdrafts	(c)	-	-	3,406	2,330
Bankers' acceptances	(d)	9,233	16,768	13,950	12,302
Invoice financing	(e)	992	432	1,815	1,943
Promissory notes	(f)	-	-	8,007	8,438
		47,340	65,864	66,269	57,516

(a) Term loans

Term loan 1 of the Group of (31.8.2017: RM475,350; 31.8.2018: RM455,960 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 4.30%; 31.8.2018: 5.04% and 31.8.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM3,453 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6.

Term loan 2 of the Group of (31.8.2017: RM736,407; 31.8.2018: RM706,374 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 4.30%; 31.8.2018: 5.04% and 31.9.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM5,349 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 3 of the Group of (31.8.2017: RM969,704; 31.8.2018: RM930,151 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 4.30%; 31.8.2018: 5.04% and 31.8.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM7,044 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6.

Term loan 4 of the Group of (31.8.2017: RM472,480; 31.8.2018: RM453,210 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 4.30%; 31.8.2018: 5.04% and 31.8.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM3,432 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6.

Term loan 5 of the Group of (31.8.2017: RM505,743; 31.8.2018 :RM481,216 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 4.30%; 31.8.2018: 4.74% and 31.8.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM3,881 over twenty years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6; and
(ii) Joint and several guarantee by the Group's directors.

Term loan 6 of the Group of (31.8.2017: RM533,407; 31.8.2018: RM469,861 and 31.8.2019: RMNil) RMNil bears interest at (31.8.2017: 5.35%; 31.8.2018: 5.54% and 31.8.2019: Nil%) Nil% per annum and is repayable by monthly instalments of RM7,545 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the leasehold land of the Group as disclosed in Note 5; and
(ii) Joint and several guarantee by the Group's directors.

Term loan 7 of the Group of (31.8.2017: RM378,802; 31.8.2018: RM563,601 and 31.9.2019: RM544,075) RM529,778 bears interest at (31.8.2017: 3.53%; 31.8.2018: 4.49% and 31.8.2019: 4.49%) 5.43% per annum and is repayable by monthly instalments of RM3,684 over nineteen years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties as disclosed in Note 6; and
(ii) Joint and several guarantee by the Group's directors.

Term loan 8 of the Group (31.8.2017: RM1,536,000; 31.8.2018: RMNil and 31.8.2019: RM445,500) RMNil bears interest at (31.8.2017: 10.5%; 31.8.2018: Nil% and 31.8.2019: 10.5%) Nil% per annum and is repayable over 12 months commencing from the day of first drawdown and is secured and supported as follows:
(i) Standby Letter of Credit by Aneka Jaringan; and
(ii) Personal guarantee by the Company's director.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans (continued)

Term loan 9 of the Group of (31.8.2017: RM5,069,516; 31.8.2018: RM4,901,278 and 31.8.2019: RM4,737,049) RM4,615,345 bears interest at (31.8.2017: 4.55%; 31.8.2018: 4.55% and 31.8.2019 4.55%) 3.59% per annum and is repayable by monthly instalments of RM32,470 over 20 years commencing from the day of first drawdown and is secured and supported as follows:

(i) Legal charge over the freehold land and building as disclosed in Note 5;
(ii) Corporate guarantee by the Aneka Jaringan; and
(iii) Joint and several guarantee by the Group's directors.

Term loan 10 of the Group of (31.8.2017: RMNil, 31.8.2018: RMNil and 31.8.2019: RM3,935,860) RM3,808,168 bears interest at (31.8.2017: Nil%; 31.8.2018: Nil% and 31.8.2019: 4.49%) 3.85% per annum and is repayable by monthly instalments of RM31,299 over 15 years commencing from the day of first drawdown and is secured and supported as follows:

(i) Legal charge over the leasehold land of the Group as disclosed in Note 5; and
(ii) Joint and several guarantee by the Group's directors.

Term loan 11 of the Group of (31.8.2017: RMNil, 31.8.2018: RMNil and 31.8.2019: RM672,191) RMNil bears interest at (31.8.2017: Nil%, 31.8.2018: Nil% and 31.8.2019: 7.35%) Nil% per annum and is repayable by monthly instalments of RM340,761 over 6 months commencing from the day of first drawdown and is secured and supported as follows:

(i) Legal charge over the leasehold land of the Group as disclosed in Note 5; and
(ii) Joint and several guarantee by the Group's directors.

(b) Lease liabilities/Finance lease liabilities

Certain excavators, crane, plant and machinery, tools, equipment and containers, and motor vehicles of the Group as disclosed in Note 5 are pledged for finance leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The average interest rate implicit in the leases is (31.8.2017: 5.93%, 31.8.2018 5.93% and 31.8.2019: 6.32%) 5.89%.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(b) Lease liabilities/Finance lease liabilities (continued)

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	Audited as at			
	31.8.2017 RM'000	**31.8.2018 RM'000**	**31.8.2019 RM'000**	**31.5.2020 RM'000**
Minimum lease payments:				
Not later than one year	15,278	21,548	18,240	12,450
Later than one year and not later than five years	12,751	20,695	12,646	12,906
	28,029	42,243	30,886	25,356
Less: Future finance charges	(1,591)	(2,541)	(2,130)	(1,806)
Present value of minimum lease payments	26,438	39,702	28,756	23,550
Present value of minimum lease payments payable:				
Not later than one year	14,185	19,932	16,874	11,613
Later than one year and not later than five years	12,253	19,770	11,882	11,937
	26,438	39,702	28,756	23,550
Less: Amount due within twelve months	(14,185)	(19,932)	(16,874)	(11,613)
Amount due after twelve months	12,253	19,770	11,882	11,937

(c) Bank overdrafts

Bank overdrafts bear interests ranging from (31.8.2017: Nil%, 31.8.2018: Nil% and 31.8.2019: 7.92% - 8.10%) 6.67%% - 6.85% per annum. The bank overdrafts are secured by way of:

(i) Legal charge over the leasehold land of the Group as disclosed in Note 5;
(ii) Legal charge over certain investment properties as disclosed in Note 6; and
(iii) Joint and several guarantee by the Group's directors.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. LOANS AND BORROWINGS (CONTINUED)

(d) Bankers' acceptances

Bankers' acceptances bear interests ranging from (31.8.2017: 4.24% to 5.41%, 31.8.2018: 4.56% to 8.32% and 31.8.2019: 4.41% to 5.75%) 4.17% to 5.75% per annum. The bankers' acceptances are secured by way of:
(i) Pledge of short-term deposits;
(ii) Legal charge over the freehold land and building as disclosed in Note 5;
(iii) Legal charge over the investment properties as disclosed in Note 6; and
(iv) Joint and several guarantee by the Group's directors.

(e) Invoice financing

Invoice financing bear interests ranging from (31.8.2017: 6.52% to 6.66%, 31.8.2018: 6.66% to 6.92% and 31.8.2019: 6.59% to 6.94%) 5.24% to 6.35% per annum. The invoice financing are secured by way of:
(i) Pledge of short-term deposits;
(ii) Legal charge over the investment properties as disclosed in Note 6; and
(iii) Joint and several guarantee by the Group's directors.

(f) Promissory notes

Promissory notes bear interests ranging from (31.8.2017: Nil%, 31.8.2018: Nil% and 31.8.2019: 5.19% to 5.26%) 4.50% to 4.85% per annum. The promissory notes are secured by way of:
(i) Joint and several guarantee by the Group's directors.

16. EMPLOYEE BENEFITS

	Audited as at			
	31.8.2017	31.8.2018	31.8.2019	31.5.2020
	RM'000	RM'000	RM'000	RM'000
Liability:				
Post-employment benefit plan	336	398	709	741
Present value of defined benefits obligation	336	398	709	741

	Audited			
	FYE 31 August			FPE 31 May
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Profit or loss - included in operating profit for (Note 24):				
Post-employment benefit plan	150	150	224	160

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. EMPLOYEE BENEFITS (CONTINUED)

Post-employment benefit plan

The amount of estimated liabilities for post-employment benefits is determined based on Labor Law No. 13 year 2003, dated March 25, 2003. No specific funding has been made to date for such estimated liabilities for post-employment benefits.

The latest actuarial valuation upon the estimated liabilities for post-employment benefits was conducted by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on Actuarial Report No. 1938/ST-EP-PSAK24-AJ10/XII/2018, No. 1937/ST-EP-PSAK24-AJ10/XII/2018, No. 1936/ST-EP-PSAK24-AJ10/XII/2018 dated 3 December 2018 and No. 1966/ST-EP-PSAK24-AJID/X/2019 dated 8 October 2019 and No. 1815/ST-EP-PSAK24-AJID/VII/2020 dated July 24, 2020.

There were 18, 21, 55 and 50 employees eligible for such post-employment benefits in 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020 respectively.

Movement in the defined benefit liability

	Post-employment benefit plan RM'000
At 1 September 2016	161
Current service cost	137
Net interest	13
Actuarial loss charged to other comprehensive income	20
Effects of changes in foreign exchange rates	5
At 31 August 2017/1 September 2017	336
Current service cost	129
Net interest	21
Actuarial gain charged to other comprehensive income	(45)
Effects of changes in foreign exchange rates	(43)
At 31 August 2018/1 September 2018	398
Current service cost	154
Net interest	26
Excess benefits paid	15
Adjustment due to recognition of past service	29
Actuarial gain charged to other comprehensive income	54
Excess benefits paid	-
Effects of changes in foreign exchange rates	33
At 31 August 2019	709

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. EMPLOYEE BENEFITS (CONTINUED)

Movement in the defined benefit liability

	Post-employment benefit plan RM'000
At 1 September 2019	**709**
Benefit expenses	160
Actuarial (loss)/gain charged to other comprehensive income	(28)
Excess benefits paid	(83)
Effects of changes in foreign exchange rates	(17)
At 31 May 2020	741

Significant actuarial assumptions
The significant actuarial assumptions applied in the measurement of post-employment benefit plan is as follows:

	Audited as at			
	31.8.2017 %	31.8.2018 %	31.8.2019 %	31.5.2020 %
Discount rate	7.35	8.35	7.85	8.00
Future salary growth	10.00	10.00	7.50	7.50

Assumption on future mortality are determined based on the published past statistics and actual experience in each jurisdiction. The measurements assume an average life expectancy of 24 years for an employee retiring at age of 54.

Sensitivity analysis
The sensitivity of defined benefit obligation to the significant actuarial assumptions at the end of reporting period is as shown below:

		Audited as at			
		31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Discount rate	+ 1%	312	374	642	684
	- 1%	364	426	747	805
Future salary growth	+ 1%	363	425	750	806
	- 1%	312	374	639	682

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. TRADE AND OTHER PAYABLES

	Note	Audited as at 31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Non-current:					
Trade					
Retention sums					
- Third parties		2,051	3,468	3,006	2,378
- Amount owing to related parties	(b)	118	160	52	34
		2,169	3,628	3,058	2,412
Current:					
Trade					
Trade payables	(a)				
- Third parties		40,558	45,518	37,536	36,346
- Amount owing to related parties	(b)	703	553	1,780	581
Retention sums					
- Third parties		593	1,443	1,016	1,099
- Amount owing to related parties	(b)	245	80	2	6
Trade accrual		8,239	6,916	23,193	2,613
		50,338	54,510	63,527	40,645
Non-trade					
Other payables		6,232	1,107	1,941	1,258
Accruals		849	1,056	1,208	1,082
Deposits		42	46	41	40
Amount owing to directors	(b)	449	-	215	215
Dividends payables		-	4,773	-	-
		7,572	6,982	3,405	2,595
Total trade and other payables (current)		57,910	61,492	66,932	43,240
Total trade and other payables (non-current and current)		60,079	65,120	69,990	45,652

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 14 to 60 days.

(b) Amounts owing to related parties and directors

Amounts owing to related parties and directors are unsecured, non-interest bearing with no fixed term of repayment.

For explanation on the Group's liquidity risk management processes, refer to Note 28(b)(ii).

18. PROVISIONS

	Liquidated ascertained damages RM'000
At 1 September 2016/1 September 2017/1 September 2018	3,760
Recognised in profit or loss	-
Utilised during the financial year	-
At 31 August 2019	3,760
At 1 September 2019	3,760
Reversal of provision	(3,760)
At 31 May 2020	-

Liquidated ascertained damages

A provision of (31.8.2017: RMNil; 31.8.2018: RMNil and 31.8.2019: RMNil) RMNil were made in respect of the Group's obligation to pay the main contractor the sum of liquidated ascertained damages if the Group fails to deliver the constructed site within the time stipulated in the letter of award.

On 23 October 2019, the Group entered into a supplemental agreement to waive the liquidated ascertained damages amounting to RM3,760,000. The amount was received on 15 January 2020 and recognised as other income during the financial period ended.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. REVENUE

	Audited FYE 31 August 2017 RM'000	Audited FYE 31 August 2018 RM'000	Audited FYE 31 August 2019 RM'000	Audited FPE 31 May 2020 RM'000	Unaudited FPE 31 May 2019 RM'000
Contract revenue	171,079	266,663	221,055	104,217	159,959
Rental of construction machinery and equipment	74	209	117	9	163
	171,153	266,872	221,172	104,226	160,122

20. COST OF SALES

	Audited FYE 31 August 2017 RM'000	Audited FYE 31 August 2018 RM'000	Audited FYE 31 August 2019 RM'000	Audited FPE 31 May 2020 RM'000	Unaudited FPE 31 May 2019 RM'000
Contract cost	141,551	218,236	168,256	75,829	121,441
Rectification costs	30	-	-	-	-
Machinery cost	5,388	15,216	13,768	10,642	9,743
	146,969	233,452	182,024	86,471	131,184

21. OTHER INCOME

	Audited FYE 31 August 2017 RM'000	Audited FYE 31 August 2018 RM'000	Audited FYE 31 August 2019 RM'000	Audited FPE 31 May 2020 RM'000	Unaudited FPE 31 May 2019 RM'000
Net realised foreign exchange gain	17	-	-	-	-
Net unrealised foreign exchange gain	-	-	349	-	297
Gain on disposal of property, plant and equipment	185	953	757	-	496
Gain on disposal of investment property	-	-	71	-	25
Gain on disposal of an associate	-	-	50	-	50
Interest income	322	563	413	326	323
Rental income	103	137	160	116	120
Insurance claim	146	59	307	-	307
Bad debt recovery	-	-	707	-	707
Reversal of impairment loss on trade receivable	-	-	-	310	-
Reversal of provision	-	-	-	3,760	-
Miscellaneous income	27	25	90	273	88
	800	1,737	2,904	4,785	2,413

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. FINANCE COSTS

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017	2018	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense on:					
- Term loans	363	381	512	265	304
- Finance lease liabilities	1,293	2,087	1,907	1,166	1,455
- Bank overdrafts	-	-	57	167	23
- Bankers' acceptances	418	870	1,039	690	781
- Invoice financing	78	36	91	73	65
- Promissory notes	-	-	132	284	36
	2,152	3,374	3,738	2,645	2,664

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

	Note	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
		2017	2018	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration						
- Malaysian operations						
- Current year		44	60	74	56	29
- Prior year		-	-	10	(4)	7
- Overseas operation						
- Current year		5	15	9	22	76
Amortisation/Depreciation of investment properties	6	76	87	130	60	102
Bad debts written off		1,860	-	197	101	197
Impairment loss on trade and other receivables		-	-	339	-	-
Amortisation/Depreciation of property, plant and equipment	5	14,607	19,632	17,766	11,800	13,117
Employee benefits expenses	24	15,648	22,943	21,841	16,707	17,654
Rental expenses on:						
- Cylinder		16	54	16	-	-
- Equipment		10,362	16,895	13,098	7,268	9,515
- Site house and store		278	566	622	203	472
- Office premises		123	117	110	28	59
Net realised foreign exchange loss		-	-	36	1	-
Net unrealised foreign exchange loss		70	356	-	-	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS EXPENSES

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017	2018	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Directors' fee	-	-	-	48	-
Salaries, allowances and bonuses	14,365	21,256	20,133	15,145	16,244
Defined contribution plans	1,036	1,401	1,351	1,238	1,145
Defined benefit plans	150	150	224	160	167
Other staff related expenses	97	136	133	116	98
	15,648	22,943	21,841	16,707	17,654

The following table shows the directors' remuneration, director's defined contribution plans, directors' defined benefit plans and directors' other staff related expenses:-

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017	2018	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Included in employee benefits expenses are:					
Directors' fee	-	-	-	48	-
Directors' remuneration	1,420	1,451	1,395	1,066	1,051
Directors' defined contribution plans	192	192	191	144	144
Directors' defined benefit plans	27	26	94	78	71
Directors' other staff related expenses	2	3	3	2	2
	1,641	1,672	1,683	1,338	1,268

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25. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020 are as follows:

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Statements of comprehensive income					
Current income tax:					
- Current income tax charge	3,209	6,410	7,049	2,957	5,382
- Adjustment in respect of prior year	-	-	(332)	(141)	(332)
- Real property gains tax	-	-	76	109	-
Total current income tax	3,209	6,410	6,793	2,925	5,050
Deferred tax:					
Origination of temporary differences	741	867	674	761	274
- Adjustment in respect of prior year	-	-	3	(185)	-
	741	867	677	576	274
Income tax expense recognised in profit or loss	3,950	7,277	7,470	3,501	5,324

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25. INCOME TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial year.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory tax rate of (31.7.2017, 31.8.2018: 18% and 31.8.2019: 17%) 17% on chargeable income up to (31.7.2017, 31.8.2018 and 31.8.2019: RM500,000) RM600,000. For chargeable income in excess of (31.7.2017, 31.8.2018 and 31.8.2019: RM500,000) RM600,000, statutory rate of 24% is still applicable.

PT Aneka is entitled to 3% of the final tax rate based on the certification from *Lembaga Pengembangan Jasa Konstruksi* which expires on 29 December 2018 has been extended until 14 February 2021.

The reconciliation from the tax amount at the statutory income tax rate to the Group's tax expenses are as follows:

	← Audited	FYE 31 August	→	Audited	Unaudited
				FPE 31 May	
	2017	2018	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	12,513	22,098	27,604	12,720	20,895
Taxation at Malaysian statutory income tax rate of 24%	3,003	5,304	6,625	3,053	5,015
Different rate in other country	(702)	(548)	(380)	(73)	(219)
SME Tax Savings	(60)	(60)	(101)	(84)	(70)
Real property gains tax	-	-	76	109	-
Adjustments:					
Income not subject to tax	(83)	(9)	(30)	-	(19)
Non-deductible expenses	1,792	2,590	1,609	822	949
Adjustment in respect of current income tax of prior years	-	-	(332)	(141)	(332)
Adjustment in respect of deferred tax of prior years	-	-	3	(185)	-
Income tax expense	3,950	7,277	7,470	3,501	5,324

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. OTHER COMPREHENSIVE INCOME/(LOSS)

	Exchange reserve RM'000	Non-controlling interests RM'000	Total (Gross) RM'000
FYE 31 August 2017			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	(10)	(10)	(20)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(68)	(68)	(136)
	(78)	(78)	(156)
FYE 31 August 2018			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	23	21	44
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(212)	(196)	(408)
	(189)	(175)	(364)
FYE 31 August 2019			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	(30)	(24)	(54)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	255	208	463
	225	184	409

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. OTHER COMPREHENSIVE INCOME/(LOSS)

	Exchange reserve RM'000	Non-controlling interests RM'000	Total (Gross) RM'000
FPE 31 May 2020			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	15	13	28
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	9	7	16
	24	20	44
FPE 31 May 2019			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	(22)	(18)	(40)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	196	160	356
	174	142	316

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. DIVIDENDS

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Recognised during the financial year:				
Dividends on ordinary shares:				
- Single-tier interim dividend of RM1.21739 per ordinary share in respect of the financial year ended 31 August 2018, paid on 2 August 2018	-	2,800	-	-
- Single-tier final dividend of RM0.5904 per ordinary share in respect of the financial year ended 31 August 2018, paid on 3 August 2018	-	590	-	-
- Single-tier final dividend of RM1.81860 per ordinary share in respect of the financial year ended 31 August 2018, paid on 3 August 2018	-	4,183	-	-
- Single-tier final dividend of RM0.5000 per ordinary share in respect of the financial year ended 31 August 2019, paid on 30 August 2019	-	-	1,150	-
	-	7,573	1,150	-

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

From 1 September 2018:
(i) Amortised cost

On or before 31 August 2018:
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000
At 31 August 2017		
Financial assets		
Trade and other receivables	92,431	92,431
Contract assets	14,773	14,773
Cash and short-term deposits	13,246	13,246
	120,450	120,450

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000
At 31 August 2017		
Financial liabilities		
Loans and borrowings	(47,340)	(47,340)
Trade and other payables	(60,079)	(60,079)
Contract liabilities	(6,484)	(6,484)
	(113,903)	(113,903)
At 31 August 2018		
Financial assets		
Trade and other receivables less goods and services tax receivable	84,022	84,022
Contract assets	49,486	49,486
Cash and short-term deposits	17,951	17,951
	151,459	151,459
Financial liabilities		
Loans and borrowings	(65,864)	(65,864)
Trade and other payables	(65,120)	(65,120)
Contract liabilities	(18,806)	(18,806)
	(149,790)	(149,790)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Carrying amount RM'000	Amortised costs RM'000
At 31 August 2019		
Financial assets		
Trade and other receivables less goods and services tax receivable	82,724	82,724
Contract assets	72,885	72,885
Cash and short-term deposits	12,739	12,739
	168,348	168,348
Financial liabilities		
Loans and borrowings	(66,269)	(66,269)
Trade and other payables	(69,990)	(69,990)
Contract liabilities	(2,272)	(2,272)
	(138,531)	(138,531)
At 31 May 2020		
Financial assets		
Trade and other receivables less goods and services tax receivable	60,193	60,193
Contract assets	62,423	62,423
Cash and short-term deposits	19,832	19,832
	142,448	142,448
Financial liabilities		
Loans and borrowings	(57,516)	(57,516)
Trade and other payables	(45,652)	(45,652)
Contract liabilities	(79)	(79)
	(103,247)	(103,247)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Trade receivables and contract assets

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables and contract assets. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals and monitoring procedures.

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial years are disclosed in Note 28(b)(i). Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment is made on specific receivables when there is objective evidence that the Group will not be able to collect all amounts due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

(i) Credit risk

Trade receivables and contract assets (continued)

The Group monitors the results of the related companies in determining the recoverability of these intercompany balances.

Credit risk concentration profile
At the end of the reporting period, the Group has a significant concentration of credit risk in the form of five (5) trade receivables, representing approximately (31.8.2017: 78%, 31.8.2018: 57% and 31.8.2019: 64%) 66% of the Group's total trade receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all the trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

Credit risk concentration profile (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:

			Trade receivables						
	Contract assets RM'000	Retention sums RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	Total RM
At 31 August 2019									
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	2%	0%
Gross carrying amount at default	72,885	37,036	7,685	6,810	3,221	1,477	5,630	15,133	149,877
Impairment losses	-	-	-	-	-	-	-	339	339

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Credit risk concentration profile (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows: (continued)

			Trade receivables						
	Contract assets RM'000	Retention sums RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	Total RM
At 31 May 2020									
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	62,423	35,660	3,057	1,275	6,117	3,918	655	7,017	120,122
Impairment losses	-	-	-	-	-	-	-	29	29

The Group maintains a ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

	Audited 31.8.2017 RM'000	Audited 31.8.2018 RM'000
Neither past due nor impaired	39,554	17,084
Past due but not impaired	18,480	30,062
1-30 days past due not impaired	6,652	10,966
31-60 days past due not impaired	3,174	5,998
61-90 days past due not impaired	1,724	4,360
91-120 days past due not impaired	88	2,243
More than 121 days past due not impaired	6,842	6,495
Retention sums	28,300	34,707
	86,334	81,853

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		← Contractual cash flows →			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 August 2017					
Trade and other payables	60,079	57,910	2,169	-	60,079
Term loans	10,677	2,291	3,052	9,717	15,060
Finance lease liabilities	26,438	15,278	12,751	-	28,029
Bankers' accpetances	9,233	9,233	-	-	9,233
Invoice financing	992	992	-	-	992
Contract liabilities	6,484	6,484	-	-	6,484
Financial guarantee	-	49,087	-	-	49,087
	113,903	141,275	17,972	9,717	168,964

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows (continued):

		Contractual cash flows			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 August 2018					
Trade and other payables	65,120	61,492	3,628	-	65,120
Term loans	8,962	773	3,119	9,278	13,170
Finance lease liabilities	39,702	21,548	20,695	-	42,243
Bankers' accpetances	16,768	16,768	-	-	16,768
Invoice financing	432	432	-	-	432
Contract liabilities	18,806	18,806	-	-	18,806
Financial guarantee	-	68,241	-	-	68,241
	149,790	188,060	27,442	9,278	224,780
At 31 August 2019					
Trade and other payables	69,990	66,932	3,058	-	69,990
Term loans	10,335	1,948	1,985	10,418	14,351
Finance lease liabilities	28,756	18,240	12,646	-	30,886
Bank overdrafts	3,406	3,406			3,406
Bankers' accpetances	13,950	13,950	-	-	13,950
Invoice financing	1,815	1,815	-	-	1,815
Promissory notes	8,007	8,007			8,007
Contract liabilities	2,272	2,272	-	-	2,272
Financial guarantee	-	54,941	-	-	54,941
	138,531	171,511	17,689	10,418	199,618

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)
The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows (continued):

		Contractual cash flows			
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 May 2020					
Trade and other payables	45,652	43,240	2,412	-	45,652
Term loans	8,953	626	3,541	9,170	13,337
Finance lease liabilities	23,550	12,450	12,906	-	25,356
Bank overdrafts	2,330	2,330			2,330
Bankers' accpetances	12,302	12,302	-	-	12,302
Invoice financing	1,943	1,943	-	-	1,943
Promissory notes	8,438	8,438	-	-	8,438
Contract liabilities	79	79	-	-	79
Financial guarantee	-	31,877	-	-	31,877
	103,247	113,285	18,859	9,170	141,314

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign currency rates relates primarily to the Group's operating activities (when sales and purchases are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The foreign currency in which these transactions are denominated are mainly Euro ("EUR").

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Financial assets and liabilities not held in fuctional currencies:				
Cash and short-term deposits				
EUR	27	27	-	-

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure relates mainly to EUR.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate %	Effect on profit for the financial year/period RM'000
31 August 2017		
- EUR	+ 5%	1
	- 5%	(1)
31 August 2018		
- EUR	+ 5%	1
	- 5%	(1)
31 August 2019		
- EUR	+ 5%	-
	- 5%	-
31 May 2020		
- EUR	+ 5%	-
	- 5%	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year:

	Carrying amount RM'000	Change in basis points	Effect on equity/profit for the financial year/period RM'000
31 August 2017			
- Term loans	10,677	+ 50	(41)
		- 50	41
31 August 2018			
- Term loans	8,962	+ 50	(34)
		- 50	34
31 August 2019			
- Term loans	10,335	+ 50	(39)
		- 50	39
31 May 2020			
- Term loans	8,953	+ 50	(34)
		- 50	34

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amounts of cash and bank balances, receivables and payables and borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

Other long-term financial assets and liabilities are reasonable approximation of fair value because they are floating rate instruments which are re-priced to market interest rates or estimated by discounting future cash flows using current lending rates for similar types of arrangements

It is not practical to determine the fair value of finance lease liabilities which are at fixed rate due to lack of market information of comparable instruments with similar characteristic and risk profile.

Policy on transfer between levels

The fair value of asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

During the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020, there was no transfer between the fair value measurement hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfer between Level 1 and Level 2

There has been no transfer between Level 1 and Level 2 fair values during the financial year.

(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

29. COMMITMENTS

The Group has made commitments for the following capital expenditures:

	Audited as at			
	31.8.2017 RM'000	31.8.2018 RM'000	31.8.2019 RM'000	31.5.2020 RM'000
Property, plant and equipment	-	-	1,254	1,007
Investment properties	189	-	-	-

30. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Entities in which certain directors have substantial financial interests; and
(ii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of materials					
- Related parties	1,530	2,577	3,310	692	2,277
Sale of property, plant and equipment					
- Shareholder	-	-	302	-	-
- Director	89	-	847	-	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

30. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions (continued)

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows (continued):

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sale of investment properties					
- Related party	-	-	4,773	-	590
Purchase of property, plant and equipment					
- Related parties	111	83	-	1	-
Other income					
- Related parties	-	125	-	-	-
Rental income					
- Directors	-	-	10	-	10

(c) Compensation of key management personnel

	Audited FYE 31 August			Audited FPE 31 May	Unaudited FPE 31 May
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term employee benefits					
- Directors' fee	-	-	-	48	-
- Salaries, allowances and bonuses	1,735	1,864	2,032	1,692	1,659
- Defined contribution plans	230	241	271	219	217
- Defined benefit plans	27	27	94	78	71
- Other staff related benefits	3	4	5	4	4
	1,995	2,136	2,402	2,041	1,951

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by equity attributable to the owners of the Group. The gearing ratio as at 31 August 2017, 31 August 2018, 31 August 2019 and financial period ended 31 May 2020 are as follows:

		Audited as at			
		31.8.2017	31.8.2018	31.8.2019	31.5.2020
	Note	RM'000	RM'000	RM'000	RM'000
Trade and other payables	17	60,079	65,120	69,990	45,652
Loans and borrowings	15	47,340	65,864	66,269	57,516
Total debts		107,419	130,984	136,259	103,168
Total equity		57,735	64,603	83,691	92,954
Gearing ratio (times)		1.86	2.03	1.63	1.11

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to externally imposed capital requirement.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

32. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) On 21 January 2020, Aneka Holdings entered into a share sale agreement with vendors of Aneka Jaringan and Aneka Geotechnics to:

(i) acquire the entire issued share capital of Aneka Jaringan for a purchase consideration of RM71,363,996 which will be wholly satisfied by the issuance of 356,819,979 new shares in Aneka Holdings at RM0.20 per share.

The purchase consideration of Aneka Jaringan of RM71,363,996 was arrived at on a willing-buyer willing-seller basis based on the audited consolidated net assets as at 31 August 2019.

(ii) acquire the entire issued share capital in Aneka Geotechnics for a purchase consideration of RM8,278,000 which will be wholly satisfied by the issuance of 41,390,000 new shares in Aneka Holdings at RM0.20 per share.

The purchase consideration of Aneka Geotechnics of RM8,278,000 was arrived at on a willing-buyer willing-seller basis based on the audited net assets as at 31 August 2019.

(b) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which operate.

The Group has performed an assessment of the overall impact of the situation on the Group's operation, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial period ended 31 May 2020.

The Group is unable to reasonably estimate the financial impact of these events on its financial position, results of operations or cash flows in the next financial period due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group will continuously monitor the impact of Covid-19 on its operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operation.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

There have been no events subsequent to the financial period ended which required adjustments of or disclosure in the financial statements or notes thereto.

34. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follow:

Segments	**Product and services**
Foundation construction	- Carry out bored piling works to serve as the foundation to support buildings as well as elevated highways, rail infrastructure; and - Construct retaining walls which are stabilising structures to hold back the pressure of soil and/or water for basement walls and tunnels.
Basement construction	- Mainly for underground car parks, scope of work includes, among others, bored piling works, retaining wall, basement excavation and basement RC works.
Others	- Rental of construction machinery and equipment.

Inter-segment pricing is determined on negotiated basis.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

	Note	Foundation construction RM'000	Basement construction RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
31 August 2017						
Revenue:						
Revenue from external customer		113,938	57,141	74	-	171,153
Inter-segment revenue	A	-	-	6,886	(6,886)	-
		113,938	57,141	6,960	(6,886)	171,153
Cost of good sold:						
Cost from external customer						147,709
Inter-segment cost	A					(740)
						146,969
Results:						
Included in the measure of segment profit are:						
Interest income						322
Interest expenses						2,152
Amortisation/Depreciation of investment properties						76
Bad debt written off						1,860
Amortisation/Depreciation of property, plant and equipment						14,607
Employee benefits expense						15,648
Rental expenses						10,779
Gain on disposal of property, plant and equipment						185

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

	Note	Foundation construction RM'000	Basement construction RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
31 August 2018						
Revenue:						
Revenue from external customer		160,928	105,735	209	-	266,872
Inter-segment revenue	A	668	-	16,578	(17,246)	-
		161,596	105,735	16,787	(17,246)	266,872
Cost of good sold:						
Cost from external customer						234,848
Inter-segment cost	A					(1,396)
						233,452
Results:						
Included in the measure of segment profit are:						
Interest income						563
Interest expenses						3,374
Amortisation/Depreciation of investment properties						87
Amortisation/depreciation of property, plant and equipment						19,632
Employee benefits expense						22,943
Rental expenses						17,632
Gain on disposal of property, plant and equipment						953

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

	Note	Foundation construction RM'000	Basement construction RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
31 August 2019						
Revenue:						
Revenue from external customer		183,758	37,297	117	-	221,172
Inter-segment revenue	A	-	-	25,233	(25,233)	-
		183,758	37,297	25,350	(25,233)	221,172
Cost of good sold:						
Cost from external customer						183,905
Inter-segment cost	A					(1,881)
						182,024
Results:						
Included in the measure of segment profit are:						
Interest income						413
Interest expenses						3,738
Amortisation/Depreciation of investment properties						130
Impairment loss on trade receivables						339
Amortisation/depreciation of property, plant and equipment						17,766
Employee benefits expense						21,841
Rental expenses						13,846
Gain on disposal of property, plant and equipment						757
Gain on disposal of investment properties						71
Gain on disposal of an associate						50

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

	Note	Foundation construction RM'000	Basement construction RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
31 May 2020						
Revenue:						
Revenue from external customer		102,177	2,040	9	-	104,226
Inter-segment revenue	A	-	-	17,982	(17,982)	-
		102,177	2,040	17,991	(17,982)	104,226
Cost of good sold:						
Cost from external customer						104,638
Inter-segment cost	A					(18,167)
						86,471
Results:						
Included in the measure of segment profit are:						
Interest income						326
Interest expenses						2,645
Amortisation/Depreciation of investment properties						60
Reversal of impairment loss on trade receivable						310
Reserval of provision						3,760
Amortisation/depreciation of property, plant and equipment						11,800
Employee benefits expense						16,707
Rental expenses						7,721

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

	Note	Foundation construction RM'000	Basement construction RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
31 May 2019						
Revenue:						
Revenue from external customer		122,662	37,297	163	-	160,122
Inter-segment revenue	A	-	-	18,388	(18,388)	-
		122,662	37,297	18,551	(18,388)	160,122
Cost of good sold:						
Cost from external customer						149,717
Inter-segment cost	A					(18,533)
						131,184
Results:						
Included in the measure of segment profit are:						
Interest income						323
Interest expenses						2,664
Amortisation/Depreciation of investment properties						102
Impairment loss on trade receivables						-
Amortisation/depreciation of property, plant and equipment						13,117
Employee benefits expense						17,654
Rental expenses						7,318
Gain on disposal of property, plant and equipment						496
Gain on disposal of investment properties						25
Gain on disposal of an associate						50

Reconciliation of reportable segment revenue, assets, liabilities and other material items are as follows:

A Inter-segment revenue and cost

Inter-segment revenue and cost are eliminated on combination.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

34. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM'000	Non-current assets [1] RM'000
31 August 2017		
Malaysia	156,597	51,410
Indonesia	14,556	3,136
	171,153	54,546
31 August 2018		
Malaysia	253,343	64,791
Indonesia	13,529	3,652
	266,872	68,443
31 August 2019		
Malaysia	207,709	50,358
Indonesia	13,463	7,504
	221,172	57,862
31 May 2020		
Malaysia	95,915	45,701
Indonesia	8,311	7,890
	104,226	53,591
31 May 2019		
Malaysia	150,873	54,271
Indonesia	9,249	4,384
	160,122	58,655

(1) Non-current assets excluding investment in associate and trade receivables.

13. ADDITIONAL INFORMATION

13.1 SHARE CAPITAL

(i) None of the share capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option.

(ii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

(iii) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.

(iv) Save as disclosed in Sections 4.1.1, 6.1.3 and 6.2 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.

(v) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined here or the context otherwise requires:-

(i) Remuneration, voting and borrowing powers of Directors

<u>Remuneration of Directors</u>

"118. The fees of Directors and any benefits payable to the Directors including any compensation for loss of employment of a Director or former Director shall be subject to annual shareholders' approval at a general meeting and such remuneration shall be divided among the Directors in such proportion and manner as the Directors may determine or failing which, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that:-

(a) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.

(b) The salaries, emoluments and other benefits payable to the executive directors who hold an executive office in the Company pursuant to an employment contract or a contract of service need not be determined by the Company in general meeting but such salaries may not include a commission on or percentage of turnover.

(c) Any fee paid to an Alternate Director shall be agreed between himself and his appointor and shall be paid out of the remuneration of his appointor nominating him.

119. (1) The Company may reimburse to any Director of all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

(2) Any Director who (on request by the Directors) is willing to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of Non-Executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors."

Voting and borrowing powers of Directors

"122. The Directors may exercise all the powers of the Company to borrow any sum or sums of money and to mortgage or charge its undertaking, property or uncalled capital, or any part thereof, and to issue debentures, guarantees, indemnities and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

123. The Directors shall not borrow any money and to mortgage or charge any of the Company's or any of its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures, guarantees, indemnities and other securities whether outright or as security for any debt, liability or obligation of any unrelated third party."

(ii) Changes to share capital

Increase of Capital

"62. Subject to the Act and Listing Requirements, the Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct by the resolution authorising such increase.

65. Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the allotments, the payment of calls and instalments, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital."

Alteration of capital

"66. The Company may from time to time alter its share capital by passing a resolution to:-

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(c) convert all or any of its paid up shares into stock and may reconvert that stock into paid up shares; or

(d) reduce its share capital in accordance with the Act."

(iii) Transfer of securities

"34. Every instrument of transfer shall be in writing and in the prescribed form as approved under the Rules and shall be presented to the Depository with such evidence (if any) as the Depository may require, from time to time to prove that the title of the intending transferor and the intended transferee is a qualified person from time to time.

35. The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Security.

36. The instrument of transfer of a share shall be executed by or on behalf of the transferor and transferee, subject to compliance with the Central Depositories Act and the Rules.

37. (1) Subject to the Central Depositories Act and the Rules, any holder of a security that is not a Deposited Security may transfer all or any of his Security that is not a Deposited Security by instrument in writing in the form prescribed by the Act, the Central Depositories Act or the Rules and if no such form is prescribed then in such form as may be prescribed by the Company, the instrument of transfer of any such security that is not a Deposited Security shall be executed by or on behalf of the transferor and the transferee and left at the Office or such other place as the Directors may appoint accompanied by the certificate or certificates of such security that is not a Deposited Security to be transferred (if any) and such other evidence (if any) as the Directors may require to prove the title of the intending transferee and that the intending transferee is a qualified person viz, not an infant, bankrupt or person of unsound mind.

(2) In respect of the transfer of security that is not a Deposited Security, the Company shall enter or cause to be entered the name of the transferee in the Register as shareholder within thirty (30) days from the receipt of the instrument of transfer, provided always that:-

(a) the Directors may refuse or delay to register any transfer of shares not being fully paid shares and may also decline to register any transfer of shares on which the Company has a lien;

(b) if the Directors refuse to register a transfer, they shall pass a resolution to refuse or delay the registration of the transfer within thirty (30) days from the receipt of the instrument of transfer and the resolution sets out in full the reasons for refusing or delaying the registration; and

(c) the notice of the resolution and the reasons referred to in Clause 37(2)(b) above is sent to the transferor and to the transferee within seven (7) days of the resolution being passed.

(3) The Directors may decline to recognise the instrument of transfer in respect of security that is not a Deposited Security unless:-

(a) the instrument of transfer is duly stamped in accordance with the law in regard to the payment of stamp duty for the time being in force;

(b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificate or certificates of the securities to which it relates and such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(c) the instrument of transfer is in respect of only one class of security.

(4) Registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine but so that no part of the Register shall be closed for more than thirty (30) days in aggregate in any calendar year. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Depository to prepare the appropriate Record of Depositors.

(5) Subject to the Act, the Central Depositories Act and the Rules, no share shall in any circumstance be transferred to any infant, bankrupt or person of unsound mind.

38. Subject to the provisions of the Act, the Central Depositories Act, Rules and Listing Requirements, there shall be no restriction on the transfer of fully paid securities except where required by law or the transfer is in respect of a partly paid share in respect of which a call has been made and is unpaid.

13. ADDITIONAL INFORMATION (CONT'D)

39. Subject to any law in Malaysia for the time being in force, neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares that are not Deposited Securities or for the act of the Depository in registering or acting upon a transfer of shares apparently made by a member or any person entitled to the shares by reason of death, bankruptcy or insanity of a member, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers or the Depository, be legally inoperative or insufficient to pass the property in the shares or securities proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner.

    And in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares or securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title hereto.

40. Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

(iv) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

"9. Subject to the provisions of this Constitution, the Act and the Listing Requirements, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed provided that:-

    (1) the holders of preference shares shall have the same rights as the holders of ordinary shares in relation to receiving notices, reports and audited financial statements and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the Company's share capital, or on a proposal to wind up the Company, or sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges attached to the preference shares, or when the dividend or part of the dividend on such shares is in arrears for more than 6 months and during the winding up of the Company; and

    (2) unless provided by the terms of issue of the existing preference shares, the Company shall not, without the consent of existing preference shareholders at a class meeting, issue preference shares ranking in priority to the preference shares already issued but may further issue preference shares ranking equally therewith.

10. Notwithstanding Clause 19, the repayment of capital of preference shares other than redeemable preference shares, or any other alteration of preference shareholders' rights, shall only be made pursuant to a special resolution of the preference shareholders concerned, provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

19. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of such class of shares representing not less than 75% of the total voting rights of the holders of the shares of that class, or with the sanction of a special resolution passed by the holders of the shares of that class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third (1/3) of the total voting rights of that class (but so that if at any adjourned meeting of such holders, a quorum as above defined is not present, the holders present shall form a quorum) and that any holder of shares of that class present in person or by proxy or by attorney may demand a poll. On a poll, the holders of the shares shall have one (1) vote for every share of that class held by them respectively. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

20. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

58. The Company may by resolution passed at a general meeting, convert any paid up shares into stock and may with the like sanction reconvert any such stock into paid up shares of any number.

60. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages with regards to dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such rights, privileges or advantages (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such amount of stock which would not, if existing in shares, have conferred that right, privilege or advantage.

90. Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, every member entitled to vote may vote in person or by proxy or by attorney or duly authorised representative. On show of hands, each holder of an ordinary share or, each holder of a preference share present in person or by proxy or by attorney or duly authorised representative shall have one (1) vote. On a poll, every such member present in person or by proxy or by attorney or duly authorised representative shall have one (1) vote for each share he holds.

94. Subject to this Constitution, a member of the Company shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid. No member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a member or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.

175. The profits of the Company available for dividend and determined to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. The Company in general meeting may declare dividends accordingly.

195. If the Company is wound up (whether the liquidation is voluntary, under suspension or by the court), the liquidator may, with the sanction of a special resolution of the Company, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

196. Save that this Clause shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:-

(a) If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively; and

(b) If in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid up, at the commencement of the winding up, on the shares held by them respectively."

13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by law or by constituent documents of the Company.

13.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:-

(i) public take-over offers by third parties in respect of our Group's shares; and

(ii) public take-over offers by our Group in respect of other companies' shares.

13.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:-

(i) Sale and purchase agreement dated 22 June 2018 entered into between Pioneer Haven Sdn Bhd, Bukit Jalil Development Sdn Bhd and Aneka Jaringan ("**SPA**") for the sale and purchase of all that stratified shop-offices known as Parcel No.: 12-1, 12-2 & 12-3, Type: A7-A, Storey No. Level 1, Level 2 & Level 3, measuring approximately 4,924 square feet, erected on a piece of freehold land held under Geran 79553, Lot No. 101902 (formerly known as HS(D) 119870, PT No. 15293), Mukim of Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur ("**Kuala Lumpur Property**") for a cash consideration of RM4,778,000. Subsequent to the SPA, a rebate of RM595,219 was given by Pioneer Haven Sdn Bhd to Aneka Jaringan where the purchase price of the Kuala Lumpur Property was reduced to RM4,182,781;

(ii) Sale and purchase agreement dated 23 August 2019 and deed of assignment dated 23 September 2019 entered into between Aneka Jaringan and Aneka Properties Sdn Bhd for the sale and purchase of the Kuala Lumpur Property for a cash consideration of RM4,182,781;

(iii) Conditional sale and purchase agreement dated 24 July 2019 entered into between PT Aneka and PT Citra Abadi Mandiri for the sale and purchase of a plot of land and the building located in Sedayu City at Kelapa Gading Phase II with surface area of approximately 67.5 sq. m. and building area of approximately 270 sq. m. for a cash consideration of IDR5.90 billion (equivalent to RM1.68 million based on conversion rate of IDR100 = RM0.028400 as at the LPD);

(iv) Share sale agreement dated 21 January 2020 entered into between Pang Tse Fui, Chong Ngit Sooi, Loke Kien Tuck and Tan Hoon Thean (as vendors) and our Company (as purchaser) in relation to the Acquisitions. This transaction was completed on 25 August 2020. Please refer to Sections 4.1.1(a) and 4.1.1(b) of this Prospectus for further details; and

(v) Sale and purchase agreement dated 18 May 2020 entered into between Aneka Jaringan and Agile Property Development Sdn Bhd for the sale and purchase of a parcel of housing accommodation with vacant possession distinguished as Parcel No. A-35-05, measuring 66 square metres, within Storey No. 35 of Building No. Block A with accessory parcel distinguished as car park no. L6-68 and air conditioner ledge measuring 2.8 square metres ("**Property 1**") for a total cash consideration of RM1,485,800. Subsequently, a rebate of RM278,394.35 was given by Agile Property Development Sdn Bhd to Aneka Jaringan where the purchase price of the Property 1 was reduced to RM1,207,405.65;

(vi) Sale and purchase agreement dated 18 May 2020 entered into between Aneka Jaringan and Agile Property Development Sdn Bhd for the sale and purchase of a parcel of housing accommodation with vacant possession distinguished as Parcel No. A-35-07, measuring 51.5 square metres, within Storey No. 35 of Building No. Block A with accessory parcel distinguished as car park no. L8-66 and air conditioner ledge measuring 2.9 square metres ("**Property 2**") for a cash consideration of RM1,157,800. Subsequently, a rebate of RM216,936.99 was given by Agile Property Development Sdn Bhd to Aneka Jaringan where the purchase price of the Property 2 was reduced to RM940,863.01;

(vii) Contra of property agreement dated 18 May 2020 entered into between Aneka Jaringan and Agile Property Development Sdn Bhd in relation to the acceptance of Property 1 at the purchase price of RM1,207,405.65 as part payment of the price of a contract awarded by Agile Property Development Sdn Bhd to the Group pursuant to a Project Support arrangement;

(viii) Contra of property agreement dated 18 May 2020 entered into between Aneka Jaringan and Agile Property Development Sdn Bhd in relation to the acceptance of Property 2 at the purchase price of RM940,863.01 as part payment of the price of a contract awarded by Agile Property Development Sdn Bhd to the Group pursuant to a Project Support arrangement; and

(ix) Underwriting Agreement.

13.6 CONSENTS

(i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statement of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

(iii) The written consent of the IMR for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

13.7 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:-

(i) Our Constitution;

(ii) The Industry Overview referred to in Section 7 of this Prospectus;

(iii) The Reporting Accountants' Report on the Pro Forma Consolidated Statement of Financial Position of our Group as at 31 May 2020 referred to in Section 11.5 of this Prospectus;

(iv) The Accountants' Report as included in Section 12 of this Prospectus;

(v) The material contracts referred to in Section 13.5 of this Prospectus;

(vi) The letters of consent referred to in Section 13.6 of this Prospectus; and

(vii) The audited financial statements of:-

(a) Aneka Holdings for the financial period from 24 August 2018 (date of incorporation) to 31 August 2019 and FPE 2020;

(b) Aneka Jaringan for the FYE 2018, FYE 2019 and FPE 2020;

(c) Aneka Geotechnics for the FYE 2018, FYE 2019 and FPE 2020;

(d) Aneka PW for the FYE 2018, FYE 2019 and FPE 2020; and

(e) PT Aneka for the FYE 2018, FYE 2019 and FPE 2020.

13.8 RESPONSIBILITY STATEMENTS

(i) AIBB 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 relating to the IPO.

(ii) This Prospectus has been seen and approved by our Directors and Promoters and 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 there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 1 OCTOBER 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 9 OCTOBER 2020

Applications for the IPO Shares will open and close at the dates stated above.

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

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for our IPO Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

Types of Application and category of investors	Application method
Applications by eligible Directors and employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

14.2.2 Application by selected investors via Placement

Types of Application	Application Method
Applications by:-	
Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent's instructions.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:-

(i) You must be one of the following:-

   (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

   (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

   (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and

(iii) You must submit Applications by using only one of the following methods:-

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, AIBB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.33 for each IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NUMBER 606**" and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (Registration No.: 199301003608 (258345-X))
Level 11, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 9 October 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:-

(i) reject Applications which:-

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(c) of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

14.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. 03 7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.