7. BUSINESS OVERVIEW (CONT'D)

(j) Completed Projects

A construction of facilities project is regarded as completed when the final invoice has been submitted or revenue for the project has been fully recognised. The projects relating to the construction of facilities that we have completed during the Financial Years Under Review and as at the LPD with a contract value of more than RM2.0 million are summarised in the following table:

Customer	Description	Location	Contract Value (1)(9) (RM'000)	Start Date (2)	Completion Date (3)
Olam Palm (4)	Construction of power distribution network for Mouila oil palm plantation	Mouila, Gabon	2,279	2016	July 2018 (A)
Sotrader * (4)	Construction of 6 blocks (60 units) of workers' quarters at Ndende	Ndende, Gabon	3,611	January 2016	June 2018 (A)
Olam Palm (4)	Construction of workers quarters in the Mouila area comprising 30 blocks (300 units) at PK19 and Mboukou Lot 1, 15 blocks (150 units) at Mandji Lot 2, and 30 blocks (300 units) at Moutossou	Mboukou, Mandji and Moutossou in Mouila, Gabon	60,550	August 2017	December 2018 (A)
Olam Palm (4)	Construction of 10 blocks (100 units) of workers' quarters at Awala oil palm plantation	Awala, Gabon	8,073	August 2017	September 2018 (A)
Olam Rubber (4)	Construction of 35 blocks (350 units) of workers' quarters for the Bitam rubber plantation	Bitam, Gabon	28,257	August 2017	January 2019 (A)
Olam Palm (4)	Construction of plantation buildings comprising 2 offices, 2 clubhouses, and 1 unit each of clinic, school, chemical store, and fertiliser store at Mouila	Mouila, Gabon	9,023	November 2018	April 2020 (A)
Olam Palm (4)	Construction of 1 school at Awala	Awala, Gabon	1,782	November 2018	August 2019 (A)
Olam Palm (4)	Construction of 51 blocks (510 units) workers' quarters at Mouila	Mouila, Gabon	40,137	November 2018	December 2019 (A)
Olam Palm (4)	Construction of 14 blocks (140 units) workers' quarters at Awala	Awala, Gabon	11,016	November 2018	December 2019 (A)
Sotrader * (4)	Construction of 25 blocks (250 units) workers' quarters at Ndende	Ndende, Gabon	19,675	November 2018	December 2019 (A)

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Location	Contract Value [(1)(9)] (RM'000)	Start Date [(2)]	Completion Date [(3)]
Olam Rubber [(4)]	Construction of 35 blocks (350 units) workers' quarters for the Bitam rubber plantation	Bitam, Gabon	27,545	November 2018	February 2020 [(A)]
Olam Palm [(4)]	Construction of 6 blocks (60 units) of workers' quarters at Moutassou Mill	Moutassou, Gabon	4,585	August 2019	February 2020 [(A)]
Olam Palm [(4)]	Construction of 15 blocks (150 units) of workers' quarters at Makouke Mill	Makouke, Gabon	11,463	November 2019	December 2020 [(A)]
Customer A [(5)]	Constructing mezzanine floor at a glove manufacturing plant at Shah Alam, Malaysia	Selangor, Malaysia	2,151	November 2020	November 2021 [(6), (A)]
Customer A [(5)]	Construction of buildings for a new glove manufacturing plant at Sendayan, Negeri Sembilan [(7)]	Negeri Sembilan, Malaysia			
	- Civil and steel structural works for warehouse, office, electrical sub-stations and others		10,082	March 2021	November 2021 [(8), (B)]
	- Civil and other works for wastewater treatment system, warehouse, external and other works		4,396	December 2021	May 2022 [(A)]
	Total		**244,625**		

Notes:

Projects are listed in chronological order of the start date.

* Sotrader (The Agricultural Processing and Rural Development Company (Société de transformation agricole et de développement rurale) is a 49:51 joint-venture company, which was established between Olam International Limited and the Gabonese government.

(1) Contract value reflects the contract sum.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) The completion date is based on: (A) the date of the final invoice or (B) when revenue is fully recognised. Customers for construction of facilities projects do not provide acceptance of handover. The completion date is based on the completion of our work and submission of final invoice, or when revenue is fully recognised and pending submission of the final invoice.

(4) Part of the Olam Group.

(5) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.

(6) The project has been completed in September 2021, and was accepted by the customer in November 2021.

7. BUSINESS OVERVIEW (CONT'D)

(7) For rubber glove manufacturing plant owned by GoodGloves Industries Sdn Bhd.

(8) The original expected completion date of this project was September 2021. The customer has granted us extension of time for this project until November 2021, and the project was completed during that month.

(9) We did not receive any claims for LAD for any of the completed projects listed above as the projects were either completed by the agreed completion date (based on the original completion date, or subsequent extension of time or variation orders for additional work, if any), or the customers did not make any claims for LAD for projects that were completed after the agreed completion date, or there was no provision for LAD in the contracts.

7. BUSINESS OVERVIEW (CONT'D)

(k) On-going Projects

The projects related to the construction of facilities that are on-going as at the LPD are summarised in the following table:

Customer	Description	Location	Contract Value [1] (RM'000)	Unrecognised Revenue [2] (RM'000)	Completion Stage [3] (%)	Start Date [4]	Expected Completion Date [5]
Olam Palm [6]	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Mouila, Gabon	Mouila, Gabon	83,732	37,054	55.7	February 2021	April 2024[7]
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang	Pahang, Malaysia	15,800	8,511	46.1	July 2021	June 2022[8]
Wilhelmina Energy Malaysia Sdn Bhd	Construction of buildings for new biomass fuel pellet manufacturing plant at Kuantan, Pahang:	Pahang, Malaysia					
	- Engineering services for the construction of new biomass fuel pellet manufacturing plant [9]		2,800	2,520	10.0	January 2022	July 2022
SC Green Solutions Sdn Bhd	Civil, structural, installation, testing and commissioning works to construct a biogas renewable energy power station at a landfill in Bachok, Kelantan	Kelantan, Malaysia	28,523	28,523	-	April 2022	January 2024
CNmy International (Malaysia) Sdn Bhd	Structural and steel works and roof covering works for an office building and other facilities at Bandar Sri Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia	2,800	785	72.0	March 2022	July 2022
	Total		**133,655**	**77,393**			

Notes:

Projects are listed in chronological order of the start date.

\# The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.

(1) Contract value reflects the contract sum.

(2) Unrecognised revenue as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

(3) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.

(4) The start date is based on the letter of award or commencement date as agreed with the customer.

(5) The expected completion date of the project is based on date of completion stated in the letter of award or extension of time granted by our customers. We are on track to meeting the expected completion date subject to any unforeseen factors beyond our control such as another round of MCO that may affect the business activities of our Group due to compulsory closure of our business or reduction in workforce capacity. Should such unforeseen factors take place and if we foresee any delays in the completion of our projects, it is our practice to apply for an extension of time. Please refer to Section 7.23.5 of this Prospectus for information of on-going projects which our customers have provided us with an extension of time after we have notified them about the disruptions due to the COVID-19 conditions.

(6) Part of the Olam Group.

(7) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions at Mouila, Gabon, Olam Palm granted extension of time up to 30 April 2024.

(8) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.

(9) The engineering services agreement will be subsumed into and form part of the final engineering, procurement and construction agreement when it is awarded by the customer to our Group.

7.3.2 Fabrication of Equipment

During the Financial Years Under Review, the fabrication of equipment accounted for RM9.9 million (8.7%), RM18.8 million (11.0%), RM17.9 million (11.7%) and RM33.1 million (21.6%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. For FYE 2018, FYE 2019 and FYE 2020, all of our revenue from the fabrication of equipment was based on fixed lump sum or fixed lump sum plus scheduled rates modes of operation. While we started to lease some non-chemical water treatment equipment to some of our customers during FYE 2020 under a trial period, we did not recognise any revenue from these customers. We started to recognise revenue from the lease of non-chemical water treatment equipment commencing from FYE 2021 amounting to approximately RM12,000 for that financial year.

(a) Overview

This business activity involves the fabrication of equipment on a standalone basis for palm oil mills, as well as for other industries such as pulp and paper and rubber glove manufacturing. The standalone equipment that we fabricate is either integrated with newly constructed plants, or used to expand, upgrade or replace equipment in existing plants.

We fabricate the steel structures and specific palm oil milling equipment as part of our construction of palm oil mill business, and consequently we are able to fabricate the same on a standalone basis. The palm oil milling equipment that we fabricate in-house on a stand-alone basis include unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except ripple mills), kernel crushing plants (except palm kernel expellers and filter presses) and pressure vessels. Please refer to Section 7.3.1.1 (b), (c) and (d) of this Prospectus for details of these equipment.

We also fabricate other equipment used in palm oil mills, such as electrostatic precipitator (ESP), which is a filtration system that uses electrostatic charge to remove fine solid particles from a flow of gas. In a palm oil mill, ESP may be used to remove soot particles from the biomass boiler's flue gas before it is discharged into the environment. When used in this role, the ESP is installed between the biomass boiler and the smokestack. The design and main components of the ESP are provided by an external supplier. We carry out the fabrication of the ESP enclosure and installation on-site.

The standalone equipment that we fabricate for other industries include the following:

- Storage tanks and steel structures; and
- Energy and environmental related equipment.

Storage tanks and steel structures

Storage tanks are used to store liquids that are not under pressure, while steel structures provide support for walls, roofs or machinery and equipment.

Energy and Environmental Related Equipment

The standalone environmental related equipment that we currently fabricate include the following:

- **Heat recovery equipment** utilises sealed heat transfer pipes to recover heat that would otherwise be discharged into the environment. For example, the heat recovery equipment can be installed at a biomass boiler to heat boiler water using heat from exhaust gas, thereby reducing fuel consumption and energy costs. Hot exhaust gas causes the heat transfer fluid in a sealed pipe to evaporate and rises up the pipe as vapour. At the top of the pipe, the vapour heats the cold incoming water, condenses and returns to the bottom of the sealed pipe as fluid. Our heat recovery equipment can be used in, among others, palm oil mills and refineries, oil refineries and petrochemical plants, rubber glove and cement manufacturing plants. We currently fabricate this equipment using sealed heat transfer pipes purchased from a supplier, fabricating the casing and installing the equipment at the customers' site.

- **Non-chemical water treatment equipment** are designed to utilise ultra-low frequency ("**ULF**") waves to treat water for equipment such as boilers and cooling towers, with the goals of controlling scaling, corrosion and bacteria and algae growth without using chemicals. The equipment consists of a microprocessor controller and emitters to generate the ULF waves to specific intervals. We purchase the emitters, microprocessor controller and other equipment from a supplier, and install them at the customers' site.

(b) Scope of Work

Our scope of work for the fabrication of equipment commonly includes procurement of materials and fabrication of the equipment. The design and specifications are provided by external engineers or consultants, or by the customer. Our equipment is tested at our fabrication facility in Pasir Gudang, Johor, and shipped to our customers' worksites where we will carry out installation, system testing and commissioning using our in-house resources or by engaging a subcontractor.

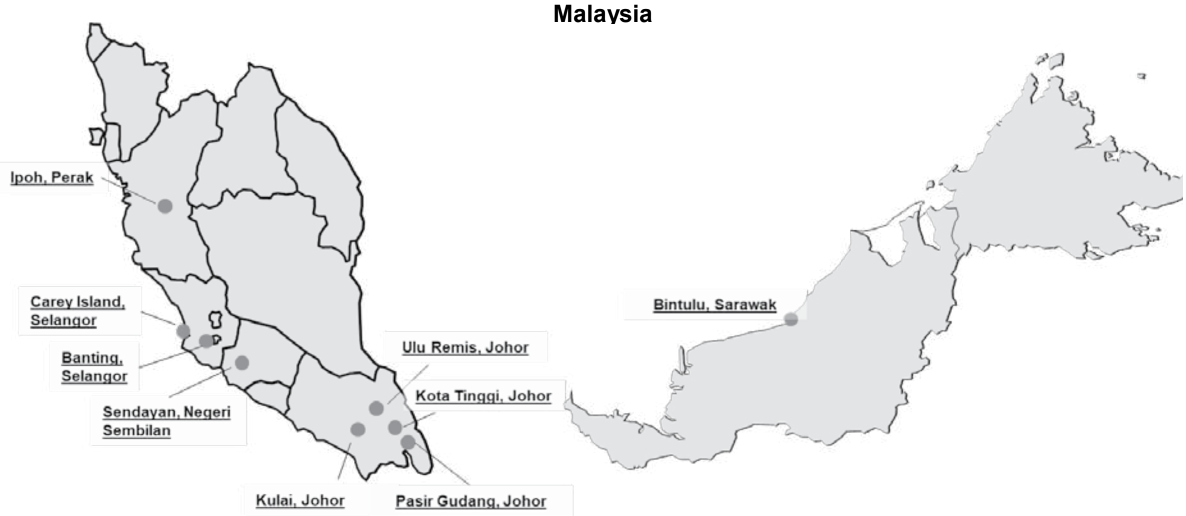
For the Financial Years Under Review, the costs of sales from outsourcing work for our fabrication of equipment business segment amounted to RM0.8 million (8.2%) for FYE 2018, RM2.4 million (13.5%) for FYE 2019, RM3.6 million (19.4%) for FYE 2020 and RM6.6 million (25.1%) for FYE 2021.

Measures of capacity and utilisation are not meaningful for our fabrication facility as the fabrication works that we carry out involves a series of steps and processes that utilise discrete machinery, equipment or processes which are carried out manually as opposed to continuous standardised process utilising a manufacturing line. Please refer to Section 7.4 of this Prospectus for additional information on our capacity and utilisation.

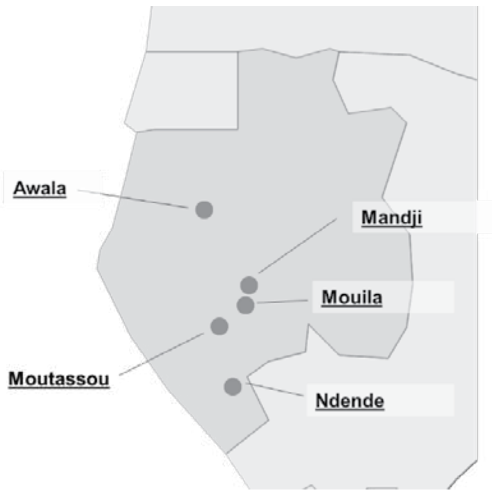
(c) **Locations of our Projects**

During the Financial Years Under Review and as at the LPD, the locations of the palm oil mills and other manufacturing facilities in Malaysia, Gabon and Indonesia where our palm oil industry and other industry equipment that we fabricate as part of projects with contract value of RM1 million or more are used (completed and on-going projects) are illustrated in the following maps:

Malaysia



Gabon



Indonesia

7. BUSINESS OVERVIEW (CONT'D)

(d) Completed Projects

A fabrication of standalone equipment project is regarded as completed when the customer has accepted handover or the final invoice has been submitted or revenue for the project has been fully recognised. The fabrication of standalone equipment contracts or orders that we have completed during the Financial Years Under Review and as at the LPD that had contract value of more than RM2.0 million are summarised in the following table:

Customer	Description	Location	Contract Value [1][15] (RM'000)	Start Date [2]	Completion Date [3]
PT Palmas Project Engineering	Fabrication of palm oil milling machinery for the construction of PT Lanang Agro Bersatu palm oil mill	Kalimantan Barat, Indonesia	3,571	December 2017	June 2018 [B]
PT Palmas Project Engineering	Fabrication of palm oil milling machinery for the PT Bio Inti Agrindo palm oil mill at Papua	Papua, Indonesia	4,582	December 2018	January 2019 [B]
Sime Darby Plantation Berhad and Sime Darby Plantation (Sarawak) Sdn Bhd	EPCC of ESP for biomass boilers at 5 palm oil mills [7]	Sarawak, Johor, and Selangor in Malaysia	11,180	January 2019	October 2021 [10], [C]
Olam Palm [7]	Construction of bulking tanks for the Mouila Lot 1 palm oil mill [4]	Mouila, Gabon	4,016 [5]	June 2019	May 2020 [B]
Olam Palm [7]	Construction of bulking tanks for the Awala palm oil mill [4]	Awala, Gabon	2,800 [6]	June 2019	May 2020 [B]
Olam Palm [7]	Fabrication of bulking tanks for the Mouila Lot 3 palm oil mill [4]	Mouila, Gabon	5,233 [11]	June 2019	October 2021 [B]
PT Putra Bongan Jaya [6]	Fabrication of structural works for the Putra Bongan Jaya palm oil mill, comprising:	Kalimantan Timur, Indonesia			
	- Fabrication of structural works, and installation of palm oil milling machinery and equipment		10,355	May 2020	June 2021 [B]
	- Fabrication of 4 vertical sterilisers		2,300	April 2020	December 2021 [B]

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Location	Contract Value (1)(15) (RM'000)	Start Date (2)	Completion Date (3)
GS Paperboard & Packaging Sdn Bhd	Upgrading of the GS Paperboard paper mill at Banting, Selangor, comprising:	Selangor, Malaysia			
	- Fabrication and installation of storage tanks		3,650	May 2020	July 2021 (B)
	- Supply, fabrication and erection of additional mechanical works		1,090	November 2020	April 2021 (B)
Ladang Petri Tenggara Sdn Bhd	EPCC of ESP for biomass power plant at Sungai Kachur palm oil mill in Kota Tinggi, Johor	Johor, Malaysia	3,130	November 2020	November 2021 (12), (C)
GoodGloves Industries Sdn Bhd	Fabrication of equipment for a new glove manufacturing plant at Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia			
	- Fabrication of stainless-steel tanks		3,238	December 2020	December 2021 (13), (C)
	- Piping works for 8 glove manufacturing lines		3,564	March 2021	January 2022 (14), (B)
KL-Kepong Edible Oils Sdn Bhd (8)	Fabrication of CPO storage tanks for an existing palm oil refinery at Pasir Gudang, Johor	Johor, Malaysia	1,467	January 2021	November 2021 (B)
PT Palmas Project Engineering	Fabrication and supply of machinery and equipment for a new palm oil mill in Papua, Indonesia	Papua, Indonesia	6,989	August 2021	February 2022 (B)
KL-Kepong Rubber Products Sdn Bhd (8)	Fabrication, supply and installation of bulking tanks and mixing tanks for rubber gloves manufacturing plant at Ipoh, Perak	Perak, Malaysia	6,595	October 2021	April 2022 (C)
	Total		**73,760**		

Notes:

Projects are listed in chronological order of the start date.

(1) Contract value reflects the contract sum.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) The completion date is based on: (A) the acceptance of handover or (B) submission of final invoice or (C) when revenue is fully recognised. Where possible, completion date is based on the acceptance of handover. However, if we have completed our work and the customer has not provided acceptance of handover, the completion date is based on the submission of final invoice, or when revenue is fully recognised and pending submission of the final invoice.

7. BUSINESS OVERVIEW (CONT'D)

(4) Olam Palm awarded a single turnkey contract for the construction of bulking tanks at the Awala, Mouila Lot 1, and Mouila Lot 3 palm oil mills.
(5) The contract value for the bulking tanks to be constructed at Mouila Lot 1 palm oil mill.
(6) The contract value for the bulking tanks to be constructed at the Awala palm oil mill.
(7) Part of the Olam Group.
(8) Part of the KLK Group.
(9) The palm oil mills are the Derawan and Lavang palm oil mills at Bintulu, Sarawak; Hadapan palm oil mill at Kulai and Ulu Remis palm oil mill at Layang-Layang in Johor; and West palm oil mill at Carey Island, Selangor.
(10) As at the LPD, the equipment has been fully installed in August 2021 and the project is pending the supplier's technician from India to assist in the testing and commissioning. The expected completion date was based on the contract with the customer and we have not been granted any extension of time. The implementation of the project was behind schedule due to delays in the supply of parts from a supplier. For the FYE 2020, we made a provision for LAD of RM0.6 million in addition to RM0.4 million which was set off against the progressive billings (being 90.9% in aggregate of the maximum claim on the LAD of RM1.1 million) for this project. For further information on the LAD for this project, please refer to Section 12.3.1 (i) of this Prospectus.
(11) For palm oil mill owned by Olam Palm.
(12) The original expected completion date of this project was December 2020. Due to the MCO, the customer deferred the completion date to July 2021. We were not able to complete the project by July 2021 due to movement and business operation restrictions related to the on-going COVID-19 pandemic and we applied for extension of time from the customer up to October 2021, which is pending approval. Subsequent to the LPD, we have made a provision for LAD of RM0.2 million, being the maximum claim on the LAD as at 30 November 2021. The project was subsequently completed in November 2021.
(13) The original expected completion date of this project was February 2021. The customer granted extension of time up to December 2021, and we have completed the project in December 2021.
(14) The original expected completion date of this project was September 2021. The customer granted extension of time up to December 2021, and we have completed our work for the project in December 2021 and issued the final invoice in January 2022.
(15) LAD has been provided for the project with Sime Darby Plantation Berhad and Sime Darby Plantation (Sarawak) Sdn Bhd in FYE 2020, and for the project with Ladang Petri Tenggara Sdn Bhd, LAD in FYE 2021. Save for these two projects, we did not make any provision for LAD nor receive any claims for LAD for any of the other completed projects listed above as the projects were either completed by the agreed completion date (based on the original completion date, or subsequent extension of time or variation orders for additional work, if any), or the customers did not make any claims for LAD for projects that were completed after the agreed completion date, or there was no provision for LAD in the contracts.

7. BUSINESS OVERVIEW (CONT'D)

(e) On-going Projects

The fabrication of standalone equipment contracts or purchase orders that are on-going as at the LPD are summarised in the following table:

Customer	Description	Location	Contract Value (1) (RM'000)	Unrecognised Revenue (2) (RM'000)	Completion Stage (3) (%)	Start Date (4)	Expected Completion Date (5)
Olam Palm (6)	Fabrication of loading ramps for Mouila Mandji, Moutassou and Ndende palm oil mills	Mouila Mandji, Moutassou and Ndende, Gabon	1,367	1,367	-	October 2021	#
Other customers	11 projects with individual contract value of less than RM1.0 million per project	Sabah and Perak, Malaysia; Awala and Mouila, Gabon; and Riau, Kalimantan Timur and Tengah, Sumatra Selatan and Belitung, Indonesia	1,385	1,385	-	Various start dates (7)	Various expected completion dates (8)
	Total		**2,752**	**2,752**			

Notes:

Projects are listed in chronological order of the start date.

\# The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.

(1) Contract value reflects the contract sum.

(2) Unrecognised revenue as at the LPD.

(3) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.

(4) The start date is based on the letter of award, purchase order or commencement date as agreed with the customer.

(5) The expected completion date of the project is based on date of completion stated in the letter of award or purchase order, or extension of time granted by our customers, or expected completion date agreed with the customer.

(6) Part of the Olam Group.

(7) Various start dates from December 2021 to April 2022.

(8) The expected completion dates for the projects range from April 2022 to June 2022.

7.3.3 Supply of Materials and Equipment

The supply of materials and equipment contributed RM1.2 million (1.0%), RM0.5 million (0.3%), RM13.1 million (8.5%) and RM32.2 million (21.0%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. During the Financial Years Under Review, we were involved in supplying the following types of materials and equipment:

- Piping materials such as pipes, flanges and connectors for piping works;
- Heavy construction equipment, comprising the sale of new and used heavy construction equipment such as excavators, tractors and backhoe loaders; and
- Construction materials such as spun piles, gravel, sand and bricks.

For the Financial Years Under Review, our customers were mainly contractors as well as owners and operators of oil palm plantations and palm oil mills. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia and Indonesia.

During the Financial Years Under Review and up to the LPD, we did not supply any other types of materials and equipment, save for the piping materials, heavy construction equipment, construction materials and spun piles listed above. We sourced these piping materials, heavy construction equipment, construction materials and spun piles from third party suppliers.

7.3.4 Other Activities

Revenue contribution from other activities amounted to RM5.3 million (4.8%), RM1.2 million (0.8%), RM3.1 million (2.0%) and RM1.8 million (1.1%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our other activities are complementary to our main business activities.

Our other activities included the following:

- Supplying spare parts for palm oil milling machinery. We would supply the spare parts for the machinery and equipment that we fabricated in-house. As for the spare parts for the machinery and equipment that were manufactured externally, we would source these parts from the respective external manufacturers;
- Providing maintenance services for plants and facilities; and
- Site clearing and earthworks where we engaged a subcontractor to carry out the work.

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The other activities contract that we have concluded (following request for the project to be terminated by the customer) during the Financial Years Under Review and up to the LPD that had contract value of more than RM2.0 million is summarised in the following table:

Customer	Description	Location	Net Revenue Recognised (RM'000)	Unrecognised Revenue (1) (RM'000)	Start Date (2)
Kluang Biomass Power (M) Sdn Bhd	Site clearing and earthworks for the construction of a biomass power plant at Kluang, Johor	Johor, Malaysia	3,369 (3)	-	July 2018
	Total		**3,369**	-	

Notes:

(1) The unrecognised value as at LPD is nil as the project has been suspended by the customer.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) This represents the revenue recognised and is net of the reversal of revenue amounting to RM0.5 million which had been recognised during the FYE 2018 for work performed as verified by the architect and agreed with the customer. As at the LPD, the net revenue recognised of RM3.4 million has been collected by our Group.

The above project was to be completed by January 2019, however, it was suspended with no specific duration on suspension as this was not set out under the contract nor informed by the customer, and was subsequently terminated by the customer in January 2022 due to funding constraints. For the avoidance of doubt, there is currently no other project of our Group which has been suspended.

For the Financial Years Under Review, our customers were mainly owners and operators of oil palm plantations, palm oil mills, power generation and other plants. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia, Indonesia and Liberia.

7.3.5 Modes of Operation, defect liability period, warranty and minimum performance guarantee

(a) Modes of Operations

The modes of operation for our business activities are based on fixed lump sum, fixed lump sum plus scheduled rates, and leasing of equipment by way of contracts or purchase orders.

(i) <u>Fixed lump sum</u>

The contract or purchase order for the respective project will specify, among others, the fixed contract sum for the project, schedule of payments, our scope of work and deliverables, and the timeline for delivery. Our customer will pay us for the fixed contract sum according to the schedule of payments, subject to any variation orders or claims against LAD.

The fixed lump sum is used in the following business activities:

- Construction of plants and facilities;
- Fabrication of equipment;
- Supply of materials and equipment; and
- Other activities, including supply of spare parts, provision of maintenance services, and provision of civil works.

(ii) Fixed lump sum plus scheduled rates

The contract will consist of 2 parts, namely a fixed lump sum portion as described above, and a variable payment based on an agreed schedule of rates. The fixed lump sum part of the contract is as described above.

The scheduled rates part of the contract specifies the price per unit for each specific work to be done, and payment made based on the amount of work done multiplied by the specified rate. These are for minor works that are difficult to quantify beforehand. Examples include the installation of drains and fencing, where the lengths or areas of the work done will be measured and payment computed after completion or installation.

We utilise the fixed lump sum plus scheduled rates for some of our construction of plants and facilities business activity.

(iii) Leasing of equipment

As part of our expansion plan as set out in Section 4.4.1 of this Prospectus, we plan to purchase and install 12 units of non-chemical water treatment equipment to develop and grow this business by providing the equipment to customers under the leasing of equipment model with a total estimated cost of RM1.0 million. We have started recognising revenue from leasing of equipment in FYE 2021.

We charge our customer based on a fixed initial installation fee, followed by monthly recurring lease payments for as long as they continue to use our equipment. Under our fabrication of equipment business, some of the non-chemical water treatment systems provided to customers are based on the leasing of equipment mode of operation.

The situations where we utilise these modes of operations are as follows:
- Fixed lump sum mode of operation is utilised where our scope of work or deliverables are determined beforehand and with the agreement with the respective customer;
- Fixed lump sum plus scheduled rates mode of operation is used where some portion of our scope of work or deliverables cannot be determined beforehand, and with the agreement with the respective customer; and
- Leasing of equipment mode of operation is utilised with the agreement with some customers of non-chemical water treatment systems, such as those that desire lower up-front cost compared to purchasing the system under fixed lump sum contract basis.

(b) Liquidated ascertained damages

LAD stipulate the damages that a customer can claim against us in the event that we are unable to complete and deliver our projects in accordance with the project timeline as stated in the contracts and within our project budget.

LAD are normally included in the fixed lump sum and fixed lump sum plus scheduled rates contracts for the following types of projects:
- construction of new palm oil mills and upgrading of existing palm oil mills;
- construction of facilities for the palm oil, rubber plantation and other industries; and
- fabrication of equipment.

For the FYE 2020, we made a provision for LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad. This was due to the delay in the supply of parts from the supplier which was appointed by the customer, as we do not have a back-to-back arrangement with the supplier for damages.

For the FYE 2021, we made a provision for LAD of RM0.2 million, which was the maximum claim on the LAD as at 30 November 2021, for the EPCC of ESP for biomass power plant at a palm oil mill in Johor for Ladang Petri Tenggara Sdn Bhd. This was because we were not able to complete the project by the deferred completion date of July 2021 due to movement and business operation restrictions related to the on-going COVID-19 pandemic. We had applied for extension of time from the customer up to October 2021, which is pending approval. The project was subsequently completed in November 2021.

We did not make any provision for LAD for FYE 2018 and FYE 2019.

(c) Defect Liability Period

The duration of defect liability period is stipulated in the respective contract, and it is usually for 12 months from the date of completion, handover or acceptance by the customer. We are responsible for making good any defects that may be found or occurred during the defect liability period. This will be undertaken at our expense.

We provide a defect liability period for only the following business segments:
- Construction of new palm oil mills and upgrading of existing palm oil mills;
- Construction of facilities for palm oil, rubber and other industries; and
- Fabrication of equipment.

Generally, we set aside 5%-10% of the contract value of the respective contract as retention sum to be held by our customers. Such retention sum may be utilised by our customers to remedy defects if we fail to rectify the defects within the defect liability period, and we will collect the unutilised retention sum from our customers after the defect liability period. Where a contract for fabrication of equipment and machinery contains a defect liability clause at the request of the customer, it does not contain a clause setting out a separate warranty period for the fabrication of equipment and machinery. During the Financial Years Under Review, total costs incurred to make good any defects during the defect liability period for all of our construction of palm oil mill plants or upgrades, and construction of facilities for palm oil, rubber and other industries amounted to approximately RM7,469, RM196,304, RM17,833 and RM186,524 for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

(d) Warranty

We provide warranties in relation to the following business activities:
- construction of plants and facilities;
- fabrication of palm oil milling equipment, including unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except ripple mills) and kernel crushing plants (except palm kernel expellers and filter presses);
- fabrication of other equipment, including storage tanks and steel structures, heat recovery, non-chemical water treatment (for units that are sold to customers) and dust filtration equipment.

7. BUSINESS OVERVIEW (CONT'D)

The typical warranty period for the facilities that we construct and equipment that we fabricate are summarised in the following table:

Type of Plant and Equipment	Usual Warranty Period
Construction of plants and facilities	
- Structures (portal frame and walling systems)	25 years [(1)]
- Structural works	1 to 5 years [(2)]
- Workmanship	12 months
- Machinery and equipment	12 months
Fabrication of palm oil milling equipment	
- Machinery and equipment	12 months
Fabrication of other industry equipment	
- Machinery and equipment	12 months

Notes:

(1) Warranty period provided at the request of the customer is generally for the construction of the workers' quarters at Gabon. Such warranty period has also been provided at the request of the customer on an ad hoc basis in respect of (i) plantation infrastructure of offices, club houses, a clinic, a school, a chemical store and a fertilizer store; and (ii) laboratory building modification work.

(2) 5 years warranty period applies to the structural works performed by or on behalf of our Group in relation to the palm oil mill in Gabon.

Where a contract for fabrication of equipment and machinery contains a clause setting out a specific warranty period at the request of the customer for the fabrication of equipment and machinery, it does not contain a separate defect liability clause for the same. Where a contract for fabrication of equipment and machinery does not contain any clauses which set out a specific warranty period or a separate defect liability clause, our Group generally provides a warranty period of 12 months on a goodwill basis during which our Group makes good any defects found in respect of such equipment and machinery at its own costs.

Some equipment with moving parts that are sourced from suppliers such as pumps, compressors and hydraulics, are covered by the product warranties provided by the respective suppliers.

During the Financial Years Under Review and up to the LPD, our customers for the construction of palm oil mill plants did not make any material warranty claims against us.

We do not provide warranties for the supply of materials and equipment which are not in relation to the abovementioned business activities, including piping materials, heavy construction equipment, construction materials and spun piles. We also do not provide warranties for other activities, including supplying spare parts, and providing maintenance services and site clearing and earthworks.

(e) **Minimum Performance Guarantee**

We provide a minimum performance guarantee for the following:

- construction or upgrading of palm oil mill plant projects;
- fabrication of palm oil milling equipment on a standalone basis; and
- fabrication of other industrial equipment.

Under the minimum performance guarantee, we guarantee to the customer that, at the time of testing and commissioning, specific equipment that we fabricate for them will meet the level of output and/or quality stipulated in their respective contracts. The equipment that is under the minimum performance guarantee parameters includes, among others, steriliser, hydro-cyclone, CPO recovery station, kernel hydro-cyclone, POME treatment plant (quality of treated effluent), ESP, heat recovery equipment and non-chemical water treatment.

The minimum performance guarantees are assessed during the testing and commissioning stage. In the event that any equipment fails to meet their respective minimum performance guarantee parameters, we are responsible to make any necessary modifications and/or making good any defects to the affected equipment until it achieves the required performance level. This will be undertaken at our own expense. In addition, we may also be liable for performance liquidated damages as stipulated in the respective contracts.

The performance guarantee provided by our Group ranges from 5% to 40% of the contract value depending on the requirement of the relevant customer and the value of the performance guarantee is not depending on the type of projects. The most common percentage applicable ranges between 5% to 10% during the Financial Years Under Review and there are no material performance guarantee claims during the Financial Years Under Review.

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7.3.6 Summary of our On-going Projects

Our Group's on-going projects as at the LPD are summarised in the following table:

					Revenue to be Recognised			
Customer	Description	Contract Value [1] (RM'000)	Completion Stage [2] (%)	Unrecognised Revenue [3] (RM'000)	FYE 2022 [4] (RM'000)	FYE 2023 [5] (RM'000)	FYE 2024 [6] (RM'000)	Expected Completion Date [7]
PT Kapuas Maju Jaya Oil Mill	Civil, structural and mechanical works for new palm oil mill at Kapuas, Kalimantan Tengah [a]	17,750	89.1	1,928	1,928	-	-	July 2022 [8]
KL-Kepong Edible Oils Sdn Bhd [9]	Civil and structural works to construct office building, workshop and wastewater treatment plant at an existing palm oil refinery in Pasir Gudang, Johor [a]	3,791	-	3,791	3,791	-	-	December 2022
Sime Darby Oils Port Klang Refinery Sdn Bhd	Piling works for new buildings and storage tanks, and demolition and relocation of existing tanks at an existing palm oil refinery in Port Klang, Selangor	4,980	-	4,980	4,980	-	-	August 2022
Olam Palm [10]	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Mouila, Gabon [b]	83,732	55.7	37,054	21,532	15,000	522	April 2024[11]
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang [b]	15,800	46.1	8,511	8,511	-	-	June 2022[12]
Wilhelmina Energy Malaysia Sdn Bhd	Construction of buildings for new biomass fuel pellet manufacturing plant at Kuantan, Pahang [b]							
	- Engineering services for the construction of new biomass fuel pellet manufacturing plant [13]	2,800	10.0	2,520	2,520	-	-	July 2022

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Contract Value [1] (RM'000)	Completion Stage [2] (%)	Unrecognised Revenue [3] (RM'000)	Revenue to be Recognised FYE 2022 [4] (RM'000)	FYE 2023 [5] (RM'000)	FYE 2024 [6] (RM'000)	Expected Completion Date [7]
SC Green Solutions Sdn Bhd	Civil, structural, installation, testing and commissioning works to construct a biogas renewable energy power station at a landfill in Bachok, Kelantan [b]	28,523	-	28,523	7,226	14,452	6,845	January 2024
CNmy International (Malaysia) Sdn Bhd	Structural and steel works and roof covering works for an office building and other facilities at Bandar Sri Sendayan, Negeri Sembilan [b]	2,800	72.0	785	785	-	-	July 2022
Olam Palm [8]	Fabrication of loading ramps for Mandji, Moutassou and Ndende palm oil mills [c]	1,367	-	1,367	1,367	-	-	#
Other customers	11 fabrication of equipment projects with individual contract value of less than RM1.0 million per project [c]	1,385	-	1,385	1,385	-	-	Various expected completion dates [14]
	Total	**162,928**		**90,844**	**54,025**	**29,452**	**7,367**	

Notes:

(a) Construction of plants. (b) Construction of facilities. (c) Fabrication of equipment.

\# The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.

(1) Contract value reflects the contract sum.

(2) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.

(3) Unrecognised revenue as at the LPD.

(4) Revenue from the project that we expect to recognise between 1 May 2022 and 31 December 2022.

(5) Revenue from the project that we expect to recognise during FYE 2023.

(6) Revenue from the project that we expect to recognise during FYE 2024.

(7) The expected completion dates of the projects are based on original expected completion dates, the extension of time granted by the respective customers or expected completion date agreed with the customer, where relevant. We are on track to meeting the expected completion date subject to any unforeseen factors beyond our control such as another round of MCO that may affect the business activities of our Group due to compulsory closure of our business or reduction in workforce capacity.

7. BUSINESS OVERVIEW (CONT'D)

Should such unforeseen factors take place and if we foresee any delays in the completion of our projects, it is our practice to apply for an extension of time. Please refer to Section 7.23.5 of this Prospectus for information of on-going projects which our customers have provided us with an extension of time after we have notified them about the disruptions due to the COVID-19 conditions.

(8) The original expected completion date of this project was November 2021. The customer had granted extension of time for this project until July 2022.

(9) Part of the KLK Group.

(10) Part of the Olam Group.

(11) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions in Gabon, Olam Palm granted extension of time up to 30 April 2024.

(12) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.

(13) The engineering services agreement will be subsumed into the final engineering, procurement and construction agreement when it is awarded.

(14) The expected completion dates for the projects range from April 2022 to June 2022.

7.4 CAPACITY AND UTILISATION

Measures of capacity and utilisation are not meaningful for our construction of plants and facilities, fabrication of palm oil mill equipment, supply of materials and equipment, and other activities as these business activities are project based in nature. Furthermore, work relating to the construction of plants and facilities, including the installation of machinery and equipment, are carried out at the respective customers' worksites. In addition, it is not meaningful to quantify capacity and utilisation of our fabrication works as it involves a series of steps and processes that utilise discrete machinery, equipment or processes which are carried out manually as opposed to continuous standardised process utilising a manufacturing line. Examples of discrete machinery and equipment that we use manually include shearing, cutting, bending, rolling, grinding and welding of metal, metal stamping, punching and boring, machining to produce parts and components, and threading of pipes and fittings.

7.5 OPERATIONAL FACILITIES

As at the LPD, we conduct our business operations at the following locations:

Company	Main Function	Approximate Area (sq ft)	Location of Facility
EMESB	Head office, office and manufacturing plant	112,644 [(1)]	PLO 555, Jalan Keluli 8 Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor, Malaysia
EMESB ETSB TWTSSB	Office	8,785 [(2)]	No 8. Jalan Ekoperniagaan 1/10 Taman Ekoperniagaan 81100 Johor Bahru Johor, Malaysia
AEPL	Office	517 [(2)]	No. 2 Venture Drive #13-04 Vision Exchange Singapore 608526

Notes:

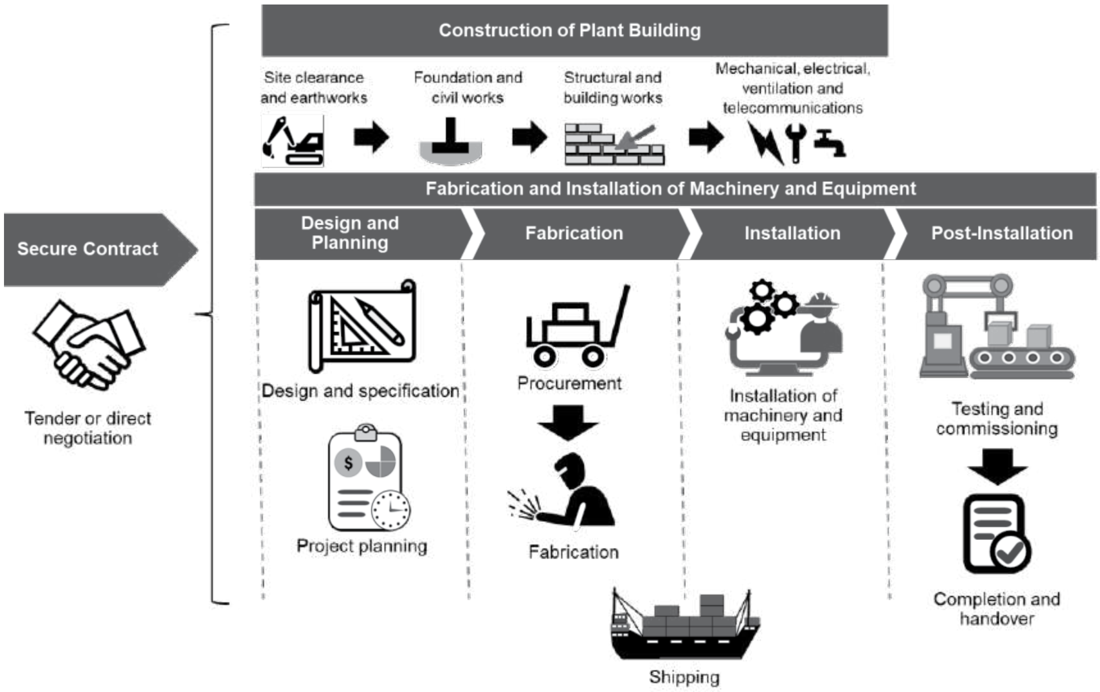
(1) Comprises office and fabrication facility with combined gross floor area of 112,644 sq ft from when the facility was constructed. In addition, we have constructed an extension of the fabrication facility with gross floor area of approximately 27,125 sq ft which has been completed.

(2) Gross floor area.

7.6 PROCESS FLOW

7.6.1 Construction of plants

For the construction of plants, we mainly construct palm oil mills, and also other plants such as refinery and biogas plants. Our general process flow for carrying out the construction of plants is summarised in the following diagram:



Secure Contract

Contracts for the construction of plants are secured through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months. Our contracts will generally comprise 2 components, namely construction of the buildings and the fabrication, installation, testing and commissioning of the machinery and equipment making up the plant.

Construction of Plant Buildings

(a) Planning and regulatory

Project planning involves project scheduling, resource allocation, costing, budgeting and financing to ensure that the project runs smoothly, on time and budget, and usually takes approximately 1 month. As a turnkey contractor, we are also responsible for obtaining the relevant regulatory approvals to carry out construction works at the worksite. We will register with the relevant regulatory bodies and local authorities that have jurisdiction over areas where the worksite is located, and obtain all the necessary registration, licenses, approvals and permits before we start construction works.

(b) Procurement

We are responsible for procuring all the materials and services required to construct the facilities, save for those that are provided to us by the customer. Procurement usually takes approximately 2 months. In some cases, materials are purchased from suppliers in Malaysia, and we subsequently ship them to our worksites in other countries such as Gabon, Indonesia and Liberia. We also purchase materials for our worksites in Gabon from suppliers in the same country.

Construction

All construction works at the worksite are monitored by our in-house project team to ensure that works are carried out according to the relevant engineering designs, specifications and procedures, and the progress of work is in accordance with the project timeline. Our project team is also responsible for managing worksite health and safety, in accordance with the relevant regulations.

(a) Site clearance and earthworks

We will commence site preparation with establishing staging areas for machinery, equipment and materials as well as setting up temporary facilities and utilities such as site office, workers amenities, power and potable water.

Site clearance and earthworks include excavation, backfilling, levelling and earth compaction, as well as any other necessary civil works to prepare the site for building construction works, and usually takes approximately 2 months.

Site clearance and earthworks

We carry out site clearance and earthworks under the following circumstances:
- As part of the construction of plants or construction of facilities; and
- Stand-alone basis which is under our other activities.

The site clearance and earthworks that were carried out under the two circumstances described above were the same, and we engage subcontractors to carry out site clearance and earthworks and these are mainly for projects in Malaysia, as it requires the use of specialised machinery. Please refer to Section 7.3.4 of this Prospectus for additional information on our other activities. Site clearance and earthworks are not part of our scope for projects in foreign countries such as Gabon and Indonesia.

(b) Foundation and civil works

Foundation and civil works are carried out to construct the building's substructure (the part of the structure that is below ground level) to support the superstructure (the part of the building that is above ground level), and heavy load bearing floors for machinery and equipment. As most of the buildings that we construct are low-rise or industrial buildings, we mainly use shallow foundation methods such as isolated, strip and strap footing, and raft foundation, and in some situations, we also use the driven pile method to support heavier above ground loads. Foundation and civil works usually take between approximately 2 and 6 months, depending on the project.

We engage subcontractors to carry out foundation and civil works for projects in Malaysia, while we carry out these works using our contract workers or subcontractors for projects in Gabon. Foundation and civil works are normally not part of our scope of works for projects in Indonesia.

(c) Structural and building works

Structural and building works are related to constructing the superstructure, and usually takes approximately 4 months. Superstructure construction works commence only after the relevant foundation works have been completed. The superstructure construction works that we carry out will depend on the nature of the superstructure.

Our construction works generally involve one or more of the following:
- civil building works to erect columns, beams, walls, floors and roofs; and
- steel structural works to erect steel building frames and roof trusses.

For projects in Malaysia, we normally carry out steel structural works with in-house resources and engage subcontractors when we do not have sufficient resources or we have conflicting schedules, while we engaged subcontractors to carry out civil building works. We carry out civil building and steel structural works using our contract workers and subcontractors for our projects in Gabon. We are not required to have any construction licences before carrying out the work concerned in Gabon and our contract workers have the relevant valid work permits registered under the project owner. For projects in Indonesia, we engage subcontractors for steel structural works while civil building works are normally not part of our scope of works.

For projects in Malaysia, we engage subcontractors to carry out the facility's infrastructure works such as construction of internal road access, drainage and perimeter fencing concurrently with superstructure construction, while we use our contract workers or engage subcontractors for infrastructure works for our projects in Gabon. These are not part of our scope of work for our projects in Indonesia.

(d) Mechanical, electrical, ventilation and telecommunications

We will carry out mechanical, electrical, ventilation and telecommunications system installation work after the completion of superstructure construction. This installation usually takes approximately 6 months to complete. For the installation of mechanical works for projects in Malaysia and Gabon, we normally carry out this part of the work with in-house personnel or we engage subcontractors when we do not have sufficient resources or we have conflicting schedules at that time. As for Indonesia, we engage subcontractors to carry out mechanical works for projects. We engage subcontractors to carry out electrical, ventilation and telecommunications system installation work for our projects in Malaysia, Gabon and Indonesia.

Fabrication and installation of machinery and equipment

(a) Equipment design and planning

Once the contract is secured, we will carry out the design and preparation of shop drawings for all of the equipment that we will need to fabricate in-house, as well as project planning. Equipment design and project planning usually takes approximately 2 months.

As the turnkey contractor, the design and specification of the plant are usually carried out by third party engineers or consultants that are engaged by our customers. We will prepare shop drawings for the steel structures and the equipment that we will be fabricating in-house based on the designs provided to the engineers or consultants.

We will also carry out project planning to ensure we properly coordinate all financial, materials, human resources and subcontractors to ensure proper control, supervision and management, and to deliver the project on time and on budget. The parties that carry out work for our projects of construction of palm mills in Malaysia, Gabon and Indonesia are summarised in Section 7.3.1.1 (k) in this Prospectus.

(b) Fabrication of equipment

We are responsible for procuring the materials and services required to fabricate the plant equipment, steel structures and piping. This involves purchasing some of the machinery and equipment from suppliers, such as engines, pumps, motors, hoists and power generation equipment. In some cases, our customers may provide some of the machinery and equipment for the project. Depending on the type of equipment that are required, we will engage external parties to fabricate some of these equipment.

We carry out the fabrication works at our fabrication facility in Pasir Gudang, Johor, and will transport the finished equipment for installation at the respective worksites, including shipping these equipment to the respective worksites in foreign countries. The process flow for fabricating equipment, including expected timeframe, is described in Section 7.6.3 in this Prospectus. The equipment which we can fabricate in-house and those which we engaged external party to fabricate are described in Section 7.3.1.1 of this Prospectus.

(c) Installation of machinery and equipment

We are responsible for installing machinery, equipment and piping systems for the construction of the plant, which usually takes approximately 2 months. Plant installation works are carried out based on the engineering drawings provided to us. Depending on the project and the location of the project, the works are either carried out by our personnel, our contract workers or subcontractors. Please refer to Section 7.3.1.1 (k) of this Prospectus for the scope of work carried out by our personnel, our contract workers or subcontractors for projects in Malaysia and Gabon and Indonesia.

(d) Post-installation

Testing and commissioning

Testing is conducted by our personnel, subcontractors or independent parties, in the presence of the customer or its appointed representatives as witnesses.

Testing is conducted to validate that the construction and installation works have been carried out properly and that the plant is functioning properly, efficiently and safely. The performance of the various individual stations and the plant as a whole is evaluated, including achieving the performance parameters for specified equipment as defined by our minimum performance guarantee for the respective project. In the event that any of these performance parameters are not met, we are responsible for identifying the causes and making good the deficiency so that they meet the specified minimum performance guarantee.

Testing usually takes approximately 2 weeks to complete successfully, following which the plant is commissioned.

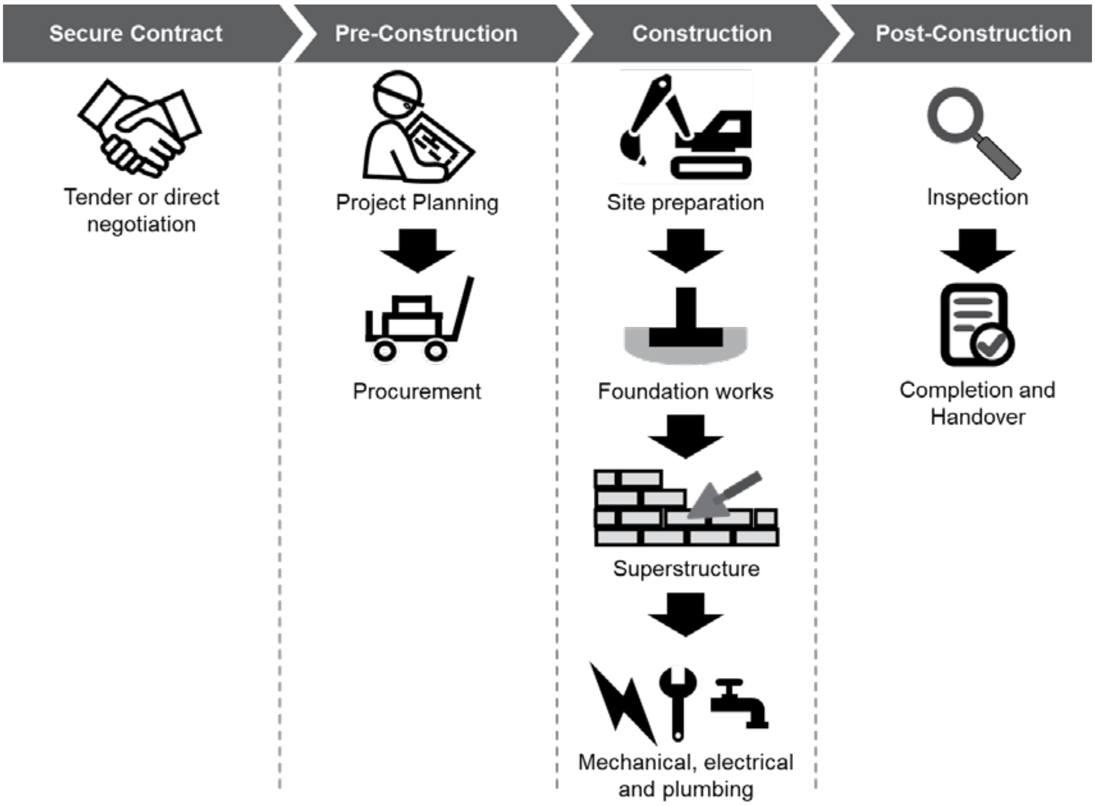
Completion and handover

The plant is completed when it is officially handed over to the customer after testing and commissioning are successfully completed, and the customer or its representative has issued the relevant documentation to us. However, if the customer has not provided acceptance of handover for projects for which we have completed our work, completion is based on the submission of our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice. We will hand over to the customer all the relevant documents, such as test and inspection reports, as-built drawings, operation manuals and maintenance manuals.

We are responsible for rectifying defects during the defect liability period (DLP) of our construction of plants, which is for 12 months from acceptance by the respective customer.

7.6.2 Construction of facilities

The process flow for the construction of facilities such as workers' quarters, operational buildings and amenities is summarised in the following diagram:



Secure Contract

Contracts for the construction of facilities are secured through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months.

Pre-construction

(a) Planning and regulatory

Our pre-construction stage includes project planning, which involves project scheduling, resource allocation, costing, budgeting and financing to ensure that the project runs smoothly, on time and budget. As a turnkey contractor, we are also responsible for obtaining the relevant regulatory approvals to carry out construction works at the worksite. We will register with the relevant regulatory bodies and local authorities that have jurisdiction over areas where the worksite is located, and obtain all the necessary registration, licenses, approvals and permits before we start construction works. Planning and regulatory usually take approximately 1 month.

(b) Procurement

We are responsible for procuring all the materials and services required to construct the facilities, save for those that are provided to us by the customer. Procurement usually takes approximately 2 months. In some cases, materials are purchased from suppliers in Malaysia, and we subsequently ship them to our work sites in Gabon.

Construction

All construction works at the worksite are monitored by our in-house project team to ensure that works are carried out according to the relevant engineering designs, specifications and procedures, and the progress of work is in accordance with the project timeline. Our project team is also responsible for managing worksite health and safety, in accordance with the relevant regulations.

The process flow and expected timeframe for constructing facilities is similar to the one for the construction of plants, which is described under Construction of Buildings and Construction in Section 7.6.1. However, construction of facilities does not involve construction of plant and post-installation testing, commissioning, completion and handover. Instead, the post-construction phases for facilities comprise inspection, completion and handover, which are as follows:

(a) Inspection

Once the construction of the facilities has been completed, we will conduct a final inspection together with the customer or its representatives. We will make good any defects, poor workmanship or deficiencies that are identified. Inspection of facilities usually takes approximately 2 weeks.

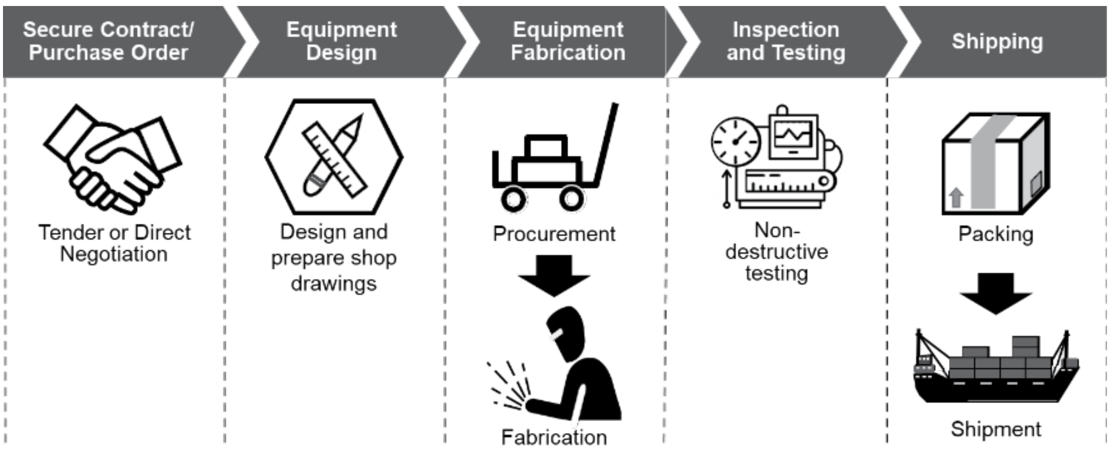
(b) Completion and handover

The facilities are completed when we have submitted our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice. We will hand over to the customer all the relevant documentation such as as-built drawings.

We are responsible for rectifying defects during the defect liability period (DLP) of our construction of facilities, which is for 12 months from acceptance by the respective customer.

7.6.3 Fabrication of equipment

Our general process flow for fabricating equipment is summarised in the following diagram:



Secure Contract or Purchase Order

We secure contracts or purchase orders through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months.

Equipment Design

We mainly fabricate equipment based on designs provided by third party engineers or consultants engaged by our customers. Our in-house engineering department can prepare shop drawings based on these designs. From time to time, we engage third party engineers or consultants to develop designs for palm oil milling equipment, which are then modified and improved on by our in-house engineering department. Equipment design usually takes 2 weeks.

Equipment Fabrication

We only fabricate static equipment, that is, equipment that does not have moving parts. Static equipment also includes piping system. In some situations, our design will need to incorporate rotating equipment such as engines, motors, hoists and pumps. Equipment fabrication may take between 3 to 9 months to complete, depending on the numbers and types of equipment that are required to complete a particular contract or purchase order.

We will procure all materials and services for in-house fabrication, including some machinery such as rotating equipment. The fabrication works that we carry out include:
- shearing, cutting, bending, rolling, grinding and welding metals;
- metal stamping, punching and boring;
- machining to produce parts and components;
- threading of pipes and fittings;
- assembly and integration including welding and riveting parts and components to form the finished equipment; and
- cleaning, blasting, coating and corrosion prevention treatment, as required.

We engage subcontractors to perform certain tasks such as blasting, coating and corrosion prevention. Corrosion prevention is a specialised job requiring proprietary chemicals and knowledge and we do not have the economies of scale to carry out these functions in-house. Blasting and coating require a large working area and proper schedule waste treatment which is not optimal for us to perform these functions in-house. We also engage contract workers to carry out some fabrication work at our fabrication facility in Pasir Gudang, Johor.

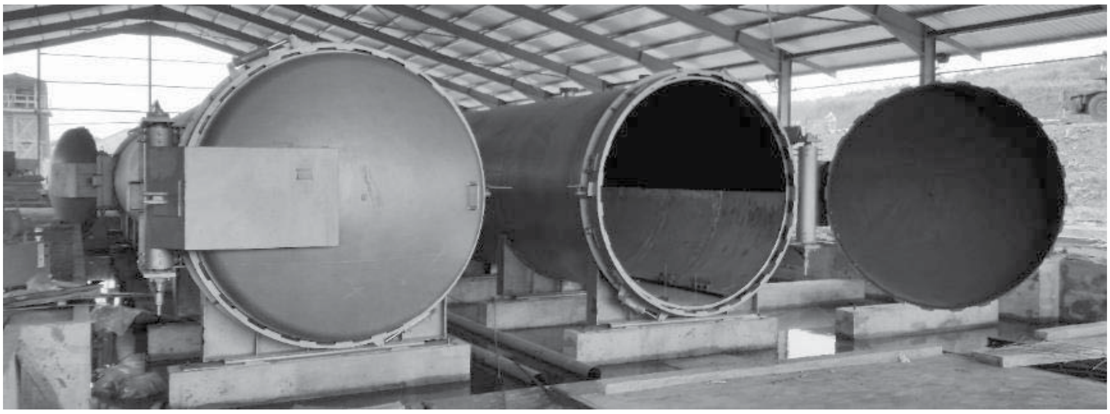
Some of our fabrication machines in our fabrication facility in Pasir Gudang, Johor

Top L to R: Bending machine; Computer numerical control (CNC) machining equipment; Shearing machine. **Bottom**: Rolling machine

With piping systems, the various types and sizes of pipes, flanges and fittings are purchased, while we will carry out the cutting, welding, bending, threading, bolting and assembly. Some of the pipes that we purchase such as process piping for transfer of steam, chemicals and fuel must be certified to meet codes and standards, such as the ASME, American Institute of Petroleum (API) or BS. Specialised coating of the insides of pipes, where required, are carried out by subcontractors as these are proprietary coatings. In addition, we are not trained to apply such proprietary coatings and we do not have specialised equipment to coat the insides of pipes.

Some of the equipment that we fabricate, such as pressure vessels and sterilisers must comply with specific standards, such as the DOSH standards on pressure vessels. We registered with DOSH to manufacture unfired pressure vessels, including sterilisers, in 2008.

Some of the sterilisers we have fabricated that are installed at their respective palm oil mills



Top: Horizontal sterilisers. **Bottom L to R:** Inclined sterilisers; Vertical sterilisers.

Some of the equipment and critical parts and components require heat treatment to improve their mechanical properties such as strength, hardness, ductility, toughness and wear resistance. We engage external service providers to carry out any heat treatment that may be required. We carry out in-house post-weld heat treatment for the pressure vessels and sterilisers that we fabricate in-house, which is a requirement under the DOSH standards for pressure vessels.

Inspection and Testing

The equipment that we fabricate is inspected and tested before it is accepted as complete and ready for shipment. They include, among others, the following non-destructive testing:
- hydrostatic test on pressure vessels carried out in-house *;
- welding test including liquid penetrant, radiographic (gamma and x-ray) ^; and
- thickness test for coatings ^.

Notes:

* *The hydrostatic test must be witnessed by a DOSH officer.*

^ *The test is carried out by external service providers as our customers require independent verification of the results, and the tests involve specialised equipment.*

We do not carry out any destructive testing as there is no requirement to do so for the types of equipment that we fabricate.

Any defects that we identify are rectified. All tests conducted are documented and provided to our customers. Inspection and testing usually takes 1 month to complete.

Shipping

The completed equipment is packed and shipped to its final destinations for assembly and integration with the respective subsystem or total plant. Some of the large equipment, such as bulking tanks, are fabricated and shipped in parts to be assembled and welded together at the worksite. For large equipment such as pressure vessels, specialised transporters are required which is undertaken by external service providers. Packing the completed equipment for shipment usually takes 2 weeks. The shipment time from our fabrication facility to worksites in foreign countries varies depending on the worksite location, shipping schedules and customs clearance.

At the worksites, we usually have tools and equipment for minor fabrication, final touch-up, repair and assembly.

The project is completed after the customer or its representatives have accepted the handover. However, if we have completed our work and the customer has not provided acceptance of handover, completion is based on the submission of our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice.

7.7 MARKETING ACTIVITIES

Our core business activities are in the construction of plants and facilities, and fabrication of equipment, which share a common customer base mainly comprising operators in the palm oil industry, particularly oil palm plantation and mill owners

We adopt the following marketing approach to address business opportunities in the palm oil and other industries:

- Position ourselves as a one-stop solution provider for the construction of palm oil mills and supporting facilities. The key advantage we offer is the convenience and effectiveness in dealing with only one entity to meet the needs of oil palm plantation and palm oil mill owners.

- Emphasise our proven capability to execute and complete palm oil mill and facilities, and other construction projects in foreign countries, particularly in Gabon, Indonesia and Liberia.

- Showcase our in-house capability to fabricate a comprehensive range of palm oil milling equipment, including unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except for ripple mills), kernel crushing plants (except for palm kernel expellers and filter presses), pressure vessels and storage tanks.

- Highlight our capability to install related palm oil industry facilities, including palm oil refineries, biogas plants and bulking installations.

- Work directly with plantation and palm oil mill owners to consistently deliver a high level of service to ensure business continuity, and actively market our full range of capabilities to them, with a view of expanding our range of products and services.

- Proactively market our services by approaching prospective customers with a view to expanding our customer base, including addressing business opportunities by following-up on referrals from customers, consultants, business associates and other sources.

- Submit bids for tenders or engage in direct negotiations for palm oil mill and other projects with prospective customers.

- Participate in relevant trade exhibitions as part of our sales, marketing and networking activities, such as the Malaysian Palm Oil Board (MPOB) International Palm Oil Congress and Exhibition (PIPOC) 2019 in Kuala Lumpur.

- Promote our capabilities and market our services to prospective customers in non-palm oil industries, including responding to referrals received from our existing customers, mechanical and electrical consultants, suppliers and subcontractors.

As at the LPD, our sales and marketing activities are headed by Thing Jin Suan, our Business Development Director, and carried out jointly by our sales and marketing department and engineering department, which comprise 2 and 5 personnel respectively. Our engineering department is involved in sales and marketing as our tender submissions for the construction of palm oil mills and supporting facilities, and other plants and facilities, and fabrication of equipment, are technical in nature.

7.8 RESEARCH AND DEVELOPMENT

We do not carry out any research and development activities as it is not relevant to the nature of our business.

7.9 TECHNOLOGY USED

We do not use any specialised technology for the construction of plants and facilities, fabrication of palm oil milling equipment, supply of materials and equipment and other business activities.

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7. BUSINESS OVERVIEW (CONT'D)

7.10 MAJOR CUSTOMERS

Our top 5 major customers by revenue for each of the Financial Years Under Review are as follows:

FYE 2018

	Customer	Customer or Project's Location	Main Types of Products and Services	Amount *(RM'000)*	Proportion of Group Revenue *(%)*	Length of Relationship* *(No. of Years)*
1	Olam Group [(1)]	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	89,480	78.7	4
2	KLK Group [(2)]	Malaysia, Indonesia and Liberia	Construction of palm oil plants, fabrication of palm oil mill machinery	6,812	6.0	14
3	PT Sukses Karya Sawit	Indonesia	Construction of palm oil mill plant	6,369	5.6	#
4	PT Palmas Project Engineering [(3)]	Indonesia	Fabrication of palm oil mill equipment	5,696	5.0	5
5	Kluang Biomass Power (M) Sdn Bhd	Malaysia	Construction of other facilities	3,869	3.4	#
Total				**112,226**	**98.7**	

Notes:

Our Group's total revenue for FYE 2018 was RM113.627 million.

* Length of the relationship as at the FYE 2018.

Relationship of less than one year as at the FYE 2018.

(1) Olam Group included Olam Palm and Olam Rubber.

(2) KLK Group included Libinc Oil Palm Inc, KL-Kepong Edible Oils Sdn Bhd, PT Steelindo Wahana Perkasa and PT Adei Plantation & Industry.

(3) Lim Siew Kuen, one of our substantial shareholders, is one of the directors of PT Palmas Project Engineering.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2019

	Customer	Customer or Project's Location	Main Types of Products and Services	Amount *(RM'000)*	Proportion of Group Revenue *(%)*	Length of Relationship* *(No. of Years)*
1	Olam Group [(1)]	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	136,291	79.7	5
2	Sime Darby group of companies [(2)]	Malaysia	Fabrication of palm oil mill equipment	9,527	5.6	10
3	PT Abdi Borneo Plantations	Indonesia	Construction of palm oil mill plant	6,684	3.9	1
4	KLK Group [(3)]	Malaysia, Indonesia, Liberia	Fabrication of palm oil mill equipment, construction of palm oil plants	6,715	3.9	15
5	Victory Enghoe Plantations Sdn Bhd	Malaysia	Construction of palm oil mill plant	4,198	2.5	#
Total				**163,415**	**95.6**	

Notes:
Our Group's total revenue for FYE 2019 was RM170.928 million.
* Length of the relationship as at the FYE 2019.
# Relationship of less than one year as at the FYE 2019.
(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.
(2) Sime Darby group of companies included Sime Darby Plantation Berhad, Sime Darby Plantation (Sarawak) Sdn Bhd and Sime Darby Oils Pasir Gudang Refinery Sdn Bhd.
(3) KLK Group included KL-Kepong Edible Oils Sdn Bhd, Libinc Oil Palm Inc, PT Langkat Nusantara Kepong and other companies.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2020

	Customer	Customer or Project's Location	Main Types of Products and Services	Amount *(RM'000)*	Proportion of Group Revenue *(%)*	Length of Relationship* *(No. of Years)*
1	Olam Group (1)	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	105,208	68.5	6
2	Ekoswasta Sdn Bhd	Malaysia	Supply of piping materials	12,009	7.8	1
3	KLK Group (2)	Malaysia, Indonesia, Liberia	Construction of palm oil mill plant, fabrication of palm oil mill equipment	10,173	6.6	16
4	Victory Enghoe Plantations Sdn Bhd	Malaysia	Construction of palm oil mill plant	8,356	5.4	1
5	PT Abdi Borneo Plantations	Indonesia	Fabrication of palm oil mill equipment	6,676	4.3	2
Total				**142,422**	**92.6**	

Notes:
Our Group's total revenue for FYE 2020 was RM153.693 million.
* Length of the relationship as at the FYE 2020.
(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.
(2) KLK Group included PT Putra Bongan Jaya, KL-Kepong Edible Oils Sdn Bhd, Libinc Oil Palm Inc, PT Langat Nusantara Kepong, PT Adei Plantation & Industry, PT Parit Sembada and other companies.

FYE 2021

	Customer	Customer or Project's Location	Main Types of Products and Services	Amount *(RM'000)*	Proportion of Group Revenue *(%)*	Length of Relationship* *(No. of Years)*
1	Olam Group [(1)]	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities, and fabrication of palm oil mill equipment	58,433	38.2	7
2	KLK Group [(2)]	Malaysia, Indonesia	Construction of palm oil mill plant, fabrication of palm oil mill equipment	25,818	16.9	17
3	Customer A [(3)]	Malaysia	Construction of other facilities and fabrication of equipment	14,763	9.6	1
4	Palm Tech Engineering Construction	Gabon	Supply of heavy construction equipment	11,106	7.3	1
5	PT Kapuas Maju Jaya	Indonesia	Construction of palm oil mill plant	10,406	6.8	1
Total				**120,526**	**78.8**	

Notes:
Our Group's total revenue for FYE 2021 was RM153.163 million.
* Length of the relationship as at the FYE 2021.

(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.
(2) KLK Group included PT Perindustrian Sawit Synergy, PT Putra Bongan Jaya, KL-Kepong Edible Oils Sdn Bhd, PT Satu Sembilan Delapan, Libinc Oil Palm Inc, PT Langat Nusantara Kepong, PT Adei Plantation & Industry, PT Parit Sembada and other companies.
(3) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.

7.10.1 DEPENDENCY ON CUSTOMERS

Olam Group

We are dependent on the Olam Group as customers by virtue of their revenue contribution, which collectively accounted for 78.7%, 79.7%, 68.5% and 38.2% of our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. The revenue contribution from companies within the Olam Group during this period is summarised as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Olam Palm (1)	66,111	58.2	111,988	65.5	102,928	67.0	58,384	38.1
Olam Rubber (2)	23,369	20.5	24,007	14.1	2,177	1.4	14	#
Outspan Malaysia Sdn Bhd (3)	-	-	214	0.1	103	0.1	35	0.1
Sotrader (4)	-	-	82	#	-	-	-	-
Total from Olam Group	**89,480**	**78.7**	**136,291**	**79.7**	**105,208**	**68.5**	**58,433**	**38.2**

Notes:

(1) Olam Palm is a 60:40 joint-venture company, which was established between Olam International Limited and the Gabonese government

(2) Olam Rubber is a 60:40 joint-venture company, which was established between Olam International Limited and the Gabonese government

(3) Outspan Malaysia Sdn Bhd is wholly-owned (100.0% equity interest) by Olam International Limited

(4) Sotrader (The Agricultural Processing and Rural Development Company (Société de transformation agricole et de développement rurale) is a 49:51 joint-venture company, which was established between Olam International Limited and the Gabonese government

\# Less than 0.1%.

Our business with the Olam Group is project based, whereby we are engaged by the Olam Group to construct specific palm oil mills and equipment, and other facilities on a fixed lump sum or fixed lump sum plus scheduled rates contracts. Our engagement on a particular project comes to an end after the project has been completed and handed over to the Olam Group.

We have an established business relationship with the Olam Group for approximately 8 years as at the LPD, since they first became our customer in 2014. The Olam Group has engaged us to provide a range of services including construction of palm oil mills and related plants, workers' quarters, warehouse, other facilities and an irrigation system, and fabrication of equipment such as bulking tanks. Since the start of our business relationship with the Olam Group, the Olam Group has continued to award contracts to us and have been inviting us to tender for new projects as they expand their business operations.

We expect that Olam Group will continue to contribute significantly to our Group's revenue and profit during the next 2 financial years due to our outstanding order book of RM39.5 million as at the LPD with the Olam Group, being the unrecognised contract value and purchase order which represents 36.9% of the total outstanding orderbook of RM107.0 million as at the LPD. We expect 98.7% of the outstanding order book of RM39.5 million with the Olam Group to be implemented during the FYE 2022 and FYE 2023. Our business with the Olam Group is project based and therefore we are unable to ascertain at this juncture our reliance on Olam Group after FYE 2023 upon completion of these contracts. Notwithstanding this, we wish to highlight that we have an established business relationship with the Olam Group for approximately 8 years as at the LPD since 2014 and has continued to be awarded with contracts by the Olam Group annually except for FYE 2020 due to the COVID-19 pandemic. Since 2014 until the LPD, we have been awarded 49 contracts for the construction of plants and facilities, and fabrication of equipment with a combined contract value of RM717.5 million by the Olam Group. Out of the 49 contracts, 44 with combined contract value of RM628.2 million have been completed. We have also been invited to tender for new projects as at the LPD.

The Olam Group is a global agricultural products and food conglomerate. Olam Group Limited, with headquarters based in Singapore, is a public listed company on the SGX Mainboard. Olam Group Limited is 51.1%-owned by Temasek Holdings (Private) Limited (as at 31 May 2022), an entity wholly-owned by the government of Singapore. Olam Group's operates in approximately 60 countries, including Gabon and Malaysia.

Olam Group is undergoing a series of internal reorganisation exercises which include a scheme of arrangement and a demerger of Olam Group Limited and OFI Group Limited whereby for each share held in Olam International Limited, every shareholder of Olam International Limited will receive 1 share in Olam Group Limited and share(s) in OFI Group Limited, as described in its circular to shareholders dated 27 January 2022 ("**Circular**") which is available on the website of the Singapore Exchange (SGX) ("**Proposed Olam Reorganisation**"). Following the implementation of the said scheme of arrangement under Section 210 of the Companies Act 1967 of Singapore, Olam Group Limited has succeeded Olam International Limited as the listed entity and was listed on the Mainboard of the Singapore Exchange (SGX) on 16 March 2022. Based on the Circular, upon the completion of the Proposed Olam Reorganisation, Olam International Limited will eventually be held by OFI Group Limited and the existing subsidiaries of Olam International Limited will be restructured to be ultimately held by either Olam Group Limited or OFI Group Limited. The Circular further stated that the reorganisation exercise would result in a group structure that would allow the Olam Group to explore the sequential sale, spin-off or initial public offering of, *inter alia*, the Olam Agri business. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Olam Palm is a 60:40 joint-venture company, which was established between the Gabonese government and Olam International Limited. Olam Palm is the largest Roundtable on Sustainable Palm Oil (RSPO) certified producer in Africa with an overall concession area of 202,000 hectares, of which 64,000 hectares have been planted with oil palm plantation. In 2020, Olam Palm entered into an agreement to establish a biodiesel refinery to produce biofuel from palm oil in Gabon, enabling the country to diversify from fossil fuels *(Source: Olam Group's Annual Report 2020 and official website).* We have been invited by Olam Palm to tender for the construction of facilities for the biodiesel project, which outcome we expect to know by fourth quarter of 2022.

As at the LPD, Olam Palm owned 3 palm oil mills and 3 kernel crushing plants, all of which were constructed by our Group. We are the only contractor appointed by Olam Palm to construct palm oil mill and kernel crushing plant in Gabon since 2014, even though other contractors have been invited by the Olam Group to tender for all of the Olam Group's projects. As at the LPD, we have tendered for 4 projects with estimated aggregate value of RM245.0 million from the Olam Group. In the event of any delay in securing new contracts from these tenders, our financial performance and operating results could be materially and adversely affected. There can be no assurance that our tenders will be successful or that we will be able to continue securing new projects.

7.11 SOURCES AND AVAILABILITY OF RAW MATERIALS AND SERVICES

The following are the major types of input materials and services that we purchased for our business operations for the Financial Years Under Review:

Purchases of Input Materials and Services for FYE 2018

	Value of Purchases *(RM'000)*	Proportion of Total Purchases *(%)*	Sources of Supply	
			Malaysia *(RM'000)*	Other Countries *(RM'000)*
Materials	**48,398**	**64.1**	**28,714**	**19,684**
Steel products and pipes [(1)]	24,759	32.8	23,830	929
Building materials [(2)]	16,680	22.1	22	16,658
Machinery and components for equipment [(3)]	3,142	4.2	2,541	601
Hand tools, consumables and fuel	3,817	5.0	2,321	1,496
Sub-Contracted and Other Services	**27,115**	**35.9**	**9,518**	**17,597**
Contract workers	18,219	24.1	622	17,597
Sub-contracted services	8,763	11.6	8,763	-
Other services [(4)]	133	0.2	133	-
TOTAL	**75,513**	**100.0**	**38,232**	**37,281**

Notes:
(1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

Purchases of Input Materials and Services for FYE 2019

	Value of Purchases *(RM'000)*	Proportion of Total Purchases *(%)*	Sources of Supply	
			Malaysia *(RM'000)*	Other Countries *(RM'000)*
Materials	**76,025**	**66.5**	**43,125**	**32,900**
Steel products and pipes [(1)]	37,204	32.5	35,523	1,681
Building materials [(2)]	24,760	21.7	56	24,704
Machinery and components for equipment [(3)]	6,797	5.9	4,565	2,232
Hand tools, consumables and fuel	7,264	6.4	2,981	4,283
Sub-Contracted and Other Services	**38,318**	**33.5**	**17,526**	**20,792**
Contract workers	23,241	20.3	2,475	20,766
Sub-contracted services	13,220	11.6	13,216	4
Other services [(4)]	1,857	1.6	1,835	22
TOTAL	**114,343**	**100.0**	**60,651**	**53,692**

Notes:
(1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultant's fees.

Purchases of Input Materials and Services for FYE 2020

	Value of Purchases *(RM'000)*	Proportion of Total Purchases *(%)*	Sources of Supply: Malaysia *(RM'000)*	Sources of Supply: Other Countries *(RM'000)*
Materials	**65,988**	**62.4**	**57,815**	**8,173**
Steel materials and pipes (1)	46,671	44.1	45,979	692
Building materials (2)	8,216	7.8	1,270	6,946
Machinery and components for equipment (3)	7,843	7.4	7,731	112
Hand tools, consumables and fuel	3,258	3.1	2,835	423
Sub-Contracted and Other Services	**39,741**	**37.6**	**19,085**	**20,656**
Sub-contracted services	31,721	30.0	17,666	14,055
Contract workers	7,136	6.7	535	6,601
Other services (4)	884	0.9	884	-
TOTAL	**105,729**	**100.0**	**76,900**	**28,829**

Notes:
(1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

Purchases of Input Materials and Services for FYE 2021

	Value of Purchases *(RM'000)*	Proportion of Total Purchases *(%)*	Sources of Supply: Malaysia *(RM'000)*	Sources of Supply: Other Countries *(RM'000)*
Materials	**60,239**	**58.4**	**52,246**	**7,993**
Steel materials and pipes (1)	26,975	26.2	26,950	25
Building materials (2)	16,704	16.2	11,485	5,219
Machinery and components for equipment (3)	7,104	6.9	6,926	178
Heavy construction equipment	7,050	6.8	4,661	2,389
Hand tools, consumables and fuel	2,406	2.3	2,224	182
Sub-Contracted and Other Services	**42,837**	**41.6**	**29,131**	**13,706**
Sub-contracted services	36,107	35.0	28,263	7,844
Contract workers	6,178	6.0	316	5,862
Other services (4)	552	0.6	552	-
TOTAL	**103,076**	**100.0**	**81,377**	**21,699**

Notes:
(1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include spun piles, cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

Steel materials and pipes were our largest purchases of materials during the Financial Years Under Review, having accounted for 32.8%, 32.5%, 44.1% and 26.2% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. We mainly purchased steel plates, bars, rods and pipes from suppliers in Malaysia to fabricate palm oil milling plant and equipment, other equipment and structures at our fabrication facility in Pasir Gudang, from which the finished products are transported or shipped to worksites in Malaysia, Gabon, Indonesia and Liberia for installation. During FYE 2020 we also purchased piping materials to supply a customer in Malaysia. Most of our purchases of machinery and components for equipment, and hand tools, consumables and fuel were from suppliers in Malaysia, where they are used at our Pasir Gudang fabrication facility.

As steel is a commodity, we are subject to the fluctuations in the prices of steel for our purchases of steel materials. For further information on the risks of fluctuations in steel prices, please refer to Section 9.1.7 of this Prospectus for further details.

Purchases of building materials accounted for 22.1%, 21.7%, 7.8% and 16.2% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. Building materials are usually purchased from suppliers located in the country where they are used for the construction of plants and facilities, including Malaysia, as well as other countries namely Gabon. We also purchased spun piles in Malaysia to supply to a customer in Indonesia in FYE 2021.

Purchases of subcontracted services accounted for 11.6%, 11.6%, 30.0% and 35.0% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. For the Financial Years Under Review, we engaged subcontractors in the country where the construction of plants and facilities project is located such as Malaysia, Gabon and Liberia. We normally outsource civil and structural works (such as earthworks and foundation), electrical works and road infrastructure works to subcontractors, as they require the use of specialised machinery and/or skills. We sometimes outsource the erection of steel structures and installation of piping and machinery, and mechanical works to subcontractors if we do not have sufficient in-house personnel and contract workers or if we have conflicting schedules at that time.

We engaged contract workers to carry out fabrication works at our fabrication facility in Pasir Gudang, Johor as well as construction works in Gabon which accounted for 24.1%, 20.3%, 6.7% and 6.0% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also engaged external service providers for other services including blasting and coating, inspection, and also rented equipment. In addition, we engaged external consultants such as professional engineers, quantity surveyors and/or architects for the certification of work done at project sites, and third party consultants to assist in technical design, specifications and engineering for our construction projects.

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7.12 MAJOR SUPPLIERS

Our top 5 major suppliers for each of the Financial Years Under Review are as follows:

FYE 2018

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount *(RM'000)*	Proportion of Group Purchases *(%)*	Length of Relationship* *(No. of Years)*
1	Yick Hoe group [(1)]	Malaysia	Steel materials	6,830	9.0	9
2	Kluang Industrial Electrical Sdn Bhd	Malaysia	Sub-contracted electrical works	6,127	8.1	3
3	Eclipse International Trading	Gabon	Building materials	4,226	5.6	#
4	Jilicar Services	Gabon	Building materials	2,463	3.3	1
5	GM Door Sdn Bhd	Malaysia	Interior fittings	2,462	3.3	1
Total				**22,108**	**29.3**	

Notes:
Our Group's purchases of input materials and services for FYE 2018 was RM75.5 million.
* Length of the relationship as at the FYE 2018.
# Relationship of less than one year as at the FYE 2018.
(1) Yick Hoe group of companies comprised Yick Hoe Ferrous Steel Sdn Bhd, Yick Hoe Steel Industries Sdn Bhd and Ecco Steel Industries Sdn Bhd for FYE 2018.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2019

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount *(RM'000)*	Proportion of Group Purchases *(%)*	Length of Relationship* *(No. of Years)*
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	20,646	18.1	1
2	Fordgrass International Limited	Gabon	Building materials	8,332	7.3	#
3	Synergy Access Sdn Bhd	Malaysia	Steel materials	3,639	3.2	1
4	VT Corp Pvt Ltd	India	Electrostatic precipitators	2,620	2.3	#
5	Yun Fung Marketing Sdn Bhd	Malaysia	Roofing materials	2,562	2.2	9
Total				**37,799**	**33.1**	

Notes:
Our Group's purchases of input materials and services for FYE 2019 was RM114.3 million.
* Length of the relationship as at the FYE 2019.
# Relationship of less than one year as at the FYE 2019.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2020

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount *(RM'000)*	Proportion of Group Purchases *(%)*	Length of Relationship* *(No. of Years)*
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	20,973	19.8	2
2	Palm Tech Engineering Construction	Gabon	Sub-contracted civil works	14,055	13.3	#
3	Pantech Corporation Sdn Bhd	Malaysia	Piping materials and fittings	12,509	11.8	9
4	Fordgrass International Limited	Gabon	Building materials	7,487	7.1	1
5	Kluang Industrial Electrical Sdn Bhd	Malaysia	Sub-contracted electrical works	4,170	3.9	5
Total				**59,194**	**55.9**	

Notes:
Our Group's purchases of input materials and services for FYE 2020 was RM105.7 million.
* Length of the relationship as at the FYE 2020.
# Relationship of less than one year as at the FYE 2020.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2021

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount *(RM'000)*	Proportion of Group Purchases *(%)*	Length of Relationship* *(No. of Years)*
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	13,575	13.2	3
2	Palm Tech Engineering Construction	Gabon	Sub-contracted civil works	9,322	9.0	1
3	Buildwiser Sdn Bhd	Malaysia	Sub-contracted civil works	8,048	7.8	3
4	Industrial Concrete Products Sdn Bhd	Malaysia	Building materials	6,920	6.7	1
5	Fordgrass International Limited	Gabon	Building materials	5,435	5.3	2
Total				**43,300**	**42.0**	

Notes:
Our Group's purchases of input materials and services for FYE 2021 was RM103.076 million.
* Length of the relationship as at the FYE 2021.
# Relationship of less than one year as at the FYE 2021.

7.12.1 Dependency on suppliers

Generally, the main input materials that we purchase are commodities, such as steel and piping materials, which are readily available from local and overseas suppliers. The works that we engaged subcontractors to carry out are mainly civil and electrical works, which are common services easily available in the countries where we operate.

For the Financial Years Under Review, no other suppliers accounted for more than 10.0% of our purchases by value during the Financial Years Under Review save for the following:

(i) For the FYE 2019, FYE 2020 and FYE 2021, purchases of steel from One Metal Industries Sdn Bhd accounted for 18.1%, 19.8% and 13.2% of our purchases of input materials and services respectively;

(ii) Palm Tech Engineering Construction, a subcontractor for civil works accounted 13.3% of our purchases of input materials and services for FYE 2020;

(iii) Pantech Corporation Sdn Bhd, a supplier of piping materials and fittings accounted for 11.8% of our purchases of input materials and services for FYE 2020.

During the Financial Years Under Review, we were not dependent on any individual supplier for our input materials as the supply of steel and piping materials as well as subcontracted services are easily available from other suppliers in the market. In addition, we have alternative sources of supply for steel and piping materials as well as subcontractors. For the FYE 2021, we have dealings with 8 steel material suppliers located in Malaysia, 24 piping material suppliers located in Malaysia and 4 providers of subcontractors for civil works located in Gabon.

We engage contract workers either directly or through suppliers. We are not dependent on these suppliers as we can engage contract workers directly as well as use alternative suppliers. During the Financial Years Under Review and up to the LPD, we did not have any difficulty in securing contract workers.

7.13 MATERIAL DEPENDENCY CONTRACTS

Our business is project based, whereby we are engaged by our customers to construct palm oil mills and facilities, and fabricate palm oil milling equipment based on a fixed lump-sum or fixed lump sum plus scheduled rates contract. Our engagement on a particular contract comes to an end after the mill, facility or equipment has been completed and handed over to our customers. No further revenue is expected from these completed contracts and additional revenue will only accrue to us when we secure and implement new contracts. As our business is project based, we are not dependent on any one project contract for our business continuity.

As at the LPD, we have RM39.5 million of unrecognised contract value with the Olam Group representing 36.9% of our total order book. We derived revenue amounting to RM89.5 million (78.7% of total revenue), RM136.3 million (79.7% of total revenue), RM105.2 million (68.5% of total revenue) and RM58.4 million (38.2% of total revenue) from the Olam Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our contracts with the Olam Group are awarded on a contract by contract basis through competitive bidding, and the Olam Group is expected to contribute significantly to our Group's revenue and profit in the next 2 financial years due to the timing and progress of their projects.

In view of the above, there is a risk that losing the Olam Group as a customer will have an adverse effect on our operating results. There can also be no assurance that we will be able to secure new customers to replace the Olam Group, in the event that they cease to be our customers in the future. In the event of any delay in securing new contracts from the Olam Group, our financial performance and operating results could be materially and adversely affected.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

7. BUSINESS OVERVIEW (CONT'D)

7.14 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, save for the trademark registrations below, we do not have any other intellectual property rights:

Trademark	Issuing authority	Registered owner / Applicant	Trade mark number / Application number	Filing date/ Expiry date	Class	Status
EME	Intellectual Property Corporation of Malaysia	EMESB	2016008757	16 August 2016/ 16 August 2026	42(1)	Registered
EME	Trademark Registrar, Trademark Office, Department of Intellectual Property, Thailand	EMESB	181117591	4 October 2016/ 3 October 2026	42(2)	Registered
EME	Directorate General of Intellectual Property, Indonesia	EMESB	IDM000803118	5 October 2016/ 5 October 2026	42(3)	Registered
EME	Trademark Registrar, Trademark Office, Department of Intellectual Property, Thailand	EMESB	211117326	4 October 2016/ 3 October 2026	40(4)	Registered

7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) Scientific and technological services and research and design relating thereto, industrial analysis and research services; design and development of computer hardware and software; and engineering.

(2) Scientific and technological researches; scientific and technological designs; industrial analysis and research services; design and development of computer hardware; design and development of computer software; and engineering.

(3) Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; and engineering.

(4) Custom manufacturing of goods to the order and specification of others. Registration of the trademark in Thailand was made due to our intended plan in 2016 to develop new clarification system in CPO processing to be marketed in Thailand in view of the opportunity presented then but such plan has been deferred pending further review. The clarification system in CPO processing is a system to recover oil from water to replace conventional oil rooms in palm oil milling process. The system is to maximise the oil recovery thus reducing oil loss into the waste water stream and improve quality of crude palm oil.

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7.15 KEY PRODUCT CERTIFICATIONS AND ACCREDITATIONS

Some of the equipment that we fabricate must comply to certain codes and standards and we have to maintain valid accreditations or certifications to fabricate such equipment. As at the LPD we have registered with DOSH as a manufacturer of unfired pressure vessels.

EMESB first registered with DOSH to manufacture unfired pressure vessels in 2008. The most recent registration is valid from 18 August 2021 to 17 August 2024.

Save for the above and as set out in Section 7.18, the Company does not require any other certifications and accreditations for its business operations.

7.16 BUSINESS STRATEGIES AND PLANS

7.16.1 Our Business Strategies and Plans

Our business strategies and plans are focused on leveraging from our core competencies in the palm oil and related industries to further grow our business and develop new business opportunities. This is summarised in the following diagram:

7.16.2 Expanding existing business activities

(a) Expand the supply of non-chemical water treatment equipment

We are currently involved in supplying non-chemical water treatment equipment for use in palm oil and other industries, which are under environmental related equipment. We plan to develop and grow this business as part of our expansion of existing business.

We intend to hire 2 additional sales and marketing staff with relevant experience to market the equipment, with one each assigned to cover the northern and southern regions of Peninsular Malaysia. We also intend to increase marketing activities to prospective customers, which include industrial and other facilities that operate boilers and/or cooling towers, such as palm oil mills and refineries, food and beverage, chemical and manufacturing facilities as well as hotels, shopping malls and office buildings. We will also increase outreach for our sales engagement with our existing customers in the palm oil and other industries, mechanical and electrical contractors, energy services companies, as well as our suppliers and subcontractors. This includes initiating contract with prospective customers through telephone or video conferencing, followed by a video presentation for prospective customers who show interest in our equipment, and may be followed by arranging for a site visit (if allowed by the applicable domestic or international travel regulations).

As part of our business strategy, we intend to provide non-chemical water treatment equipment to customers under the leasing of equipment model which will include a monthly leasing fees. We have started to lease this equipment to some of our customers during FYE 2020 under a trial period and have started to recognise revenue from the leasing of this equipment commencing from FYE 2021. We will maintain the equipment at our cost.

The following table summarises our existing non-chemical water treatment equipment business as at the LPD, including our current customers, industry sectors and mode of operation:

Customer	**Customer's Industry**	**No. of Units**	**Mode of Operation**
Southern Acids Industries Sdn Bhd	Oleochemical manufacturing	4	Outright sale
Sun Ace Kakoh (Malaysia) Sdn Bhd	Plastic additive manufacturing	1	Outright sale
Kerry Ingredients (m) Sdn Bhd	Food and beverage manufacturing	4	Trial [(1)]
Sunway IFM Sdn Bhd	Shopping mall management	2	Trial [(1)]
Metek Kitamura (M) Sdn Bhd	Electroplating	1	Lease

Note:

(1) The non-chemical water treatment equipment is provided to the customer on a trial basis for a period of 6 months, and no monthly leasing fees are collected from the customer during the trial period. Upon acceptance by the customer, we will collect the leasing fees that would have been charged during the trial period and begin to charge them monthly leasing fees from then on. If the customer does not accept the service, we will not collect the monthly leasing fees for the trial period, and we will take back our non-chemical water treatment equipment from their premises, which can then be used for other customers.

For further information, please refer to mode of operation in Section 7.3.5 (a) of this Prospectus.

We intend to offer non-chemical water treatment equipment under the leasing of equipment model to prospective customers as an option with lower up-front cost compared to sale under fixed lump-sum contract. The prospective industry segments that we intend to penetrate are the same as those described above and this includes palm oil mills and refineries, food and beverage, chemical and manufacturing facilities as well as hotels, shopping malls and office buildings.

We will utilise RM1.0 million as part of our IPO proceeds to finance the purchase and installation of 12 units of these non-chemical water treatment equipment which will be leased to potential customers. In the event that we receive orders for more than 12 units, we will finance the additional units through our internally generated funds.

The anticipated benefits of providing non-chemical water treatment equipment to customers under the leasing of equipment model include generating a recurring revenue stream to complement our existing project-based revenue stream and potentially expand our business and customer base to operators in other industries.

In March 2022, we appointed Oasis Chemical Sdn Bhd as an authorised distributor for our non-chemical water treatment equipment in Sarawak. Subsequent to 20 April 2021 (being the date where our Group started to lease the non-chemical water treatment equipment to our first customer, i.e. Metek Kitamura (M) Sdn Bhd) and up to the LPD, we have not secured any new customers for the provision of non-chemical water treatment equipment under the leasing of equipment model, and we have not purchased any new non-chemical water treatment equipment that is to be offered to customers on the leasing of equipment model. We intend to further expand the provision of environmental related products business in the fourth quarter of 2022.

We envisaged the funding for the environmental related equipment will be as follows:

	Total Estimated Cost (RM'000)	Total Spent as at the LPD (RM'000)	Sources of Funds	
			Internally Generated and/or Bank Borrowings (RM'000)	IPO Proceeds (RM'000)
Purchase and installation of 12 units of non-chemical water treatment equipment	1,000	-	-	1,000
TOTAL	**1,000**	**-**	**-**	**1,000**

(b) Continue to focus on our core competencies and markets

We will continue to focus on our core competencies in the construction of palm oil mills and supporting facilities, and fabrication of equipment. Part of our strategy is to extend our reach and leverage from our track record in construction of plants and facilities, and fabrication of equipment with applications to other industry sectors that require structural steels, piping works and specialised tanks for their plants such as explosives manufacturers and pellet fuel manufacturers. As at the LPD, we have been engaged by customers that operate in other industries such as paperboard and packaging, and glove and explosives manufacturing. We have been targeting prospective customers in other sectors through references from our existing customers, engineering consultants, M&E and other contractors, and suppliers. In addition, in relation to the non-chemical water treatment equipment business, we intend to increase our sales and marketing efforts with the 2 additional sales and marketing staff as mentioned above to also focus on different industry sectors.

Our strategy is to grow together with our customers and to be their service provider for upgrading and expansion of their existing plants, construction of new plants and facilities, fabrication of equipment with the objective of expanding their business operations plants in the geographic countries where they operate. We will also explore business opportunities with prospective new customers to grow our customer base, including covering new geographical markets.

As at the LPD, our order book comprising the unrecognised revenue of our subsisting contracts and purchase orders in hand amounted to approximately RM107.0 million.

7.16.3 Establishing Operational Facilities in a Foreign Country

(a) New Fabrication Facility and Office in Indonesia

We currently serve customers in Indonesia, primarily in the construction of palm oil mills and fabrication of equipment, and supply of materials and equipment. Indonesia accounted for RM9.0 million (7.9%) for FYE 2018, RM7.8 million (4.6%) for FYE 2019, RM18.7 million (12.2%) FYE 2020, and RM41.4 million (27.0%) of our total revenue for FYE 2021.

As part of our business plan, we intend to establish a new fabrication facility and office located at Balikpapan in East Kalimantan province, Indonesia. In this respect, we intend to incorporate a wholly-owned subsidiary in Indonesia as a limited liability company under the foreign direct investment. As part of our registration process, we intend to apply for a commercial or operational licence including environmental permit, (including Environmental Impact Management Analysis (Analisis Manajemen Dampak Lingkungan), Environmental Management and Environment Monitoring Effort (Usaha Pengelolaan Lingkungan and Usaha Pemantauan Lingkungan) and/or Building Permit (Izin Mendirikan Bangunan)).

Part of our plan is to second two of our existing engineers in EMESB to be stationed in the new subsidiary in Indonesia. We plan to hire a total of 19 Indonesian employees comprising 1 fabrication facility manager, 2 administrative staff, 2 storekeepers, 10 welders and fitters, 2 forklift operators and 2 logistics assistants.

Based on the Indonesian Law no. 5 of 1960 on Principles Agrarian Rules, Law no. 25 of 2007 on Investment, Law no. 11 of 2020 on Job Creation (Omnibus Law) and Government Regulation No. 18 of 2021 on Right to Manage, Land Rights, Strata Title and Land Registration, only Indonesian citizens may have freehold of "Hak Milik" on the land in Indonesia. Foreign companies, such as the wholly-owned subsidiary that we plan to incorporate in Indonesia, are allowed to hold land use rights. Consequently, we intend to acquire land use rights of a piece of land of approximately 1 acre to construct the new fabrication facility and office, which we have not identified as at the LPD. We plan to use this new fabrication facility and office to fabricate steel structures, machinery and equipment to support projects for the construction of palm oil mills and facilities, and fabrication of equipment that we may secure in Kalimantan and other parts of Indonesia in the future.

The anticipated benefits of the new fabrication facility and office in Indonesia include shorter response time to requests from our customers in Indonesia as we will have resources in the country. Shipping time and costs may also be reduced as the new facility is closer to customers' worksites in Indonesia. In addition, the steel structures, machinery and equipment that we intend to fabricate at the new fabrication facility and office in Indonesia does not need to be shipped from Malaysia and will not be subject to import tax and customs clearance costs, which may result in reduced costs to us. Having a fabrication facility in Indonesia may also place us in a better position to secure contracts related to the development or expansion of palm oil refineries or other industry sectors, as it will enable us to provide installation services for the steel structures, machinery and equipment that we fabricate. Establishing a physical presence in Indonesia, the leading producer of palm oil that accounted for 57.0% of the total global production in 2020 based on the latest available statistics *(Source: IMR Report)*, better address opportunities for business growth and to diversify our customer base. In addition, Indonesia is geographically close to Malaysia, which should facilitate better management of the planned new fabrication facility and office, and undertake more sales and marketing activities in the country.

Our planned timeline to establish the new fabrication facility and office in Indonesia is summarised in the following table:

Indicative Timeline	Milestones
Fourth quarter of 2022	• Incorporate wholly-owned subsidiary in Indonesia. • Acquire land use rights. • Submission of building plans for approval.
First quarter of 2023	• Commence construction of new fabrication facility and office.
Third quarter of 2023	• Complete construction. • Obtain certificate of practical completion.
Fourth quarter of 2023	• Commence business operations at the new fabrication facility and office.

The planned budget and sources of funding to set up a new fabrication facility and office in Indonesia are summarised in the following table:

	Total Estimated Cost (RM'000)	Total Spent as at LPD (RM'000)	Sources of Funds	
			Internally Generated and/or Bank Borrowings (RM'000)	IPO Proceeds (RM'000)
Acquisition of land use rights	2,500	-	-	2,500
Construction of fabrication facility and office(1)	2,000	-	-	2,000
Fabrication facility equipment(2)	500	-	-	500
TOTAL	**5,000**	**-**	**-**	**5,000**

Notes:
(1) Includes permits and licenses fees and purchases of office furniture and fittings.
(2) Includes purchases of equipment such as forklifts, cranes and welding tool.

We intend to establish the new fabrication facility and office facility in Indonesia by the fourth quarter of 2023.

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7.17 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any other material contract, which is not in the ordinary course of our business during the Financial Years Under Review and up to the date of this Prospectus:

(i) Share sale agreement dated 7 July 2021 entered into among our Company, Wong Choi Ong, Pan Kum Wan, Exquisite Capitals, Lim Siew Kuen and Tham Yew Leong for the Acquisitions, which were completed on 10 August 2021. Further details of the Acquisitions are set out in Sections 6.1.1 of this Prospectus;

(ii) Underwriting Agreement. Further details of the Underwriting Agreement are set out in Sections 4.5.2 and 4.6 of this Prospectus; and

(iii) Placement Agreement. Further details of the placement fee are set out in Section 4.5.3 of this Prospectus.

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7.18 MAJOR LICENCES AND PERMITS

As at the LPD, we hold the following major licences and permits for our business operations:

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	CIDB	Certificate of registration in respect of Grade G7, Category Building, Category Civil Engineering and Category Mechanical and Electrical The license permits licensee to carry out the following work scope: B04: construction works on buildings CE21: civil engineering works M15: Miscellaneous mechanical equipment	0120040318 – JH 093609	7 April 2022/ 28 April 2024	<u>General terms and conditions</u>	
					(a) The certificate is non-transferable.	Complied
					(b) CIDB reserves the right to review the registration grade of the contractor from time to time.	Noted
					<u>Responsibility and obligations of the contractor</u>	
					(a) The contractor shall comply with the provisions of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994, rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time.	Complied
					(b) The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(c) The contractor shall not undertake any construction projects which exceeds the value of construction works specified under the registration grade and shall not execute any type of construction work outside of its registered category(ies).	Complied
					(d) The contractor shall inform CIDB of any information in respect of any construction work or contract within 14 days after being awarded or before the commencement of work, whichever that is earlier.	Complied
					(e) The contractor must apply for renewal of registration within 60 days prior to the expiry date of the certificate.	Complied
					(f) The contractor must comply with all the principles stated in the code of ethics for contractors.	Complied
					(g) The contractor must employ skilled construction workers and site supervisors who is accredited and certified by CIDB.	Complied
					(h) All employees at the construction site must have a valid construction personnel card.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	Majlis Bandaraya Pasir Gudang	Big, medium and small industry license for EMESB at PLO 555, Jalan Keluli 8, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor: • lesen kejuruteraan besi, logam, plastic, kaca dan aluminium • lesen gudang/ stor (di kilang/ bengkel) • lesen pejabat • iklan	MPPG: PLS 2/1/1-N466	1 January 2022/ 31 December 2022 and shall be renewed annually	This license must be renewed from 1 September to 30 November every year. Penalty will be imposed starting from December for the late renewal of the license.	Complied
ETSB	Majlis Bandaraya Johor Bahru	Business and signage license for ETSB at 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81200 Johor Bahru, Johor: • lesen pejabat urusan am • iklan	MBJB/U/2019/ 55/L1/B0306/1 09	5 March 2019/ 31 December 2022 and shall be renewed annually	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
TWTSSB	Majlis Bandaraya Johor Bahru	Business and signage license for TWTSSB at 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81200 Johor Bahru, Johor: • lesen pejabat urusan am dan lain-lain pejabat perkhidmatan (barangan logam) • iklan	MBJB/U/2020/55/L1/B0306/547	10 November 2020/ 31 December 2022 and shall be renewed annually	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	MITI	Manufacturing license for EMESB to manufacture palm oil and biomass machinery and parts located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor in accordance with the Industrial Co-ordination Act, 1975.	A016044	4 March 2007/ Valid until and unless revoked or surrendered	(a) EMESB shall inform MIDA in writing if there is a change of its registered address.	Complied
					(b) EMESB is encouraged to ensure that the composition of its board of directors shall as much as possible reflect its equity structure. MITI shall be notified of the appointment and any changes of the members of the board of directors of EMESB.	Noted. MITI is not notified of the appointment and any changes of the members of the board of directors of EMESB as there is no change to the members of the board of directors of EMESB post Acquisition of EMESB.
					(c) For local sales, EMESB shall as much as possible use the services run by the Malaysians including appointing Malaysian-owned distributor companies where at least 30% of its sales to the domestic market shall be distributed by the bumiputera distributors.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(d) The approval is subject to the provisions of the Industrial Coordination Act 1975 and any breach of conditions may result in the revocation of this license.	Complied
					(e) If EMESB intends to expand its production capacity or diversify its products, EMESB is required to obtain the approval from the licensing officer (Secretary General of MITI) by submitting an application using the relevant form which can be obtained from the MIDA website or from the nearest MIDA office.	Noted
					(f) This license is subject to the approval from the relevant State Government and Department of Environment.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(g) MITI shall be informed of any sales of shares of EMESB.	Complied. MITI has been informed of the Acquisition of EMESB on 19 October 2020.
					(h) EMESB shall train Malaysian citizens so that transfer of technology and expertise can be channeled to all levels of designations.	Complied
					(i) EMESB shall carry out its project as approved and in accordance with other laws and regulations in Malaysia.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	European Inspection and Certification Company S.A ("**EUROCERT**")	Certification that EMESB has implemented management system that conforms to the requirements of the standard EN ISO 9001:2015 for the fabrication of structural engineering works	00.12.1746	Initial issue date: 21 August 2018 Modification date: 15 December 2021 Expiry date: 14 December 2024	(a) The authorisation of use of the certificate and logo shall be valid for a period equal to the contractual term and shall be subject to faithful compliance with all terms of the certification agreement by EMESB, and particularly its timely participation in annual surveillance audits.	Complied
					(b) The three-year certificate shall be valid on the condition that the management system undergoes the EUROCERT periodic annual surveillance audits.	Complied
					(c) The recertification audit plan must be completed at least 2 months before expiry of the valid certificate which shall be renewed by signing of a new agreement by the parties.	Complied
					(d) EMESB must faithfully implement the compliance (mentioned) standards under which it has been certified, on the terms and conditions referred to in the EUROCERT Management System Certificate Regulation which EMESB accepts by signing the certification agreement.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(e) If EMESB fails to comply with the terms of the certification agreement and primarily with the requirements of the standard, the regulatory provisions, and timely accept the annual surveillance audits, EUROCERT may terminate the certification agreement and suspend or withdraw the certificate, and EMESB shall not be entitled to a refund of the certification amount in part or in whole. It should also be noted that regardless of EUROCERT's right to suspend or withdraw the granted certificate, for so long as the certificate remains with EMESB, even if not entitled to use it, EMESB shall be fully bound by its financial obligations under the certification agreement. The certification agreement shall cease to be effective on acknowledged delivery by EMESB to EUROCERT of the original certificate and removal of EUROCERT logos from the certified products and/or services which, although ineffective, may be used with third parties.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(f) EMESB has the obligation to inform EUROCERT in writing when there are changes in structure or documentation (changes in the organisational structure, change of the management representative, change of address, extension of activities or stopping of production, changes in main mechanical equipment etc), which may affect the implementation of the management system that was assessed during the last audit.	Noted [1]
EMESB	DOSH	Registration of EMESB as the unfired pressure vessel (PVM01) manufacturer located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Registration No. JKKP/2021/19 /36	18 August 2021/ 17 August 2024	(a) DOSH shall be notified of any changes/ additions/ transfers of existing officers, machinery and premises. DOSH will revoke the registration if EMESB fails to immediately notify the same. (b) EMESB shall first obtain the design approval from DOSH before the manufacturing or repair works for unfired pressure vessel can be carried out.	Noted Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(c) All work procedures for the manufacturing or repair of unfired pressure vessel shall follow what is stated in the quality control manual which has been reviewed and accepted by DOSH and approval from DOSH shall be obtained for any changes that will be made to the quality control manual.	Complied
					(d) All welding works shall be done by the welder of EMESB in accordance with the welding procedure specification approved by the inspection authority recognised by DOSH.All welding works must also be carried out under the strict supervision and control of EMESB's quality control officer and all welding records must be well kept.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(e) EMESB is required to pay attention to the work record of every project that has been carried out, among others, the following: (i) welding procedure specification record; (ii) welder qualification test record; (iii) hydrostatic test record; (iv) welding on unfired pressure vessel record; and (v) occupational safety and health management record.	Complied
					(f) All work records should be kept properly for review by DOSH from time to time. The records will also be reviewed when applying for renewal of registration in the future.	Complied
					(g) All manufacturing or repair works can only be carried out at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(h) It is to be noted that the prior approval from DOSH shall be obtained for the manufacturing or repair of unfired pressure vessel on new premises.	Noted
					(i) EMESB shall comply with the provisions of Factories and Machinery Act 1967 **("FAMA 1967")**, Occupational Safety and Health Act 1994 and regulations which have been enforced from time to time;	Complied
					(j) EMESB shall apply for renewal of registration with DOSH at least 3 months before the expiry of the approval period.	Noted
					(k) It should be noted that the approval can be revoked at any time if the above conditions and other conditions of DOSH are not met.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations, 1970 ("**FAMA Reg**") for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/22 161940 Registration No.: JH PMA 88626	11 January 2022/ 28 March 2023	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173917 Registration No.: JH PMT 26267	21 April 2022/ 17 July 2023	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173916 Registration No.: JH PMT 21927	21 April 2022/ 17 July 2023	-	Not applicable
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173918 Registration No.: JH PMT 21928	21 April 2022/ 17 July 2023	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMA-JH/21 148113 Registration No.: JH PMA 3435	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148114 Registration No.: JH PMA 3436	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for single girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148115 Registration No.: JH PMA 3475	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148111 Registration No.: JH PMA 9935	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for single girder A shape portal gantry crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148112 Registration No.: JH PMA 16107	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148109 Registration No.: JH PMA 4451	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148110 Registration No.: JH PMA 4452	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173919 Registration No.: JH PMT 22438	21 April 2022/ 17 July 2023	-	Not applicable

Note:

(1) The Acquisition of EMESB was an internal reorganisation exercise and had no effect on the implementation of the management system of EMESB that was assessed during the last audit. EMESB was therefore not required to inform EUROCERT of the change in corporate structure.

Our Group does not require any licences or permits to implement our projects in Gabon, Indonesia and Liberia in the respective countries save for work permits for our employees who are sent to the sites to supervise and/or manage the projects, where required, which are procured by the project owners. Please refer to Section 7.21 of this Prospectus for further details.

7.19 MATERIAL PROPERTIES, PLANT AND EQUIPMENT

7.19.1 Material properties owned by our Group

As at the LPD, the details of the material properties owned by our Group are as follows:

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
1.	**Registered owner:** EMESB **Beneficial owner:** N/A	**Title:** HSD 590918, PTD 238058, Mukim Plentong, Daerah Johor Bahru, Negeri Johor **Postal Address:** PLO 555 & PLO 506, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor (PLO 555)	**Description:** A single-storey factory building annexed a with a 3-storey office building **Existing use:** Head office and manufacturing plant	**Category of land use:** Industrial **Tenure:** 60 years leasehold expiring on 2 July 2067 (remaining tenure of 46 years)	**Land area:** 174,257 **Gross floor area:** 103,344 for factory and 9,300 for office	**Restriction in interest:** This land cannot be sold, mortgaged or transferred in any way whatsoever, including but not limited to by way of agreement to sell, without the consent of the State Authority. **Encumbrances:** Charged to Standard Chartered Bank Malaysia Berhad.	6 September 2006 and 9 September 2021[(1)].	12,813

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
2.	**Registered owner:** Eco Springs Development Sdn Bhd(2) **Beneficial owner:** EMESB	**Title:** Geran 564512, Lot 173254, No. Petak L227, Mukim Terbau, Daerah Johor Bahru, Negeri Johor **Postal Address:** No. 37, Jalan Ekoflora 1/11, Taman Ekoflora, 81100 Johor Bahru, Johor	**Description:** A double-storey cluster house **Existing use:** Tenanted to one of our Key Senior Management, Tia Tuan Sim	**Category of land use:** Building **Tenure:** Freehold	**Land area:** Not applicable **Strata floor area:** 3,595	**Restriction in interest:** (a) The owner of this land is not allowed to offer or sell any unit (parcels) of building to be built on this land other than the building which construction has already started in accordance with the plan approved by the relevant Local Authority.	24 May 2017	1,409

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
						(b) Buildings erected on this land once transferred to a Bumiputera individual/ Bumiputera Company cannot be thereafter in any way whatsoever sold, leased or transferred to, a non-Bumiputera individual/ non-Bumiputera Company without consent from the State Authority. (c) Buildings erected on this land cannot be sold or transferred in any way whatsoever to a Non-Citizen/ Foreign Company without the consent of the State Authority. **Encumbrances:** Charged to Public Bank Berhad.		

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
3.	**Registered owner:** ETSB **Beneficial owner:** N/A	**Title:** GRN 584428, Lot 173396, Mukim Terbau, Daerah Johor Bahru, Negeri Johor **Postal Address:** No. 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81100 Johor Bahru, Johor	**Description:** A single-storey semi-detached factory building with mezzanine office **Existing use:** Office	**Category of land use:** Industrial **Tenure:** Freehold	**Land area:** 13,993 **Gross floor area:** 8,785	**Restriction in interest:** Nil. **Encumbrances:** Charged to Malayan Banking Berhad.	7 March 2016	2,801

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
4.	**Registered owner:** AEPL **Beneficial owner:** N/A	**Title:** Lot No. U78892K, Mukim 5 **Postal Address:** 2 Venture Drive, #13-04 Vision Exchange, Singapore 608526	**Description:** Office unit at 13th floor of 25-storey office tower **Existing use:** Office	**Category of land use:** Office **Tenure:** 99 years leasehold expiring on 9 June 2112 (remaining tenure of 90 years)	**Land area:** Not applicable **Strata floor area:** 517	**Restriction in interest:** Nil. **Encumbrances:** Charged to United Overseas Bank Limited.	26 July 2017	3,491

Note:

(1) The extended area was not in use before we obtained the CCC and we were not imposed any penalties under section 70(27)(f) of Street, Drainage and Building Act 1974. Our Group was imposed a penalty of RM20,496 by the Pasir Gudang Municipal Council in 2020 due to them commencing works on the extension before obtaining the building plans.

(2) Eco Springs Development Sdn Bhd was incorporated on 17 May 2012 under the laws of Malaysia and is principally involved in construction of buildings. EMESB had on 9 May 2017 entered into a sale and purchase agreement with Eco Springs Development Sdn Bhd, being the property developer, for the purchase of the property bearing title Geran 564512, Lot 173254, No. Petak L227, Mukim Terbau, Daerah Johor Bahru, Negeri Johor. As at the LPD, the title of the strata property has yet to be transferred to EMESB.

As at the LPD, there is no breach of any regulatory requirements or any environmental issue which may materially affect our operations and utilisation of the above properties.

7.19.2 Material properties rented by our Group

As at the LPD, the details of the material properties rented by our Group are as follows:

No.	Landlord	Tenant	Property address	Description and Existing Use	Land area/ gross floor area (approximate) (sq ft)	Tenure	Date of issuance of CF/CCC	Rental per annum (RM)
1.	Westlite Dormitory (Pasir Gudang) Sdn Bhd ("**Westlite**")	EMESB	Unit 75-01-06 on the land held under HS(D) 135075 PTD 71015, Mukim of Plentong, Johor Bahru.	**Description:** Worker's dormitories **Existing use:** Dormitory for the occupation of EMESB's foreign workers.	**Land area:** 19,937 **Gross floor area:** 650	Two (2) years 1 October 2020 to 30 September 2022	9 May 1994	19,800
2.	Westlite	EMESB	75-01-30 on the land held under HS(D) 135075 PTD 71015, Mukim of Plentong, Johor Bahru.	**Description:** Worker's dormitories **Existing use:** Dormitory for the occupation of EMESB's foreign workers.	**Land area:** 19,937 **Gross floor area:** 650	Two (2) years 14 July 2021 to 13 July 2023	9 May 1994	20,400

7. BUSINESS OVERVIEW (CONT'D)

No.	Landlord	Tenant	Property address	Description and Existing Use	Land area/ gross floor area (approximate) (sq ft)	Tenure	Date of issuance of CF/CCC	Rental per annum (RM)
3.	Westlite	EMESB	Unit 72-04-28 on the land held under HS(D) 135079 PTD 71019, Mukim of Plentong, Johor Bahru.	**Description:** Worker's dormitories **Existing use:** Dormitory for the occupation of EMESB's foreign workers.	**Land area:** 31,715 **Gross floor area:** 650	Two (2) years 21 March 2022 to 20 March 2023	9 May 1994	23,400

All the above material properties which we rent for the occupation of EMESB's foreign workers have been issued a valid Certificate for Accommodation as required under Employees' Minimum Standards of Housing and Amenities Act 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020. The properties are currently occupied by 14 of our foreign workers.

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7.19.3 Material machinery and equipment

A summary of the material machinery and equipment all of which are used and owned by us as at the LPD is set out below:

Machinery and equipment	Average age of machinery (years)	No. of units as at the LPD	Audited NBV as at 31 December 2021 (RM'000)
Cutting machines	5	20	147
Bending machine	1	1	93
Cranes	2	4	34
Welding machines	4	9	24
Total			**298**

No machines are leased except for those machines acquired under hire purchase arrangement.

7.20 EMPLOYEES

The number of permanent employees in our Group as at 31 December 2021 and the LPD is as follows:

Category	No. of employees					
	As at 31 December 2021			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Director	2	-	2	2	-	2
Key Senior Management	5	-	5	5	-	5
Human resource, finance & administration	15	-	15	16	-	16
Purchasing	3	-	3	3	-	3
Engineering department	30	2	32	34	4	38
Store and logistic	12	1	13	12	1	13
Production	19	-	19	16	-	16
Sales	1	-	1	1	-	1
Total	**87**	**3**	**90**	**89**	**5**	**94**

Geographical location / activity	No. of employees					
	As at 31 December 2021			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Malaysia	73	-	73	73	-	73
Singapore	3	-	3	3	-	3
Gabon	11	3	14	13	5	18
Total	**87**	**3**	**90**	**89**	**5**	**94**

7. BUSINESS OVERVIEW (CONT'D)

The number of contract workers in our Group as at 31 December 2021 and the LPD, all of whom are foreigners, is as follows:

Category	No. of employees	
	As at 31 December 2021	**As at the LPD**
Fabrication[(1)]	17	14
Civil work[(2)]	168	168
Total	**185**	**182**

Notes:

(1) Foreign contract workers located in Malaysia. The employment of these foreign workers is subject to the renewal of valid work permits by the Immigration Department of Malaysia on a yearly basis and these foreign workers are employed by our Group through worker agencies.

(2) Foreign contract workers located in Gabon. The employment of these foreign workers is on a bi-annual contract and is subject to them having the relevant valid working permits registered under the project owner. These foreign contract workers are employed by our Group through worker agencies and referrals.

As at the LPD, none of our employees are member of any union nor have there been any major industrial disputes in the past. All our foreign employees and contract workers working in Malaysia and Gabon have valid working permits and we have not been and are not in breach of any immigration laws.

7.21 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUE

Our Group does not have any subsidiary which is operating our business in Gabon, Indonesia and Liberia.

With regards to our operations in Gabon, our Group subcontracts the works awarded by Olam Group to our Gabonese subcontractors. The work permits for our employees, contract workers and subcontractors in Gabon are procured by the project owner, Olam Group on our behalf. The projects and environmental related approvals such as administrative authorisation and environmental impact assessment are required to be obtained by the owner of the projects, i.e. Olam Group, instead of our Group. In addition, Gabon's construction industry practice does not specifically require our Group to have any prerequisite qualifications.

Our nature of works in Indonesia and Liberia involves the supply and delivery and coordination of the testing and commissioning of the plants, including machinery, equipment and related accessories. We are not involved in and have not carried out any construction works and/or installation of equipment in Indonesia and/or Liberia which are normally directly awarded by the project owners to their respective contractors. As such, the project-related approvals are typically obtained by the relevant project owners and we do not require any project permits from the respective country save for work permits for our employees who are sent to the sites to supervise and/or manage the projects, where required, which are procured by the project owners.

Save as disclosed below, our Group complies with all relevant laws, regulations, rules or requirements governing the conduct of our Group's business and environmental issue which may materially affect our Group's business or operations.

An overview of the relevant laws and regulations requirements governing the conduct of our business and environmental issue which may materially affect our Group' business or operations in Malaysia and Singapore is as follows:

Malaysia

(a) Industrial Co-Ordination Act 1975 ("ICA 1975")

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence.

As at the LPD, our subsidiary, EMESB, which carries out manufacturing activity holds a valid manufacturing licence issued by the MITI.

(b) Construction Industry Development Board Act 1994 ("CIDB Act 1994")

The CIDB Act 1994 which applies throughout Malaysia, regulates the establishment of the CIDB, and provides for its function relating to the construction industry and for matters connected therewith.

Pursuant to the CIDB Act 1994, a contractor is a person who carries out or completes or undertakes to carry out or complete any construction works. For the purpose of the CIDB Act 1994, any person who has been awarded or executed any contracts for construction works, or has undertaken to carry out, manage or complete any construction works, or has carried out, managed or completed any construction works, shall be deemed to be a contractor unless proven otherwise.

In Malaysia, a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act 1994 in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Failure to register with the CIDB constitutes an offence and on conviction, the party in breach of the CIDB Act 1994 may be liable to a fine of not less than RM10,000 but not more than RM100,000.

As at the LPD, our subsidiary, EMESB holds and maintains a valid CIDB licence issued by the CIDB.

(c) Local Government Act 1976

Pursuant to section 102 of the Local Government Act 1976, local authorities are empowered to make, amend and revoke by-laws.

As our business is carried out in Johor Bahru and Pasir Gudang, we come under the jurisdiction of the Johor Bahru City Council and Pasir Gudang Municipal Council and the conduct of our business is governed under the Trade, Licence, Business and Industrial (MBJB) By-Laws 2004 and Licensing of Trade, Commerce and Industry Bylaws (Pasir Gudang Municipal Council) 2017 (collectively, "**By-Laws**"). The By-Laws provide that any person may use any premise for operating any business activity when a licence, if necessary, has been obtained. A contravention of the By-laws would result in an offence, which upon conviction, would result in the person being liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

Our Group was imposed a penalty of RM20,496 by the Pasir Gudang Municipal Council on 16 January 2020 due to commencing works on the extension before obtaining the building plans. The extensions of our Group's manufacturing plant at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, which involved a 1 storey factory and 1 unit of refuse chamber only obtained CCC on 9 September 2021. The extended area was not in use until we obtained the CCC on 9 September 2021 and we were not imposed any penalties under section 70(27)(f) of Street, Drainage and Building Act 1974.

As at the LPD, our Group holds and maintains valid business licences issued by Johor Bahru City Council and Pasir Gudang Municipal Council.

(d) Factories and Machinery Act 1967 ("FAMA 1967")

FAMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of person therein, the registration and inspection of machinery and for matters connected therewith.

Under the FAMA 1967, the occupier of the factory has a duty to maintain the standards of safety, health and welfare of his factory and factory workers, including taking precautions against fire, proper maintenance of machinery, keeping factory in a clean state, maintaining all safety appliances and machinery and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries.

Section 19(1) of the FAMA 1967 provides that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FAMA 1967. In the case of any contravention, an inspector of factories and machineries appointed under the FAMA 1967 shall serve upon the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. The person who contravenes Section 19(1) of the FAMA 1967 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

EMESB holds certificates of fitness for machineries such as overhead travelling cranes, gantry crane and air receiver located at its manufacturing plant in Pasir Gudang and has held valid certificates of fitness for such machineries whenever the same were operated. During the Financial Years Under Review, all machineries which are utilised by our Group are issued with certificate of fitness under the FAMA 1967. Our Group did not utilise any of the machineries which are pending issuance or renewal of certificate of fitness under the FAMA 1967.

Section 29A of the FAMA 1967 states that no person shall manufacture, fabricate, test, install, maintain, dismantle or repair any machinery which is prescribed unless he has a written authority issued by the Chief Inspector of Factories and Machinery. EMESB has been registered as an unfired pressure vessel manufacturer with DOSH and the latest registration is valid from 18 August 2021 to 17 August 2024.

The Factories and Machinery (Repeal) Act 2022 (the "**FAMA Repeal Act**") has been passed as law. It has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the date on which the FAMA Repeal Act comes into operation has yet to be appointed and gazetted.

The FAMA Repeal Act will repeal the FAMA 1967 when it comes into operation. It is set out in the FAMA Repeal Act that any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FAMA 1967 shall, on the coming into operation of the FAMA Repeal Act, be dealt with under the OSHA 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

(e) Occupational Safety and Health Act 1994 ("OSHA 1994")

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

Under OSHA 1994, it shall be the duty of every employer to formulate a written safety and health policy with respect to the safety and health at work of his employees. The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work. An occupier of a place of work who fails to appoint a safety and health officer shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to a term of imprisonment not exceeding six months or to both.

The OSHA 1994 has been complied with by EMESB since 16 October 2019 up until the LPD. Prior to 16 October 2019, EMESB did not have a safety and health officer. As at the LPD, our subsidiary, EMESB has a documented standard operating policies and procedure with regards to first aid management, emergency responses and occupational safety, health and environmental plan, which has been adopted since 1 January 2016. A safety and health committee has been established since 1 January 2016 and a certified safety officer has been appointed to monitor the safety and health related matters of EMESB since 16 October 2019. There is no material impact to our Group's business operations or financial performance in the past due to this non-compliance, which has been rectified. We have not been penalised for this past non-compliance, and as at the LPD, have not received any notification from the relevant authority in relation to any penalty to be imposed for this non-compliance. Subsequent to LPD, EMESB has been in compliance with the OSHA 1994.

Similarly, the Occupational Safety and Health (Amendment) Act 2022 ("**OSH AA**") has been passed as law. It has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the date on which the OSH AA comes into operation has yet to be appointed and gazetted.

The OSH AA, when comes into operation, will provide, amongst others:

(i) the obligation of an employer to conduct a risk assessment in relation of the safety and health risk posed to any person who may be affected by his undertaking at the place of work, and where the risk assessment indicates that implementation of risk control to eliminate or reduce said safety and health risk is required, the employer shall implement such control;

(ii) the right of an employee to remove himself from the danger or the work if the employer has failed to take any action to remove the danger that the employee has reasonable justification to believe there exist an imminent danger at his place of work; and

(iii) provisions in relation to the notice of occupation of place of work, installation and periodical inspection of plants, and the requirement of a certificate of fitness for plants to be operated.

(f) Employees' Minimum Standards of Housing and Amenities Act 1990 ("EMSHAA 1990")

Pursuant to the EMSHAA 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020, employers must comply with the EMSHAA 1990, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

The EMSHAA 1990 further provides that no employer or centralized accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralized accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under EMSHAA 1990 or any regulations made thereunder.

Pursuant to the EMSHAA 1990, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. EMSHAA 1990 provides that an employer who contravenes the EMSHAA 1990 commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

As at the LPD, EMESB rents its foreign workers' accommodation from Westlite bearing property addresses Unit 72-04-28, Unit 75-01-06 and Unit 75-01-30 on 2 pieces of land held under HS(D) 135075 PTD 71015 and HS(D) 135079 PTD 71019, both in the Mukim of Plentong, Johor Bahru, which have been issued a valid Certificate for Accommodation. The properties are currently occupied by 14 workers. The remaining 1 worker is staying with his spouse who is a Malaysian.

Singapore

As at the LPD, the works under the customer contracts entered into by our Singapore subsidiary, AEPL, are not conducted in Singapore. In addition, AEPL subcontracts all of the work under its customer contracts and does not carry out any business operations in Singapore. The majority of the works under its customer contracts is subcontracted to EMESB. Accordingly, there are no governmental licences or approvals required to be obtained by AEPL in respect of its business operations in Singapore.

As the Urban Redevelopment Authority of Singapore has designated the office used by AEPL as a commercial property strictly for office use only, no licences or approvals are required to be obtained by AEPL to use the property as an office.

7.22 EXCHANGE CONTROLS

Save as disclosed below, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profit by or to our Group.

Pursuant to the provisions of the Singapore Companies Act (Chapter 50), capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company's constitution (or memorandum and articles of association). There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders who are not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

A company may, if so authorised by its constitution (or memorandum and articles of association) and subject to the limits imposed by the Singapore Companies Act, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price to foreign shareholders in respect of such purchase.

Dividend payments made to non-resident or resident shareholders are not subject to withholding tax.

7.23 INTERRUPTIONS TO OUR BUSINESS FOR THE PAST 12 MONTHS

With the exception of the effects of COVID-19, we did not experience any material interruptions to our business during the past 12 months prior to the LPD.

7.23.1 Effects of COVID-19 on our business operations in Malaysia

Commencing 18 March 2020, the Government of Malaysia implemented several periods of Movement Control Order ("**MCO"**) to limit and reduce the transmission of COVID-19 in the country. Measures implemented included, among others, controls on the movement of people within Malaysia, controls on international travel, and restrictions on business, government, educational, cultural, recreational and other activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO Period

The MCO period was from 18 March 2020 to 3 May 2020, and the control measures implemented included, among others, the closure of all businesses except for those classified as "essential services" or that have received written approval from the Ministry of International Trade and Industry Malaysia ("**MITI**") to operate, restrictions on the movement of people in Malaysia, and restrictions on international travel into and out of Malaysia. On 18 March 2020, we closed our operations including head office and fabrication facilities in Johor and stopped work at all of our subsisting worksites in Malaysia. Our office-based staff worked from home, while all work relating to fabrication, construction, installation and other tasks normally carried out at our fabrication facility and worksites were temporarily halted.

On 18 April 2020, EMESB received written approval from MITI to resume operations at our head office and fabrication facility. These premises were sanitised on 21 April 2020 under the supervision of our safety and human resources staff, and we resumed our operations at our head office and fabrication facility at 50% workforce capacity from 22 April 2020, where half of our staff returned to work while the other half worked from home on a rotational basis. Staff who worked at our fabrication facility and office in Pasir Gudang were required to follow the relevant standard operating procedures ("**SOP**") at their respective workplaces. Although EMESB also received written approval from MITI to resume operations at specified worksites, we did not return to work at these worksites as the respective customers' internal policies were not permitted to re-open their facilities for business and external service providers (such as our Group) during the MCO period. Consequently, EMESB's operational staff only resumed work at worksites in Malaysia commencing from 4 May 2020.

ETSB and TWTSSB did not obtain written approval from MITI to resume operations at our premises during the MCO period, and all staff worked from home since 18 March 2020.

We experienced some reduction in our business activities during the MCO period as we closed our head office and fabrication facility on 18 March 2020 and resumed operations at 50% workforce from 22 April 2020. All of our worksites in Malaysia were temporarily suspended due to the respective customers' internal policies.

CMCO Period

The Government of Malaysia implemented the Conditional MCO ("**CMCO**") from 4 May 2020 to 9 June 2020 in Malaysia. The CMCO relaxed some of the controls implemented during MCO, including allowing most economic sectors to resume business operations provided that specified SOP were followed, and large gatherings avoided. Controls on the movement of people within Malaysia was relaxed, while restrictions on international travel were modified.

Our business operations in Malaysia during CMCO were as follows:

- EMESB's office and fabrication facility operate at full workforce capacity from 4 May 2020, with our staff following the relevant SOP;

- ETSB received written approval from MITI on 6 May 2020 to resume operations at its office and fabrication, and subsequently reopened at full workforce capacity with staff following the relevant SOP on the same day; and

- EMESB external worksites in Malaysia for construction of palm oil mill plants, and fabrication of palm oil equipment projects were permitted to be operated by the respective customers between 4 May 2020 and 13 May 2020. We operated at these worksites in accordance with the relevant SOP.

We resumed full operations in Malaysia commencing from between 4 May 2020 and 13 May 2020 with the exception of TWTSSB who were not permitted to operate as they did not receive their MITI approval during this time. While we experienced some reduction in business activity in Malaysia during the CMCO period, the reduction was to a lesser extent compared to the MCO period.

RMCO Period

The CMCO was followed by the Recovery MCO ("**RMCO**"), which commenced on 10 June 2020 and was scheduled to end on 31 December 2020. Starting from 10 June 2020, almost all economic sectors were allowed to resume operations so long as they followed the relevant SOP. The movement of people within Malaysia was relaxed further, although restrictions on international travel into and out of Malaysia remained the same as during the CMCO period.

However, during this RMCO period, the Government of Malaysia re-imposed CMCO measures in specific areas in response to localised surges in COVID-19 transmissions. The control measures put in place following the re-imposition of CMCO included, among others, restrictions on the movement of people including the prohibition of inter-district travel, limiting the operating hours of certain service-based businesses, and the closure of schools.

During the RMCO period, our business operations continued to operate following the previously established SOP with the exception of TWTSSB which was not in operation during the RMCO period. We did not experience any material reduction in our business activities in Malaysia during the RMCO period.

MCO 2.0

In response to a surge in new COVID-19 cases, commencing from 13 January 2021 MCO restrictions were re-introduced to Johor, Kelantan, Melaka, Sabah, Selangor, Sibu in Sarawak and Wilayah Persekutuan Kuala Lumpur, Labuan and Putrajaya, while other states and territories were placed under CMCO or RMCO restrictions. Subsequently, MCO restrictions were progressively lifted as specific states and territories were placed under CMCO or RMCO restrictions, depending on the number of new COVID-19 cases reported.

On 12 January 2021, EMESB and ETSB each received their respective MITI approvals to operate at full workforce from 13 January 2021. Our business operations continued to operate according to the previously established SOP with the exception of TWTSSB. We did not experience any material reduction in our business activities in Malaysia during MCO 2.0.

MCO 3.0

Following increases in the number of new COVID-19 cases reported, MCO restrictions were reimposed in Kelantan commencing from 16 April 2021, and to several districts and mukims in Johor, Kuala Lumpur, Penang, Sarawak, and Selangor commencing from 3 May 2021. Districts, mukims and states that were not placed under MCO restrictions were placed under CMCO or RMCO restrictions. On 10 May 2021, the MCO restrictions were extended nationwide.

EMESB and ETSB each received their respective MITI approvals to continue operating at normal workforce capacity during MCO 3.0 from 6 May 2021, until 25 May 2021. EMESB and ETSB then operated at 60% workforce capacity from 26 May 2021, and our staff worked on rotational basis from home or at our operational facilities (while following the relevant SOP) with the exception of TWTSSB. We did not experience any material reduction in our business activities in Malaysia during MCO 3.0.

National Recovery Plan

Following the steep increase in COVID-19 cases, a three-phase nationwide lockdown of the National Recovery Plan (NRP) was implemented. Phase 1 of the NRP (also known as Full MCO ("**FMCO**")) commenced with full nationwide lockdown from 1 June 2021 onwards, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people in Malaysia. Phase 2 lockdown will be implemented after the first phase is successful in reducing the number of new daily COVID-19 cases, which will allow the reopening of some economic sectors that do not involve large gatherings of people and where physical distancing can be maintained. This will be followed by Phase 3 where nearly all economic sectors will be allowed to operate subject to strict SOP and restrictions on the number of people allowed to be physically present at workplaces. Phase 4 saw the full reopening of the economy, where interstate travel and domestic tourism were also be allowed.

Individual states and federal territories were categorised by NRP phase according to, among other, the number of new COVID-19 cases reported.

On 31 May 2021 and 1 June 2021, ETSB and EMESB received their MITI approvals respectively whereby they were permitted to operate during Phase 1 of the NRP according to the previously established SOP with the exception of TWTSSB. During Phase 1, EMESB and ETSB operated at 60% of their respective workforce capacity at our operational facilities, while the remaining staff worked from home. Subsequently on 5 July 2021, EMESB and ETSB each received their respective MITI approvals to operate under Phase 1 of the NRP, with operations at 60% of their respective workforce capacity following previously established SOP, with the remaining staff working from home. Our projects in Malaysia were suspended with the exception of a customer who was deemed as essential services namely glove manufacturing. On 18 October 2021, EMESB received its MITI approval to operate at normal workplace capacity as at least 80% of its employees had received two (2) COVID-19 vaccine doses. EMESB has been operating at normal workforce capacity from 19 October 2021 and up to 31 March 2022, following previously established SOP. ETSB received its MITI approval on 28 September 2021 to operate at 80% workforce capacity as 60% of its employees had received two (2) COVID-19 vaccine doses, and the company operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, following previously established SOP. Johor transitioned to Phase 4 of the NRP on 25 October 2021, and ETSB has been operating at normal workforce capacity from 25 October 2021 up to 31 March 2022, following previously established SOP. TWTSSB also resumed operations at normal workforce capacity from 25 October 2021 up to 31 March 2022 following the relevant SOP. We did not experience any material reduction in our business activities during Phase 1, Phase 2, Phase 3 and Phase 4 of the NRP.

Transition to Endemic Phase

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines. EMESB and ETSB continued to operate at normal workforce capacity, while following the relevant SOP and guidelines, from 1 April 2022 and up to the LPD. As TWTSSB did not have subsisting contracts, it rationalised its operations and laid off its staff from 1 April 2022. Moving forward, any orders for the supply of spare parts and construction materials that may be received by TWTSSB (which previously had only served our customers in Gabon) will be fulfilled by EMESB (which will arrange for the shipment of goods to the customers' locations in Gabon when required), and any orders received for maintenance services in Gabon will be fulfilled by engaging subcontractors in that country to carry out the work. TWTSSB is dormant as at LPD and it may resume its operations if future opportunities arise.

Business Operations SOP

We have and will continue to manage our supply chain to ensure that we will continue to maintain sufficient stocks of input materials to meet the delivery timelines and deadlines of our on-going projects.

The SOP that we have implemented for our business operations in Malaysia to control the spread of COVID-19 includes the following:

- All staff and visitors to our head office and fabrication facility, and our worksites have to make a health declaration (which includes their recent travel history and current health status), pass a temperature check and record the result, provide their contact information, and wear a face-covering before they are allowed to enter the premises. While at the premises, they have to wear a face-covering at all times and maintain social distancing whenever possible;

- We encourage our staff to hold discussions and meetings with customers and other external parties through videoconferencing to minimise business travels and face-to-face meetings.

Positive diagnosis for COVID-19

Since 18 March 2020 and as at the LPD, a total of 41 of our staff and contract workers have received positive diagnoses for COVID-19, comprising 30 Malaysian and 11 non-Malaysians. As at the LPD, all 41 of these staff and contract workers have recovered and returned to work, having either received their Clearance or Discharge Letter from the Ministry of Health Malaysia or do not exhibit COVID-19 symptoms at the end of the respective quarantine periods.

The steps that we have taken in response to an employee receiving a positive diagnosis for COVID-19 include the following:

- The employee who has received the positive diagnosis for COVID-19 (Category A) is required to self-quarantine and was not allowed to return to work for 14 days. For Malaysian staff, they must undergo a COVID-19 test at the end of that period, and are only allowed to return to the workplace after they obtain a negative test result and receive their Clearance or Discharge Letter from the Ministry of Health Malaysia. As per the requirements at that time, non-Malaysian staff are allowed to return to work if they do not exhibit COVID-19 symptoms at the end of the respective 14-day quarantine periods.

- We conducted contact tracing to identify all close contacts of the Category A staff, who are classified as Category B staff. All Category B are required to self-quarantine for 14 days, and if they start to exhibit COVID-19 symptoms they are required to undergo a COVID-19 swab test. If the result is positive, they will be classified as Category A staff. Category B staff are allowed to return to their workplace after they complete the self-quarantine period without exhibiting symptoms. As at the LPD, we conducted 514 COVID-19 tests for employees and contract workers. The total cost of these tests was approximately RM80,900.

- Employees who had close contact with Category B staff (Category C staff) are required to self-quarantine until their Category B contact completes their self-quarantine period or receives their COVID-19 test result. If the test result is negative, the Category C staff is permitted to return to the workplace. If the test result is positive, the person's classification will be changed to Category B.

7.23.2 Effects of COVID-19 on our business operations in Gabon

The government of Gabon began to take measures to reduce the transmission of COVID-19 in their country from early March 2020. Nationwide measures implemented included restricting international travel, controlling the movement of people, goods and vehicles between specific areas within the country, imposing curfews, banning or restricting large gatherings, closing schools, and ordering certain businesses to close. In addition, the government implemented additional COVID-19 measures for specific areas.

From early-2020 and up to the LPD, none of our worksites in Gabon were closed and none of our work was suspended due to measures taken by the government of Gabon in response to COVID-19. Although our staff were not able to travel into and out of Gabon due to the restrictions on international travel, this did not result in a material disruption in our business operations. We were able to effectively manage the implementation of our on-going projects in Gabon through our staff in Gabon, maintaining contact with our head office in Malaysia through teleconferencing and electronic means.

We faced some restrictions in mobilising our staff and contract workers between our different worksites in Gabon due to the controls placed on the movement of people within Gabon, as described above. Although this resulted in some delays in mobilising staff from one location to another, it did not result in any material disruptions in implementing our projects.

Business Operations SOP

As we do not have an office in Gabon, our project team are stationed at a subcontractor's office in Gabon and consequently our staff do not need to travel between Malaysia and Gabon to implement our projects in that country. We communicate with our project team and other staff in Gabon through videoconferencing, telephone, email and other electronic means.

In response to COVID-19, we implemented enhanced health and hygiene measures as part of our business operations SOP in Gabon, including the following:

- We provided our staff and contract workers with face masks, hand sanitiser fluid, soap and hand washing stations at all of our worksites and site offices.

- Our staff and contract workers were not allowed to leave the premises of their designated worksites. Food and other daily necessities were delivered to them by designated drivers.

- External parties who delivered goods to our worksites were required to comply with our SOP and minimise their contact with our staff and contract workers.

- Customers, external parties and other visitors were not allowed to enter our site offices in Gabon. Instead, we encouraged our staff to conduct discussions and meetings through teleconferencing to minimise contact.

Our subcontractor in Gabon adopts and implements the SOP described above for the office where our project team is stationed.

Our business operations in Gabon were not materially affected by these measures, and work proceeded as normal. However, we experienced some delays in receiving goods from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, as described in Section 7.23.6.

Since 18 March 2020 and up to the LPD, a total of 14 of our staff and contract workers in Gabon have received positive diagnoses for COVID-19. As at the LPD, all of these 14 staff and contract workers have recovered and returned to work. Our business operations in Gabon were not affected by these positive diagnoses for COVID-19.

7.23.3 Effects of COVID-19 on our business operations in Indonesia

To control the spread of COVID-19 in their country, the government of Indonesia began to take measures from early February 2020, starting with restrictions on international travel. Nationwide measures taken by the government included restrictions on economic activities except those deemed essential, closure of specified public spaces, and social distancing and hygiene requirements. In addition, modified measures were also implemented for specific cities and provinces.

From early-2020 and up to the LPD, none of our projects in Indonesia were affected by worksite closures or were suspended due to measures taken by the government of Indonesia in response to COVID-19. Furthermore, our current projects in Indonesia during this period do not involve construction, installation or other works involving our employees at worksites, as this scope of work is not part of our contracts. These works are carried out by external parties that are engaged by the customer. However, our operations in Indonesia experienced some delays due to delays in receiving goods from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, as described in Section 7.23.6, which affected our financial performance in Indonesia as described in Section 7.23.5.

7.23.4 Effects of COVID-19 on our business operations in Singapore

The government of Singapore began to implement measures to control the spread of COVID-19 commencing from early April 2020, which included closure of non-essential workplaces, places of worship and entertainment venues, reduced crowd density in retail outlets, and restrictions on gatherings. There has been minimal disruption to our business operations as all AEPL personnel perform managerial, technical, or administrative functions that can be effectively carried out from home. As at the LPD, none of our staff in Singapore received a positive diagnosis for COVID-19.

7.23.5 Impact on our Business Operations and Financial Performance

FYE 2020

Our business operations in Malaysia, Gabon, and Indonesia were affected by COVID-19, including due to the following factors:

- Measures implemented by the governments of the respective countries to control the spread of the disease, which included restrictions on international travel, movement of people, and closure or limits to business activity, which have slowed down our work on some projects; and

- Temporary suspension of our fabrication facility as well as worksites in Malaysia. As a result, one of our projects namely Victory Enghoe Plantations Sdn Bhd was delayed during FYE 2020 due to COVID-19 conditions and we applied for an extension of time from the customer. The extension of time for the project was granted by the customer and the project is completed within the extended period.

For further details on completed projects, please refer to Section 7.3.1.1 (m), 7.3.1.2 (j) and 7.3.2 (d) of this Prospectus.

For the FYE 2020, our total revenue decreased by RM17.2 million or approximately 10.1% to RM153.7 million (FYE 2019: RM170.9 million). Our GP declined by RM16.1 million or 42.8% to RM21.5 million in FYE 2020 (FYE 2019: RM37.6 million). This was contributed by the following:

- EMESB temporarily suspended its operations between 18 March 2020 and 22 April 2020 during the closure of our facilities in MCO 1.0, and we resumed operations with 50% workforce capacity in our head office and fabrication facility from 22 April 2020 to 3 May 2020. This has disrupted some shipments of fabricated steel structures, machinery and equipment to some of our project worksites, as described in Section 7.23.6. As a result of the closure of our fabrication facilities, we did not ship any goods to foreign countries for our projects between 18 March 2020 and 8 May 2020. EMESB only resumed operations with normal workforce capacity at the head office and fabrication facility, and operational staff at worksites from 4 May 2020.

- Construction of palm oil mills, and other construction, fabrication, and supply project activities at external worksites in Malaysia were suspended from 18 March 2020, and we only returned to worksites in Malaysia after 4 May 2020 due to our customers' internal policies. As a result, there was no project implementation and progress billings for these customers during this period.

- Generally, there were delays in shipment of our fabricated machinery and equipment for our projects in Gabon and Indonesia, which resulted in slower project implementation, and consequently slower progress billings.

- We did not complete the fabrication of palm oil mill equipment project for Sime Darby Plantation Berhad by the contracted completion date as there were delays in the supply of parts from a supplier that was appointed by the customer due to COVID-19 control measures, and as a result, we made provision of LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the FYE 2020.

- We had higher freight and logistics expenses for FYE 2020 compared to FYE 2019. Due to delays in progress of our projects in Indonesia owing to COVID-19, we had to deliver our fabricated components to project sites in Indonesia in batches resulting in additional shipments. In addition, freight rates increased during the COVID-19 pandemic period, whereby freight rates for Indonesia increased from RM280 per m^3 to RM450 per m^3, which represent an increase of approximately 60.7%, while freight rates for Gabon increased from RM11,386 per 40-foot high cube container to RM27,286 per 40-foot high cube container, which represent an increase of approximately 140%.

- Gross losses for some of our projects in FYE 2020, including gross loss of RM4.6 million for the construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, and rising shipment costs and steel prices which we were unable to pass on to the customer; and gross loss of RM2.2 million for upgrading work for a palm oil mill in Malaysia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, and rising steel prices which we were unable to pass on to the customer.

Although ETSB's operations were temporarily suspended from 18 March 2020 to 6 May 2020, and TWTSSB's operations has been suspended from 18 March 2020 up to 24 October 2021, it did not have a material impact on our revenue for FYE 2020. Although TWTSSB's operations in Malaysia were suspended, its staff worked from home and maintained contact with customers and suppliers in Malaysia and foreign countries through e-mail, telephone and videoconferencing. Orders received by TWTSSB for the supply of spare parts and construction materials were fulfilled by EMESB, which arranged for the shipment of goods to the customers' locations in Gabon when required. Orders received by TWTSSB for maintenance services in Gabon were fulfilled by engaging subcontractors in that country to carry out the work.

FYE 2021

EMESB operated at 60% workforce capacity from 26 May 2021 up to 18 October 2021, while ETSB operated at 60% workforce capacity from 26 May 2021 up to 28 September 2021, which had affected the progress of our fabrication works at our facility in Johor. As for our worksites in Malaysia, during NRP Phase 1 we are not permitted to operate at the worksites with the exception of a customer who is in glove manufacturing. Generally, our expected completion dates were temporarily impacted due to the COVID-19 conditions during NRP Phase 1. Subsequently, EMESB returned to normal workforce capacity from 19 October 2021 to 31 December 2021 (and up to the LPD), and ETSB operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, and at normal workforce capacity from 25 October 2021 to 31 December 2021 (and up to the LPD), and TWTSSB returned to normal workforce capacity from 25 October 2022 to 31 December 2021 (and up to 31 March 2022). Our worksites in Malaysia are also permitted to operate.

We notified our customers relating to the disruptions, where required, and they have provided an extension of time for the projects, including those summarised in the following table:

Customer	Description	Location	Original Completion Date	Extension of Time Granted
Olam Palm	Construction of biogas plant for the Awala palm oil mill	Awala, Gabon	November 2020	October 2021[(1)]
Olam Palm	Construction of the Mouila Lot 3 palm oil mill, comprising:	Mouila, Gabon		
	- Civil, structural, piping, electrical and additional piling works		July 2020	October 2021[(2)]
	- Kernel crushing plant		July 2020	October 2021[(2)]
Olam Palm	Fabrication of machinery for unloading station in relation to the construction of the Mouila Lot 3 palm oil mill	Mouila, Gabon	August 2020	October 2021[(3)]
Olam Palm	Fabrication of bulking tanks for the Mouila Lot 3 palm oil mill	Mouila, Gabon	January 2020	October 2021[(3)]
Ladang Petri Tenggara Sdn Bhd	EPCC of ESP for biomass power plant at Sungai Kachur palm oil mill in Kota Tinggi, Johor	Johor, Malaysia	December 2020 [(4)]	July 2021 [(4)]
Customer A [(5)]	Construction of buildings for a new glove manufacturing plant at Sendayan, Negeri Sembilan - Civil and steel structural works for warehouse, office, electrical sub-stations and others	Negeri Sembilan, Malaysia	September 2021	November 2021[(3)]
PT Kapuas Maju Jaya Oil Mill	Civil, structural and mechanical works for new palm oil mill at Kapuas, Kalimantan Tengah	Kalimantan Tengah, Indonesia	November 2021	July 2022
GoodGloves Industries Sdn Bhd	Fabrication of equipment for a new glove manufacturing plant at Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia		
	- Fabrication of stainless-steel tanks		February 2021	December 2021[(3)]
	- Piping works for 8 glove manufacturing lines		September 2021	December 2021[(3)]
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang	Pahang, Malaysia	February 2022	June 2022 [(6)]
Olam Palm	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Mouila, Gabon	Mouila, Gabon	August 2023	April 2024 [(7)]

Notes:

(1) The project has been completed and is pending commissioning prior to handover to the customer.

(2) The project has been completed and commissioned and is currently pending acceptance by the customer.

(3) The project has been completed.

(4) Original expected completion date of December 2020 based on the letter of award secured on 13 March 2020. Due to the MCO, the customer deferred the completion date to July 2021. We have applied for an extension of time from the customer up to October 2021 and this is pending approval. For the FYE 2021, we have made a provision for LAD of RM0.2 million, being the maximum claim on the LAD as at 30 November 2021. The project was completed in November 2021.

(5) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.

(6) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.

(7) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions in Gabon, Olam Palm granted extension of time up to 30 April 2024.

For further details on on-going projects, please refer to Section 7.3.1.1 (n), 7.3.1.2 (k) and 7.3.2 (e) of this Prospectus.

For the FYE 2021, our total revenue decreased marginally by RM0.5 million or approximately 0.3% to RM153.2 million (FYE 2020: RM153.7 million). Our GP for the FYE 2021 increased by RM5.7 million or approximately 26.5% to RM27.2 million (FYE 2020: RM21.5 million), and our overall GP margin increased to 17.8% (FYE 2020: 14.0%). In addition, we recorded higher PAT and PAT margin of RM8.1 million (FYE 2020: RM6.5 million) and 5.3% (FYE 2020: 4.2%) respectively. Notwithstanding the increases in GP, GP margin, PAT and PAT margin for FYE 2021 compared to FYE 2020, our financial results in FYE 2021 were affected by the COVID-19 pandemic due to higher material and freight costs as compared to the pre-COVID 19 period level (namely FYE 2019 when our GP margin was 22.0% and PAT margin was 7.3%). There is no assurance that COVID-19 will not adversely affect our future business operations and financial performance.

As at 31 December 2021, we had:

- cash and bank balances and fixed deposits with licensed banks of RM20.0 million;
- working capital of RM43.8 million, being the difference between current assets of RM101.5 million and current liabilities of RM57.7 million; and
- banking facilities, which consist of term loans, bank overdraft, revolving credit and trade lines (comprising letter of credit, trust receipt, banker's acceptance, invoice financing and bank guarantee), with a total credit limit of RM96.6 million, of which RM46.0 million (including RM13.8 million set aside as bank guarantees) which has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

7.23.6 Impact on our Supply Chain

We have implemented the following measures to ensure that we have sufficient quantities of input materials at the locations where they are required for our business operations:

- Steel products and pipes are the main input materials for the fabrication of palm oil mills and equipment, which we carry out mainly at our fabrication facility in Malaysia.

  We have purchased these materials before the first MCO period commenced to meet our initial fabrication schedules. The reduction in fabrication activity during the MCO period resulted in reduced usage of these materials, and as such there was no adverse material effect on our supply chain as there were sufficient quantities of these materials on-hand when our operations returned to normal after the first MCO. As at the LPD, we have not experienced any material disruptions to our business operations arising from shortages of steel products and pipes.

  As at the LPD, notwithstanding the on-going COVID-19 pandemic, we have not encountered any material delays in placing new orders for and receiving deliveries of steel products and pipes.

- Machinery and components for equipment, such as motors, valves and gas engines, that are purchased from suppliers in foreign countries are delivered to our fabrication facility in Malaysia. We are not able to pre-order and stock up on these goods as the choice of machinery and component used (in terms of the supplier and model) are determined by the third-party engineers and consultants that provide us with the design. From early-2020 up to the LPD, we have faced some delays in ordering and receiving these goods from our suppliers in foreign countries.

- Construction materials such as cement, concrete, gravel, bricks, sand, soil, steel, wood, timber and plywood are the main input materials that we use to construct buildings and structures. They are delivered to our respective project worksites in Malaysia, Gabon and Indonesia.

  Similarly, we have purchased these buildings materials before movement restrictions in Malaysia, Gabon and Indonesia. In many cases, these buildings materials were delivered to the worksites, where we have stored them ahead of use. Consumption of these materials was reduced in line with reduced work activity in response to COVID-19, and consequently, we had sufficient quantities of construction materials on hand when work resumed. As at the LPD, we have not experienced any material disruptions to our business operations arising from shortages of building materials.

  As at the LPD, save for the delays in receiving goods for our projects in Indonesia from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, we have not experienced any material delays in placing orders and receiving deliveries of building materials, notwithstanding the ongoing COVID-19 pandemic.

Some of the materials used in implementing our projects in Gabon comprise goods originating from our fabrication facility in Malaysia and shipped to Gabon. These comprise steel structures and machinery and equipment fabricated by us, as well as other goods such as machinery and equipment, fittings and building materials purchased from suppliers in Malaysia.

As a result of COVID-19, we experienced some delays in delivering goods from Malaysia for our projects in Gabon due to the following reasons:

- As EMESB's fabrication facility was closed or only allowed to operate at reduced workforce capacity for certain periods due to MCO, this resulted in some delays in fabricating some of the steel structures, machinery and equipment for projects in Gabon.

- Longer shipment time due to reduced frequency of cargo ships sailing from Malaysia to Gabon, more stringent inspection of goods at the port of disembarkation, and slower receiving of our goods at the port of disembarkation due to workforce restrictions enforced by local authorities.

During this period, we purchased some of the building materials from suppliers in Gabon to mitigate against delays in receiving shipments from Malaysia.

Similarly, our business operations in Indonesia experienced some temporary interruptions due to the suspension of work at our fabrication facility as described above, as the fabrication of some machinery and equipment for our projects in Indonesia being delayed.

7.23.7 Impact of our earning prospects

Our business operations were affected by the COVID-19 pandemic which resulted in the temporary suspension of our business activities followed by subsequent partial operations during the MCO period in 2020 and Phase 1 of NRP, EMESB operated at normal workforce capacity from 19 October 2021 up to the LPD, and ETSB operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, and at normal workforce capacity from 25 October 2021 up to the LPD.

As at the LPD, we do not foresee any material adverse effect on our financial position or business arising from the COVID-19 pandemic in view of our overall healthy financial position. Further, our Directors consider that the disruption caused by and the impact of the COVID-19 pandemic is temporary of nature and is not expected to be long-lasting. Therefore, it is expected that the overall impact caused by the COVID-19 pandemic on our business, results of operations and/or financial performance will not be material, and that we will be able to discharge our obligations under all on-going projects.

7.24 SEASONALITY

We did not experience any seasonality in our business during the Financial Years Under Review.

7.25 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

(i) Environmental

Our Group is in the process of adopting sustainable practices in response to environmental issues such as climate change, waste and pollution. These practices include:

Regulatory requirement and environmental issue

As disclosed in Section 7.3.1.1 (f) of the Prospectus, to address the pollution-related issues, our Group constructs biogas plants for palm oil mill effluent (POME) treatment at palm oil mills for our customers which comprise of (1) POME pre-treatment system, (2) bioreactor tanks, (3) biogas treatment system and (4) power generation system following the standards set under Department of Environment.

Expanding the supply of environmental-related equipment

As disclosed in Section 7.3.2 (a) of the Prospectus, our Group is involved in the supply of environmental-related equipment i.e., heat recovery equipment and non-chemical water treatment equipment used in the palm oil industry or other industries. To promote more of the environmental and energy efficiency business to customers, our Group allocated a total of RM 1 million from the use of proceeds from the Public Issue for our expansion of environmental and energy efficiency business as disclosed under Section 4.4 of the Prospectus.

Usage of clean energy via the installation of solar panel

As disclosed in Section 12.4.5 of the Prospectus, our Group was installing a solar photovoltaic system to reduce the consumption of electricity at the office and manufacturing plant located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Malaysia.

The installation work has been completed in November 2021 and is in the process of obtaining approval from the Malaysian Green Technology and Climate Change Centre (MGTC) for Green Investment Tax Allowance and approval from Energy Commission to operate the solar photovoltaic system.

(ii) Social

Our Group is committed to serving the interests of our customers, employees, contractors as well as the wider communities through the following practices:

Workplace

As disclosed in Section 7.23.1 of the Prospectus, to ensure the continuation of business operations during the COVID-19 period while concerned about the welfare of the employees, visitors, customers, contractors etc., standard operating procedure on COVID-19 was established.

Employee

Our Group in its Environmental, Social and Governance Policy effective 1 January 2022 disclosed that employees are given an equal opportunity to grow their career pathway and would invest in the professional development training of employees to retain and reshape them for future company's business expansion purposes. The management is committed to involving employees of the company in making decisions in relation to social policies.

Besides, social protection for foreign workers' welfare is set up by the company. Foreign workers employed by our Group are provided with worker's dormitories that should be registered with the Employees' Minimum Standards Housing and Amenities Act 1990. As per disclosed in Section 7.21 (f) of the Prospectus, as at the LPD, foreign workers' accommodations have been issued with a Certificate of Accommodation for (1) Unit 72-04-28, (2) Unit 75-01-06 and (3) Unit 75-01-30 on 2 pieces of land in Mukim Plentong, Johor Bahru.

Occupational Health & Safety

As disclosed in Section 7.21(e) of the Prospectus, the OSHA 1994 regulates among others the safety, health and welfare of persons at work, protecting others against the risks to safety or health in connection with the activities of persons at work in the manufacturing industry. For the Financial Years Under Review and up to the LPD, our Group has not been issued any penalties by DOSH pursuant to the OSHA 1994.

(iii) Governance

Our Group is committed to conducting our business ethically and in compliance with the approved code of conduct effective 1 July 2020.

In addition, our Group also has a zero-tolerance policy towards bribery, and has put in place policies and procedures to maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments. Besides, a risk management framework is in place to ensure close monitoring of risk towards the achievement of company objectives.

In addition to the above, our Board takes note of the increasing importance of environmental, social and governance matters as sustainability considerations in supporting our long-term strategies. The Board will take guidance from, amongst others, the recommendations under the Malaysian Code of Corporate Governance as at 28 April 2021 as well as the Sustainability Reporting Guide 2015 by Bursa Securities and intends to disclose or apply these code and guide upon issuance of our first annual report.

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VITAL FACTOR CONSULTING
Creating Winning Business Solutions

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(Company No.: 199301012059 (266797-T))
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46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel (603) 7931-3188
Fax (603) 7931-2188
Website: www.vitalfactor.com

30 May 2022

The Board of Directors
Ecoscience International Berhad
PLO 555, Jalan Keluli 8
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor, Malaysia

Dear Sirs and Madam

Independent Assessment of the Construction of Palm Oil Plants and Fabrication of Equipment for the Palm Oil Milling Industry

We, Vital Factor Consulting Sdn Bhd (Vital Factor), are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996. To date, we have assisted approximately 100 companies for initial public offerings as well as other corporate exercises such as mergers and acquisitions, and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above subject for inclusion into the prospectus of Ecoscience International Berhad in relation to its proposed listing on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of the readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report includes assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. While such statements are made based on, among others, secondary information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results. In light of these and other uncertainties, the inclusion of assessments, opinions and forward-looking statements may differ from actual events.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders (formerly known as the Australian Institute of Management). He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listings on Bursa Securities.

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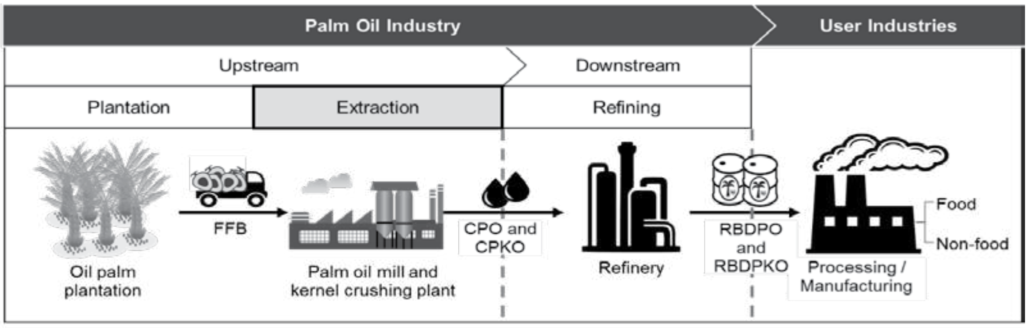
INDEPENDENT ASSESSMENT OF THE CONSTRUCTION OF PLANTS AND FABRICATION OF EQUIPMENT FOR THE PALM OIL MILLING INDUSTRY

1. INTRODUCTION

- Ecoscience International Berhad and its subsidiaries (Ecoscience Group) are mainly involved in the construction of palm oil mills and supporting facilities including fabrication of palm oil milling equipment. These activities accounted for at least 75% of Ecoscience Group's total revenue for the financial years ended 31 December (FYE) FYE 2018, FYE 2019, FYE 2020 and FYE 2021. Therefore, this report will focus on the palm oil industry as Ecoscience Group's main user industry. As Ecoscience Group mainly serve the markets in Malaysia, Gabon and Indonesia, this report will cover the three markets.

2. OVERVIEW OF THE PALM OIL INDUSTRY

2.1 Value Chain of the Palm Oil Industry



FFB = Fresh fruit bunch; CPO= Crude palm oil; CPKO = Crude palm kernel oil; RBD = Refined, bleached and deodorised

Ecoscience Group is mainly involved in this segment.

- The palm oil industry involves the production of fresh fruit bunches (FFB) in plantations and processing them in mills and palm kernel crushing plants to extract crude palm oil (CPO) and crude palm kernel oil (CPKO) respectively. The CPO and CPKO are subsequently refined to produce refined palm oil products that are supplied to user industries to manufacture a variety of food and non-food products. The palm oil industry can be categorised into the upstream and downstream sectors.

- The **upstream sector** involves the operations of oil palm plantations, palm oil mills and kernel crushing plants. Large oil palm plantations usually have an integrated palm oil mill with a kernel crushing plant. Furthermore, palm oil mills may source FFB from third party oil palm plantations as they need a constant source of supply of FFB to optimise production efficiency. Ecoscience Group is involved in the construction of palm oil mills and supporting facilities in this segment.

- The **downstream sector** involves operating palm oil refineries to remove undesirable materials from CPO and CPKO to produce refined palm oil products. Undesirable materials in palm oil include free fatty acids, pigments, odour-causing compounds and moisture. Excessive levels of these materials can adversely affect the colour, smell, taste, nutritional value, stability and shelf-life of manufactured food and non-food products. The processes involved in refining include de-gumming and de-acidification, decolourisation, deodorisation and fractionation. Refined palm oil products comprise refined, bleached and deodorised palm oil (RBDPO) and palm kernel oil (RBDPKO).

- RBDPO and RBDPKO are supplied to user industries to manufacture food products such as cooking oil, margarine, shortening, ghee, and as an ingredient in other food products, and non-food products such as soaps, detergents and cosmetics.

2.2 Palm Oil Industry Ecosystem

- The value chain of the palm oil industry starts from the oil palm plantation where oil palm trees are cultivated to produce FFB that contain the fruits from which palm oil is extracted. Palm oil mills have to be close to FFB sources as the quality of the fruits deteriorate from the time of plucking until they are processed. As

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such, palm oil millers would aim to receive the fruits within 24 hours of plucking to maximise quality and yield. Mainly, for this reason, palm oil mills are located close to one or more large plantations to ensure a constant supply of FFB.

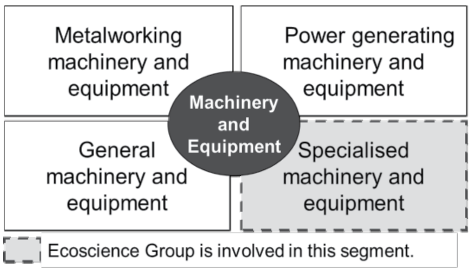
- As oil palm plantations are generally large, they are usually located in remote areas far from the nearest town. Oil palm plantations and mills are typically labour-intensive operations due to the large number of workers required to tend to oil palm trees, harvest FFB and operate the palm oil mill daily. Therefore, there is a need to develop community facilities in or near plantations and palm oil mills to support workers and their families and to minimise workers' travel time to and from work. These community facilities are aimed to be self-sustaining and include, among others:
  - accommodation for plantation and mill workers and staff, and their families;
  - community amenities such as schools, clinics, shops and recreational facilities;
  - operational buildings such as offices, laboratories and storage areas; and
  - infrastructure such as road access, power and water supply, and sewerage systems.

- Ecoscience Group is involved in the construction of palm oil mills and facilities and fabricating palm oil milling equipment, focusing on structures and process or static equipment that has no moving parts. Equipment with moving parts such as engines, motors, compressors and pumps are purchased and integrated with the static equipment to provide processing functions.

3. PERFORMANCE OF SPECIALISED MACHINERY AND EQUIPMENT INDUSTRY IN MALAYSIA

3.1 Machinery and Equipment Sector

- The machinery and equipment sector is segmented into metalworking, power generating, general, and specialised machinery and equipment. Specialised machinery and equipment are designed for specific industries such as the electrical and electronic, oil and gas, medical, food and beverage processing and agriculture industry including the palm oil industry.



- The sales value of the manufacture of specialised machinery and equipment in Malaysia declined by 11.8% from RM6.8 billion in 2020 to RM6.0 billion in 2021. In quarter 1 (Q1) 2022, sales value of this category increased by 28.2% to RM1.59 billion compared to RM1.24 billion in Q1 2021 *(Source: Department of Statistics Malaysia (DOSM))*

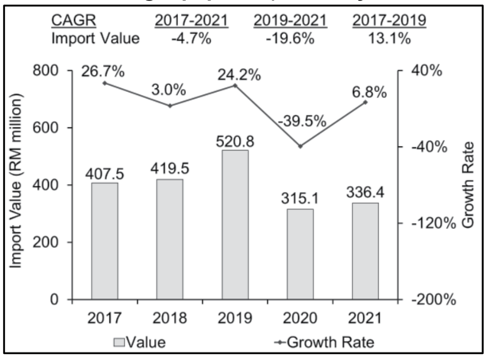
- Ecoscience Group operates under the specialised machinery and equipment segment of the industry. As a main contractor for the construction of palm oil milling plants, Ecoscience Group fabricates some of the palm oil milling equipment including, among others, steriliser, thresher, palm kernel plant (except ripple mills) and kernel crushing plants (except palm kernel expellers and filter presses) while some of the equipment is manufactured by external parties.

3.2 Machinery and Equipment for Agriculture Processing in Malaysia

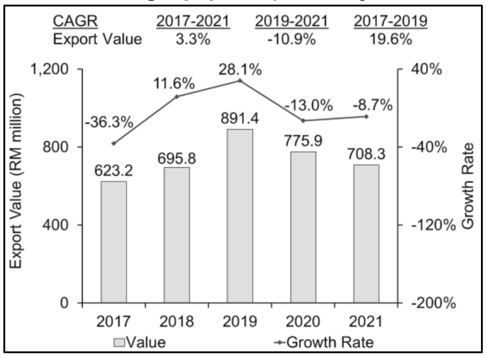
- The manufacture of palm oil milling equipment falls under the machinery and equipment for agriculture processing which is part of the umbrella of the specialised machinery and equipment sector.

- Between 2017 and 2019, the import and export of machinery and equipment for agriculture processing increased at a CAGR of 13.1% and 19.6% respectively. However, in 2020, the import and export of this type of machinery and equipment declined by 39.5% and 13.0% respectively. This was likely to be due to the COVID-19 pandemic which adversely affected the economy in Malaysia as well as the import and export demand for machinery and equipment for agriculture processing. In 2021, the import of this type of machinery and equipment recovered to grow by 6.8% compared to 2020. This was mainly attributed to machinery and equipment used for cleaning and sorting, used in milling industry as well as used for the preparation of fruits, nuts and vegetable including palm oil. The export of machinery and equipment for agriculture processing equipment declined at a lower rate of 8.7% in 2021 compared to 2020. The decline was mainly due to temperature treatment machinery such as sterilisers, as well as those used in extraction or preparation of animal or fixed vegetable fats.

Import of Machinery and Equipment for Agriculture Processing (including palm oil milling equipment) in Malaysia



Export of Machinery and Equipment for Agriculture Processing (including palm oil milling equipment) in Malaysia

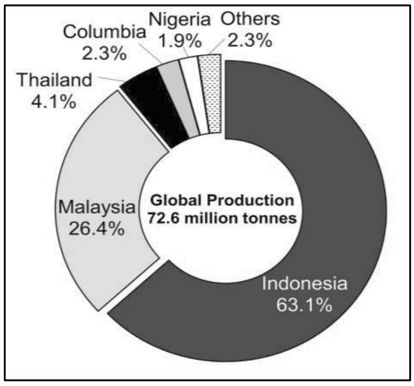


(Source: Malaysia External Trade Statistics (METS))

4. GLOBAL PALM OIL PRODUCERS

- Global palm oil production was estimated at 72.6 million tonnes in 2021. Indonesia was the leading palm oil producer, accounting for 63.1% of the total global palm oil production followed by Malaysia at 26.4%. Meanwhile, Thailand, Columbia and Nigeria accounted for 4.1%, 2.3% and 1.9% of the global palm oil production respectively. Other palm oil producing countries include Papua New Guinea, Brazil and Gabon.

Global Palm Oil Production - 2021



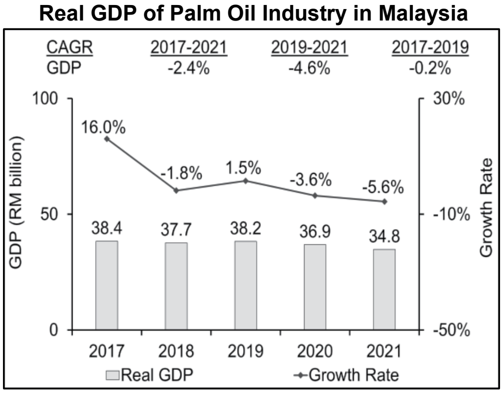
(Source: Vital Factor analysis))

5. PERFORMANCE OF THE PALM OIL INDUSTRY IN MALAYSIA

5.1 GDP of Palm Oil Industry in Malaysia

- The palm oil industry is one of Malaysia's key drivers of economic growth. Real GDP of the palm oil industry indicates the performance of the industry, and consequently, this will affect the demand for the construction of palm oil mills and equipment. The palm oil sector accounted for 35.1% of the agriculture industry's real GDP in 2021. *(Source: Bank Negara Malaysia (BNM))*

Real GDP of Palm Oil Industry in Malaysia



(Source: DOSM)

- In 2021, the real GDP of the palm oil industry declined by 5.6% compared to 2020. This was mainly due to the acute impact from labour shortages and floods in the earlier part of the year which continued to affect harvesting activities. *(Source: BNM)*. In Q1 2022. The real GDP of palm oil industry grew by 3.9% compared to Q1 2021. Overall in 2022, agriculture industry is forecasted to recover and grow by 1.5%, mainly driven by higher oil palm production with the expectation for a gradual improvement in labour supply as well as heavier rainfall in the early part of the year which would improve soil moisture and increase oil palm yields in the latter part of the year. *(Source: BNM)*

5.2 Oil Palm Plantation in Malaysia

- In 2021, the largest oil palm cultivation areas in Malaysia were in Sarawak, Sabah and Pahang with a total planted area of 1.6 million hectares (Ha), 1.5 million Ha and 0.8 million Ha respectively. In 2021,

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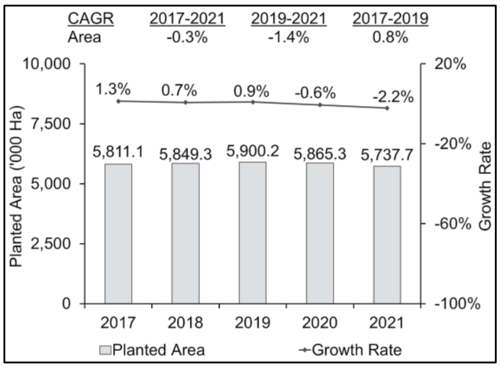
estates and organised smallholders accounted for 85.0% of the total oil palm planted area, while the independent smallholders accounted for 15.0%.

- Growth in planted areas has decline at an average annual rate of 1.4% between 2019 and 2021, This would also lower the growth for supporting industries including the construction of palm oil mills and fabrication of equipment.

Oil Palm Planted Area in Malaysia



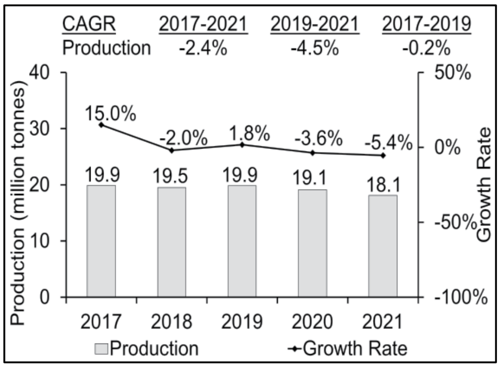
(Source: MPIC)

5.3 Palm Oil Mills and Refineries in Malaysia

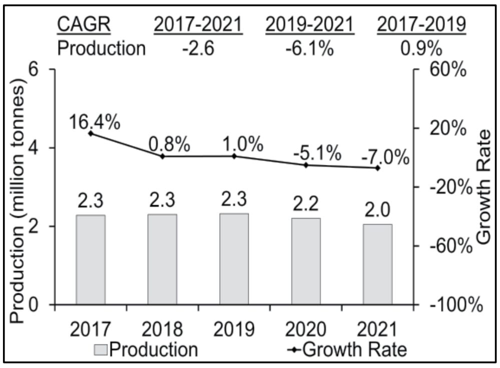
- The number of palm oil mills and refineries would represent potential markets for equipment replacements and upgrade, and plant refurbishment for fabricators of the palm oil mill and refinery equipment such as Ecoscience Group. In 2021, there were 451 palm oil mills and 49 palm oil refineries in operation in Malaysia. Since 2016, licences for the development and operation of palm oil mills in Malaysia are only issued to companies if they possess or have access to matured oil palm plantations of at least 4,000 Ha belonging to their groups or subsidiary companies. As such, growth in the number of palm oil mills faces constraints that may negatively impact operators in the construction of palm oil mills and fabrication of equipment.

5.4 Crude Palm Oil and Palm Kernel Oil Production in Malaysia

Production of Crude Palm Oil



Production of Crude Palm Kernel Oil



(Source: MPOB)

- In 2021, the production of CPO declined by 5.4% in line with the lower FFB yield which also decreased by 7.5% to 15.5 tonnes per Ha. Based on latest available information, in 2020, Sabah remained the largest CPO producing state having accounted for 24.3% of the total production of CPO in Malaysia. This was followed by Sarawak, Johor and Pahang which accounted for 21.2%, 16.5% and 15.7% respectively, while the other states accounted for the remaining 22.4% in 2020.

- Similarly, the production of CPKO also declined by 7.0% in 2021. Based on the latest available information, Sabah remained as the largest CPKO producing state in Malaysia in 2019, having accounted for 24.0% of the total production of CPKO, followed by Selangor, Johor and Sarawak which accounted for 22.2%, 20.2% and 16.0% respectively, while the remaining 17.6% was produced in the other states.

- In 2021, production volume of CPO and CPKO declined by 5.4% and 7.0% respectively compared to the previous year. The decline was mainly affected by floods, while labour shortages continued to affect harvesting activities. *(Source: BNM)*

- In 2019, the Ministry of Plantation Industries and Commodities established several policies including limiting the total acreage of oil palm cultivated areas to 6.5 million Ha, stopping the new planting of oil palm in peatlands, a ban on the conversion of forest reserved areas for oil palm cultivation and providing

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public access to palm plantation maps. These policies will place constraints on the growth of oil palm planted areas, which would limit the opportunities for the construction of new palm oil mills or fabricators of palm oil mills and equipment.

6. PALM OIL INDUSTRY IN GABON

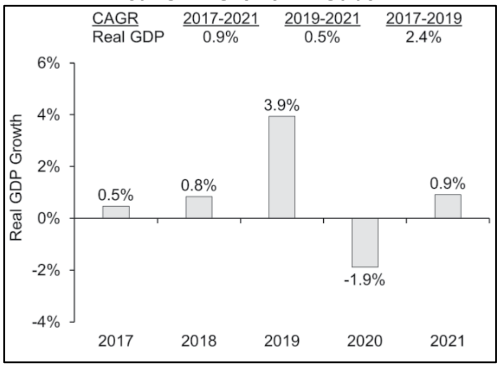
- Gabon constitutes Ecoscience Group's main market for the construction of palm oil mills and facilities. Ecoscience Group's revenue from Gabon was mainly derived from its largest customer, Olam Group Limited and its group of companies (Olam Group), a Singapore based multinational corporation. It operates in the food and agriculture business operating in 60 countries worldwide. The section below covers Olam Group's role in the agriculture industry in Gabon.

6.1 Overview of Gabon

2021	Gabon
Nominal GDP (USD billion)	19.2
GDP per capita (USD '000)	9.0
Land size ('000 square km)	267.7
Population (million)	2.1

(Source: Vital Factor analysis)

Real GDP Growth in Gabon



(Source: Vital Factor analysis)

- Gabon is one of the few Sub-Saharan Africa (SSA) nations with upper-middle-income status, mainly due to its abundant mineral resources such as petroleum and manganese.

- Following the discovery of large oilfields in the early 1970s, the economy of Gabon accelerated with real GDP growth exceeding 9% between 1968 and 1977, surpassing the average growth of 4.3% for the other SSA countries. In the mid-1970s, the petroleum industry accounted for over 50% of the country's total GDP. However, the economy was adversely affected as commodity prices fell and resources were depleted. Between 2019 and 2021, real GDP in Gabon grew at a CAGR of 0.5%. The economy was driven by the petroleum industry which accounted for 20.2% of the country's total GDP in 2019 *(latest available information)*.

6.2 Overview of the Agriculture Industry

- In 2010, the government of Gabon launched the Emerging Gabon Strategic Plan (PSGE) aimed at diversifying its economy by 2025, which resulted in the growth of the agriculture industry, mainly through public-private partnership (PPP) arrangements. Under the PSGE, Gabon and Olam Group entered into four PPPs to develop and operate two large-scale palm oil and rubber projects, a Special Economic Zone project specialising in wood processing, and a fertiliser plant. Olam Group's total investment in Gabon is expected to reach USD5.8 billion by 2022, of which USD2.1 billion were executed between 2010 and 2017. The palm oil project was executed under a joint venture structure through the establishment of Olam Palm Gabon SA, with 60% owned by Olam Group and 40% owned by the Gabonese Republic. The estimated cost for the palm oil and rubber projects was USD1.0 billion and is expected to involve 100,000 Ha and 28,000 Ha of land respectively. In 2018, the area for oil palm and rubber plantations reached 32,000 Ha and 28,000 Ha respectively *(latest available statistics)*.

- In 2014, cooperation between Gabon and Olam Group extended to include the Gabonese Agricultural Achievements and Initiatives of Committed Nationals (GRAINE) programme, which involved local smallholder farmers in the development of oil palm and food crops. The execution of the GRAINE programme was through the establishment of Sotrader (The Agricultural Processing and Rural Development Company, a joint venture between the Gabonese Republic and Olam Group aimed at transforming Gabon into a food self-sufficient country and a net exporter of palm oil. The first phase of

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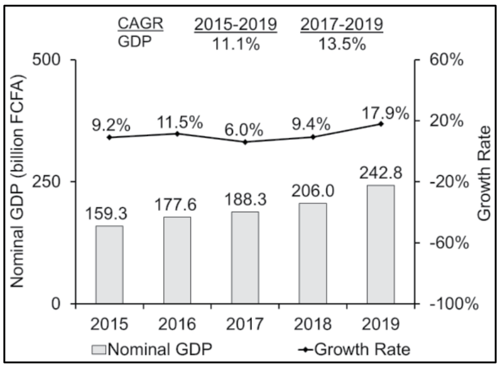
the GRAINE programme was implemented from 2015 to 2020, and the second phase from 2021 to 2025. Investment for the first phase of the GRAINE programme was estimated at USD1.5 billion to develop 10,500 Ha of oil palm and 10,000 Ha of food crops. Phase two of the GRAINE programme has yet to be established.

6.3 Performance of Agriculture and Palm Oil Industry in Gabon

- Based on the latest available information, between 2017 and 2019, the nominal GDP of the agriculture industry in Gabon grew at a CAGR of 13.5%, higher than the country's nominal GDP growth of 3.8% for the same period. However, contribution from the agriculture industry remained small at below 3.0% of the total GDP for the same period.

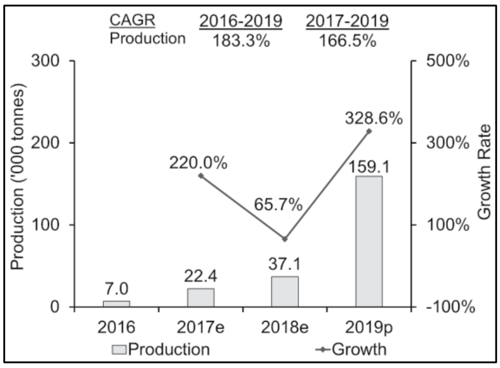
- In 2019, the palm oil industry in Gabon experienced substantial growth registering 328.6% growth in production volume compared to 2018 *(latest available statistics)*. The growth in palm oil production was mainly driven by Olam Palm Gabon SA. In 2019, the exports of palm oil in terms of tonnage from Gabon also grew substantially to an estimated 56,600 tonnes. There will be no analysis of specialised machinery and equipment due to limited data and statistics on Gabon.

Nominal GDP of Agriculture Industry in Gabon

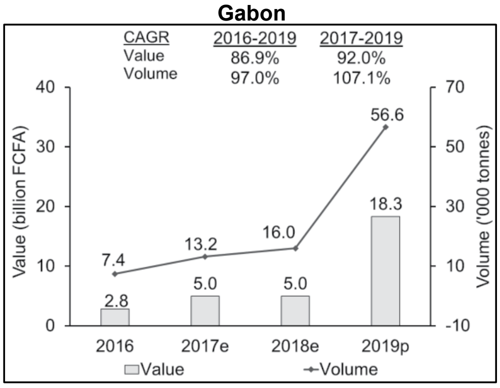


FCFA =Central Africa CFA franc; 1 USD ≈ 581.166 FCFA. (Source: Bank of Central African States)

Palm Oil Production in Gabon



Export Value and Volume of Palm Oil from Gabon



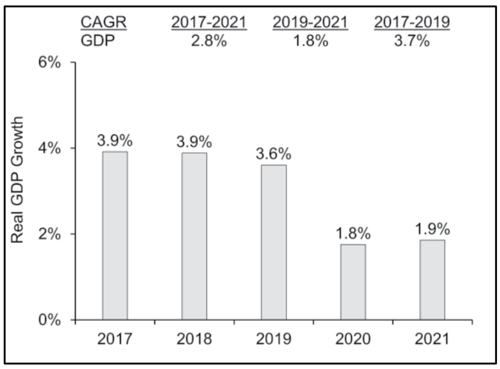
e = estimates; p =preliminary. (Source: Bank of Central African States)

7. PALM OIL INDUSTRY IN INDONESIA

2021	Indonesia
Nominal GDP (USD billion)	1,218.2
GDP per capita (USD '000)	4.5
Land size ('000 square km)	1,916.9
Population (million)	272.7

(Source: Statistics Indonesia)

Real GDP Growth of Agriculture Industry in Indonesia



(Source: Statistics Indonesia)

7.1 Overview of Indonesia

- As Indonesia is one of Ecoscience Group's markets for the construction of palm oil mills and equipment, the following is an assessment of the performance of the agriculture industry in the country.

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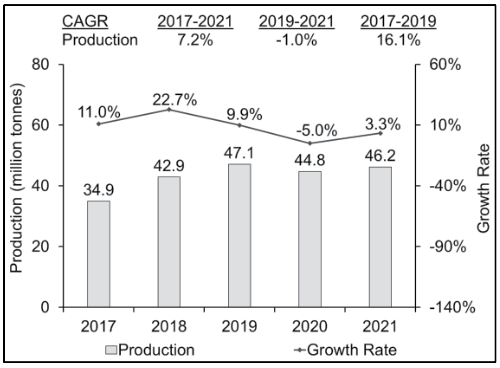
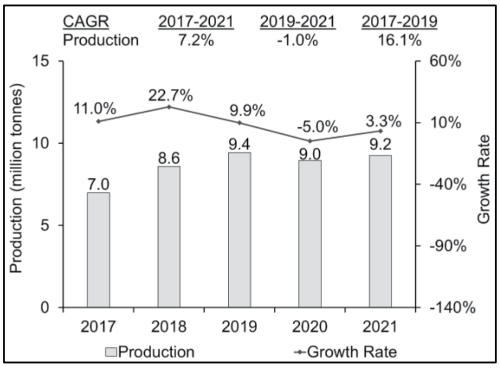
- In 2021, the manufacturing, wholesale and retail trade, agriculture and construction industry were the main contributors to Indonesia's GDP, while the agriculture industry contributed approximately 12.6% to Indonesia's overall GDP. In 2020, the Indonesian economy contracted by 2.1%, mainly due to the COVID-19 pandemic, while the real GDP of the agriculture industry grew by 1.8%, albeit at a lower rate compared to 2019. In 2021, the real GDP of the Indonesian economy grew by 3.7% compared to the previous year. Meanwhile, the real GDP of the agriculture industry grew by 1.9% in 2021.

Production of Crude Palm Oil in Indonesia



Production of Palm Kernel Oil in Indonesia

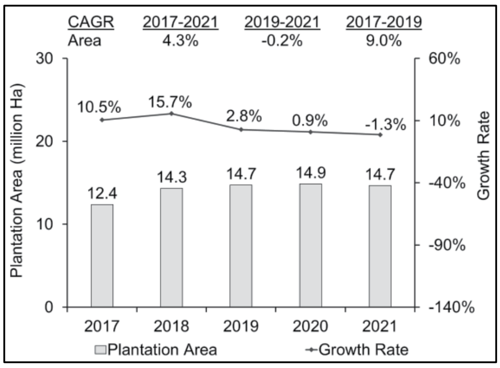


(Source: Statistics Indonesia)

7.2 Overview of the Palm Oil Industry

- Between 2019 and 2021, the area under oil palm plantations in Indonesia declined by 0.2% to 14.7 million Ha in 2021. In September 2018, there was a Presidential Instruction to delay the granting of licences for oil palm plantations for a maximum of three years from the date of the issuance of the Presidential Instruction. This will limit the growth of oil palm plantation areas in Indonesia. Nevertheless, Indonesia is the largest palm oil producer in the world, contributing approximately 57% of the global palm oil production in 2020 *(latest available statistics)*.

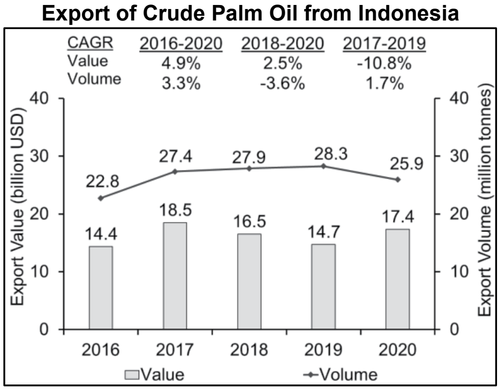
Oil Palm Plantation Area in Indonesia



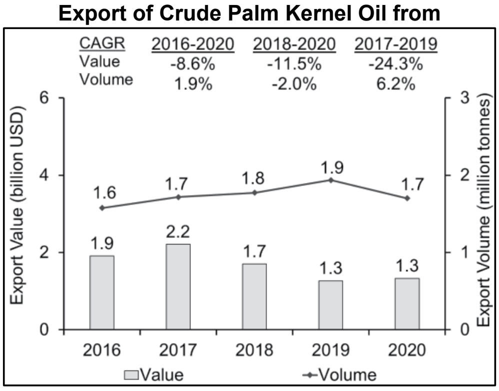
(Source: Statistics Indonesia)

7.3 Export Demand of Crude Palm Oil and Palm Kernel Oil in Indonesia

Export of Crude Palm Oil from Indonesia



Export of Crude Palm Kernel Oil from



(Source: Statistics Indonesia)

- Between 2017 and 2019, the export value of CPO and CPKO declined at an average annual rate of 10.8% and 24.3% respectively. This was mainly due to the lower CPO and CPKO prices between 2017 and 2019. The production of palm oil in Indonesia is mainly to cater to export demand. Based on latest

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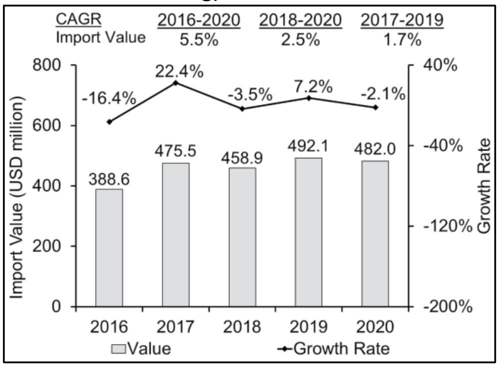
available statistics, in 2020, a large proportion of the exports of CPO was to India, which accounted for 17.6% of the total export volume of CPO from Indonesia.

7.4 Machinery and Equipment for Agriculture Processing

- Based on latest available statistics, between 2018 and 2020, the import of machinery and equipment for the agricultural processing industry including the palm oil milling industry grew by a CAGR of 2.5%.

- Indonesia is a net importer of machinery and equipment for agriculture processing including palm oil milling equipment. This is indicated by the fact that in 2020, the import value of these types of machinery and equipment into Indonesia was USD482.0 million compared to exports at USD3.2 million.

Import of Machinery and Equipment for Agriculture Processing (including palm oil milling) in Indonesia

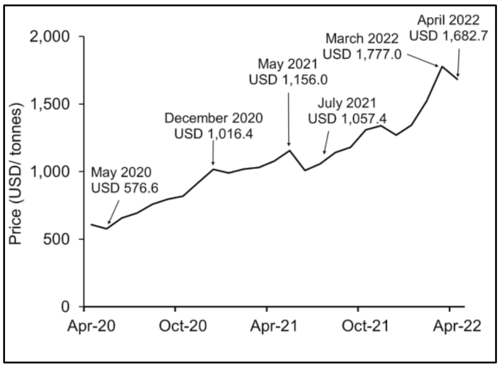


(Source: Vital Factor analysis)

8. GLOBAL PALM OIL PRICE

- Increases in CPO prices would encourage investments in the upstream palm oil industry while sustained low prices would make the production of low yielding plantations commercially uneconomical. Any decline in the investment in upstream activities would affect supporting service providers including Ecoscience Group. In April 2022, the price of CPO increased by 56.1% to USD1,682.7 compared to USD1,078.1 in April 2021. Some of the factors affecting the CPO prices include demand and supply conditions, price movements in crude oil as palm oil is used as feedstock to produce biodiesel, and competition from alternatives vegetable oils including soybean, sunflower, peanut and rapeseed oil. In addition, the implementation of the Renewable Energy Directive (2018/2001/EU) by the European Union to gradually reduce the use of food and feed crops (including palm oil) as feedstock for biofuels, bioliquids and biomass fuels to 0% by 2030 impacts on palm oil prices.

Global Crude Palm Oil Prices

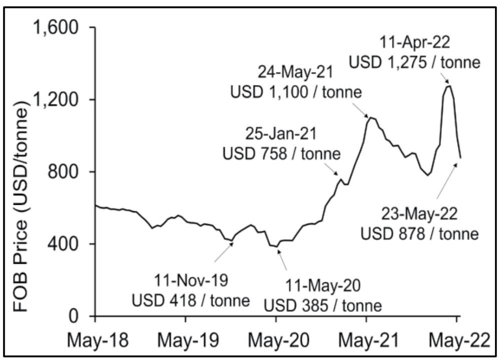


(Source: Vital Factor analysis)

9. GLOBAL STEEL PRICE

- Steel is a globally traded commodity and are subject to price fluctuations or volatility. Global prices affect local companies involved in the fabrication of palm oil processing machinery and equipment as steel represent a large proportion of the overall cost of palm oil processing machinery and equipment. Between May 2018 and May 2022, steel recorded the lowest global price at USD385 per tonne on 11 May 2020 before it peaked at USD1,275 per tonne on 11 April 2022. On 23 May 2022, the global steel price had declined to USD878 per tonne.

Global Bimonthly Steel Prices



(Source: Vital Factor analysis)
Note: Chart range is 14 May 2018 to 23 May 2022

10. COMPETITIVE ANALYSIS

- The criteria for selecting the companies listed below is they must be a public listed company or a private company with revenue of RM20 million and above, and are involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment. This is not an exhaustive list of operators in Malaysia and Indonesia. They were compiled from published documents, websites,

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industry directories, Bursa Securities and Indonesia Stock Exchange, and they include public listed companies or their subsidiaries, and private companies with available financial information.

Listed in descending order of segment/company revenue and where applicable Group Revenue	Business Activities A	Business Activities B	FYE(1)	Group Rev(2) (RM mil)	Segment/ Company Rev (3) (RM mil)	Group/ Company NP (RM mil)	Group/ Company NPM (%)
Malaysian Operators							
CB Industrial Product Holding Berhad(4)	√	√	Dec-21	606.0	243.9(7)	92.4	15.2
Muar Ban Lee Group Berhad(4)	√	√	Dec-21	340.6	96.2(8)	19.2	5.6
Eonmetall Group Berhad(4)	√	√ (6)	Dec-21	216.9	35.6	24.9	11.5
Ecoscience Group	**√**	**√**	**Dec-21**	**153.2**	**153.2**	**8.1**	**5.3**
PMT Industries Sdn Bhd(4) (5)	√		Dec-20	-	104.5	10.0	9.6
Seremban Engineering Berhad(4)	√		Jun-21	93.6	93.6	2.6	2.8
Merge Jati Engineering Sdn Bhd	√	√	Jun-21	-	67.1	2.1	3.1
A.K.K Engineering Sdn Bhd	√	√	Dec-20	-	63.0	-	-0.1
Uni-Vessel Engineering (Butterworth) Sdn Bhd	√	√	Jun-21	-	39.2	1.6	4.1
Kejuruteraan Wang Yuen Sdn Bhd	√		Dec-20	-	38.7	2.5	6.5
Taner Industrial Technology (M) Sdn Bhd	√		Dec-20	-	34.9	1.9	5.4
Dolphin International Berhad(4)	√	√	June-21	8.9	3.7	-40.5	-455.1
Indonesian Operators							
PT. Krakatau Steel (Persero) Tbk(9)	√	√	Dec-21	8,939.0(11)	109.8(11)	257.6(11)	2.9
PT. Paramita Bangun Sarana Tbk (10)		√	Dec-21	81.0(12)	81.0 (12)	24.2 (12)	29.9

A = fabrication of palm oil processing equipment; B = construction of palm oil processing plants and mills; Sdn Bhd = Sendirian Berhad; Bhd = Berhad; Rev= revenue; NP = net profit; NPM = net profit margin (1) Latest available financial information from annual reports, Companies Commission of Malaysia (CCM) and Ecoscience Group. (2) Revenue of holding company and its subsidiaries which may include other business activities (3) Segment revenue refers to the portion of the Group revenue which is derived from construction/fabrication of palm oil milling plants and/or equipment and may include other business activities. (4) An entity listed on Bursa Securities or subsidiary of a listed entity. (5) Part of Wah Seong Corporation Berhad, a listed entity on Bursa Securities. (6) It is involved in the construction of palm fibre and kernel oil extraction plants using solvents. (7) Refers to the revenue from the Equipment and Engineering operating segment which mainly include construction of palm oil mills, trading of palm oil equipment, and manufacturing, installation and repair of bio-energy systems. (8) Refers to the revenue from the manufacturing segment involving the manufacture of oilseed expeller, automated kernel crushing plants and related parts. (9) An entity listed on Indonesia Stock Exchange, PT. Krakatau Steel (Persero) Tbk is a diversified group with business operations in steel products, real estate and hotels segment and engineering and construction segment, port services and other services. (10) An entity listed on Indonesia Stock Exchange, PT. Paramita Bangun Sarana Tbk is involved in the construction of palm oil mills and other plants and facilities. (11) Based on BNM's exchange rate of 1USD = MYR4.146. (12) Based on BNM's exchange rate of 100IDR = MYR0.029.

- The following are some of the private companies or subsidiary of public listed companies involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment in Indonesia:

- CV. Intifada Jaya	- PT. CB Polaindo(1)	- PT. Palmec
- CV. Palm Service Indonesia	- PT. Galung Effendo Sehati	- PT. Pancakarsa Bangun Reksa
- PT. Asia Raya Foundry	- PT. Jaya Buwana Indonesia	- PT. Persada Dinamik Jaya
- PT. Banguncipta Persada Mandiri	- PT. Krakatau Engineering	- PT. Putra Tunas Megah
- PT. Baoban Jaya Abadi	- PT. Merge Jati	- PT. Sinar Galuh Pratama
- PT. Barata Indonesia	- PT. Palmas Project Engineering	- PT. Triroyal Timurraya

Note: The above companies are listed in alphabetical order. There are no publicly available financial data.
(1) A subsidiary of CB Industrial Product Holding Berhad.

- As for Gabon, there is no publicly available information for companies involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment. Generally, foreign operators are involved in the construction of plants and fabrication of equipment for the palm oil industry in Gabon. Some of these foreign operators include operators from Malaysia.

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11. MARKET SIZE AND SHARE

- There are no publicly available statistics for the construction of palm oil milling plants as well as the fabrication of equipment for the palm oil milling industry in Gabon, Indonesia or Malaysia, and therefore market size and share cannot be determined.

12. INDUSTRY CONSIDERATION FACTORS

- The construction of plants and facilities, and fabrication of equipment for palm oil milling is linked to the performance of the palm oil industry. A thriving palm oil industry is reflected by increasing oil palm plantation acreage and supported by good CPO prices, which will encourage investments in new and upgrades of palm oil milling plants, equipment and community facilities. The prices of CPO as a commodity are dependent on global demand, competition from substitute edible oils such as sunflower, rapeseed and soybean, demand from non-food usage such as biodiesel, climate influences such as El Nino and La Nina, as well as restrictive trade practices from major importing countries. In April 2022, the price of CPO increased by 56.1% to USD1,682.7 compared to USD1,078.1 in April 2021 [(1)]. In 2020, the top three world's largest importer of CPO was India, Netherlands and Spain which collectively accounted for 70.7% of total global imports. Based on latest available statistics, between 2018 and 2020, global imports of CPO grew at a CAGR of 6.0% [(1)]. In 2020, the top three world's largest consumer of CPO was Indonesia, India and China, which collectively accounted for 39.9% of total global consumption. Between 2018 and 2020, global consumption of CPO grew by a CAGR of 2.5% [(2)]. *(Sources: (1) Vital Factor analysis; (2) MPIC)*

- Since the World Health Organisation declared COVID-19 a pandemic on 11 March 2020, the pandemic has affected most countries in the world. Measures taken to combat the COVID-19 pandemic has caused, among others, restrictions in domestic and international travels, interruptions in the supply chain, and restrictions on social and economic activities. With the rollout of vaccines which commenced at the end of 2020, the global economy recovered by 6.1% in 2021. *(Sources: Vital Factor analysis)*

- **MALAYSIA:** The real GDP of Malaysia's economy grew by 3.1% in 2021 compared to 2020. Meanwhile, the real GDP of the palm oil industry contracted by 5.6% in 2021 compared to 2020. According to BNM, Malaysia's economy is projected to expand with real GDP between 5.3% and 6.3% in 2022, underpinned by continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and a further improvement in labour market conditions. The recovery of Malaysia's economy will be supported by eight economic stimulus packages provided by the Malaysian government with a total allocation of RM530 billion.

- **INDONESIA:** In 2021, the real GDP of the Indonesian economy recovered to register growth of 3.7% in compared to the previous year. Meanwhile, the real GDP of the agriculture industry grew by 1.9% in 2021. Moving forward, the development in the Indonesia economy including the agriculture industry will be dependent on the effectiveness of the management of the COVID-19 pandemic, as well as monetary and fiscal policies including the National Economic Recovery Programme introduced by the government of Indonesia with a total allocation of Rp744.75 trillion as at the end of 2020 to support the Indonesia economy during the COVID-19 pandemic.

- **GABON:** The government of Gabon has introduced several support measures including an allocation of 4 billion CFA franc for electricity bill payment, 2 billion CFA franc for water bill payment, unemployment allowance, reduction in taxes, allocation of 225 billion CFA franc emergency financing for businesses, and moratorium on bank loans to support the economy of Gabon.

9. RISK FACTORS

Before investing in our Shares, you should pay particular attention that our Group and our activities are governed by the legal, regulatory and business environment in Malaysia and other foreign jurisdictions that we have a presence in currently and in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus and the key risks below.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on Olam Group as a customer and they continue to contribute significantly to our order book

We are dependent on Olam Group as customers due to their contribution to our total revenue during the Financial Years Under Review, which amounted to RM89.5 million (78.7%), RM136.3 million (79.7%), RM105.2 million (68.5%) and RM58.4 million (38.2%) for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

The Olam Group is an agricultural products and food conglomerate. Olam Group Limited, with headquarters in Singapore, is a public listed company on the Singapore Exchange. Olam Group Limited is 51.1%-owned by Temasek Holdings (Private) Limited (as at 31 May 2022), an entity owned by the government of Singapore. Olam Group operates in approximately 60 countries, including Gabon and Malaysia.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Our business with the Olam Group is project based, where we are engaged to construct palm oil mills and facilities, and fabricate palm oil milling equipment based on a fixed lump-sum or fixed lump-sum and scheduled rates contracts. Generally, our engagement on a contract comes to an end after the mill, facility or equipment has been completed and handed over to the Olam Group. No further revenue is expected from these completed contracts. Additional revenue will only accrue to us when we secure and implement new contracts.

As at the LPD, our order book with the Olam Group amounted to approximately RM39.5 million, being the unrecognised revenue of the contracts and purchase orders in hand, 98.7% of which is expected to be recognised during the FYE 2022 and FYE 2023, and the length of our business relationship with the Olam Group was approximately 8 years, since they first became our customer in 2014. Although we have had an established business relationship with the Olam Group, there is no assurance that they will continue to be our customer.

As at the LPD, we have tendered for new projects with the Olam Group. In the event of any delay in securing new contracts from these tenders, our financial performance and operating results could be materially and adversely affected.

In the event we lose Olam Group as a customer, this would materially and adversely affect our financial performance and operating results. There can be no assurance that we will continue to secure new contracts from Olam Group in the future. Furthermore, if they terminate our business relationship prematurely, there is no assurance that we will be able to secure new customers to replace Olam Group in a timely manner and the failure to do so would adversely affect our financial performance, operating results and prospects.

9.1.2 Our financial performance is dependent on our ability to continually secure new projects and ensure the continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Generally, we are engaged by our customers on a fixed lump sum or fixed lump sum plus scheduled rate basis. Our engagement on a contract or purchase order comes to an end after the palm oil mills, facilities or equipment (including for rubber and other industries) have been completed and handed over to the customer, or the order is fulfilled. As the nature of construction of palm oil mills and facilities, and fabrication of equipment are project based, there is no assurance that we would be able to continuously secure new projects nor can we be assured that new projects would be secured on favourable commercial terms.

Projects for the construction and fabrication of palm oil mills, facilities and equipment are typically awarded based on competitive bidding. As a result, to continually secure new projects, we have to bid and compete against other operators, including those based in other countries. There can be no assurance that our bids will be successful or that we will be able to continually to secure new projects. Our business operations and financial performance will be adversely affected if we are unable to secure new projects. In addition, given the prevailing competitive market environment coupled with the fluctuating cost of input materials, there can be no assurance that the GP margin for our new projects secured and/or to be secured as well as our historical GP margin (FYE 2018: 24.3%, FYE 2019: 22.0%, FYE 2020: 14.0% and FYE 2021: 17.8%) achieved in the past can be sustained in the future. If there is any decline in our future GP margin, our future profitability and financial performance may be materially and adversely affected. In addition, our order book is also subject to the risk of termination or suspension of projects, and variation orders that reduce the scope of work of our projects. For further information on fluctuation risks in the market price of steel and sea freight rates, please refer to Section 9.1.7 and Section 9.1.9 of this Prospectus.

Our order book is also subject to the risk of termination or suspension of projects, and variation orders that reduce the scope of work of our projects. Although we have an order book of RM107.0 million as at the LPD, there is no assurance that our current order book can be sustained in the future nor can we provide any assurance that the implementation of the projects and orders that are currently in our order book will not be delayed, suspended or cancelled.

9.1.3 We are subject to risks associated with Gabon

For the Financial Years Under Review, Gabon was our largest market which amounted to RM89.7 million (79.0%), RM136.1 million (79.6%), RM106.0 million (69.0%) and RM69.5 million (45.4%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We are subject to Gabon's government policies, legal system, taxation system (including withholding tax), monetary policy (including exchange controls and repatriation of profits), licensing and other requirements, and laws and regulations governing business operations, labour, HSE and other policies. Failure to comply with any of the relevant laws, regulations and other requirements of operating a business in Gabon may cause the Gabonese authorities to take action against us or we may be subject to fines and/or penalties, all of which could adversely affect our business operations and financial performance. There is also a risk that any changes in law, policies and regulations in Gabon may adversely affect our business operations and financial performance. As Gabon is our largest market, our business is dependent on the performance of the palm oil industry and the economy as well as the political stability and the social environment. Any adverse changes in the palm oil industry, economy, political and social environment would adversely impact on our business operations as well as financial performance.

We have never been in breach of any laws since we first commenced projects in Gabon.

9.1.4 We are subject to risks of delays in completing our projects and termination or suspension of contracts

Our projects include delivery milestones and timing of completion in the respective contracts. Our ability to achieve these milestones and timing of completion depends on many factors, including but not limited to, availability of steel products, pipes, building materials and other materials, availability of labour in our fabrication facility in Johor as well as project worksites in Malaysia and foreign countries such as Gabon, Indonesia and Liberia, the timely shipment and clearance through customs of materials and products such as fabricated equipment, piping, fittings and building materials from our fabrication facility in Johor to worksites in the respective foreign countries, the ability to secure sufficient third-party sub-contractors and contract workers with the relevant skills from time to time, timely and satisfactory coordination with third party sub-contractors for the projects and restrictions on business operations and/or movement of people at our operational facilities and project worksites imposed by governments to control the spread of COVID-19. In this respect, there is no assurance that we will be able to meet our contractual milestones and completion date as some of these factors may be beyond our control.

If we experience any delays in implementing our projects, it is our practice to apply for an extension of time with the respective customer. While we have sought or will continue to seek for extension of time for projects, there is no assurance that customers will grant us an extension of time.

Any delays in completing specific deliverables to meet specific deadlines, and in completing the entire project to meet the contractual deadlines could result in adverse effects including, among others, our customers claiming LAD against us which may adversely affect our profitability and cash flow, damage to our relationship with the affected customer which may affect their decision in awarding new contracts to us in the future, damage to our reputation which may affect our competitiveness in bidding for contracts with prospective customers, cost overruns as we are compelled to commit additional resources as we attempt to complete the project in a timely manner, which could affect our financial performance, and potential knock-on delays to our concurrent projects due to the internal reallocation of management, financial and other resources.

During the Financial Years Under Review and up to the LPD, we made provision for LAD amounting to RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the FYE 2020 in respect of a fabrication of palm oil mill equipment projects in Malaysia as a result of delay in the supply of parts by a supplier who was appointed by the customer, and provision for LAD amounting to RM0.2 million (being the maximum claim on the LAD as at 30 November 2021) for FYE 2021 in respect to the EPCC of ESP for biomass power plant at a palm oil mill in Malaysia as a result of movement and business operation restrictions related to the on-going COVID-19 pandemic.

We are also subject to the risk of early contract termination or suspension of projects resulting from, among others, changes in our customer's business strategy, requirements or financial circumstances, changes in government policy, regulations and laws, or market conditions that affect our customer, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as some of these factors are beyond our control.

9. RISK FACTORS (CONT'D)

During the Financial Years Under Review and up to the LPD, customers terminated or suspended two of our contracts, which are as follows:

(i) In August 2014 we secured a contract from a customer in Indonesia to fabricate mechanical works as part of the proposed construction of a new palm oil mill in Indonesia. In February 2018, the customer terminated our contract as a result of termination of work for the entire palm oil mill project due to a site possession issue. In FYE 2018, we recognised one-off partial reversal of revenue of RM3.1 million, which was previously recognised in the FYE 2017 for work performed but yet to be billed.

(ii) We secured a contract in July 2018 for the provision of civil works for a biomass power plant in Kluang, Johor. In January 2019, the customer requested that our works be suspended as the overall project was halted. The project was suspended due to funding requirements. This resulted in the partial reversal of revenue of RM0.5 million which was previously recognised in the FYE 2018 for work done but yet to be billed. The project was terminated by the customer in January 2022 due to funding constraints.

Further information on LAD and early contract termination or suspension are provided in Section 12.3.1(iii)(c) of this Prospectus. While we strive to minimise the occurrence of delays, suspension or early termination of contracts by carrying out, amongst others, the following:

(i) conducting thorough due diligence on potential customers and viability of projects;
(ii) negotiating for favourable termination clause and consequences; and
(iii) closely monitoring of the progress of the projects and deliverables on the part of our Group,

there is no assurance that we will not experience any delays, suspension or early termination of contracts that could adversely affect our business operations, financial performance, relationship with customers and reputation.

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9.1.5 We are exposed to foreign currency exchange fluctuations

Some of our revenues and purchases during the Financial Years Under Review were denominated in foreign currencies, including transactions made while conducting our business in foreign countries such as Gabon, Indonesia and Liberia. The breakdown of our revenue transacted in RM and foreign currencies during this period is summarised in the following table:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
Currency	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	**18,081**	**15.9**	**25,503**	**14.9**	**40,233**	**26.2**	**83,209**	**54.3**
Foreign Currencies	**95,546**	**84.1**	**145,425**	**85.1**	**113,460**	**73.8**	**69,956**	**45.7**
Euro	89,734	79.0	136,131	79.7	106,020	69.0	31,165	20.4
USD	6,006	5.3	9,294	5.4	7,440	4.8	38,791	25.3
IDR	(194)	(0.2)	-	-	-	-	-	-
Total Revenue	**113,627**	**100.0**	**170,928**	**100.0**	**153,693**	**100.0**	**153,163**	**100.0**

The breakdown of our purchases transacted in RM and foreign currencies during the Financial Years Under Review is summarised in the following table:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
Currency	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	**41,003**	**53.0**	**62,683**	**55.9**	**75,006**	**72.5**	**82,763**	**79.1**
Foreign Currencies	**36,302**	**47.0**	**49,521**	**44.1**	**28,390**	**27.5**	**21,850**	**20.9**
Euro	30,179	39.0	43,175	38.5	21,626	20.9	14,698	14.1
IDR	4,216	5.5	4,997	4.4	6,054	5.9	4,285	4.1
USD	1,756	2.3	1,260	1.1	297	0.3	2,715	2.6
*Other currencies**	151	0.2	87	0.1	413	0.4	152	0.1
Total Purchases	**77,305**	**100.0**	**112,204**	**100.0**	**103,396**	**100.0**	**104,613**	**100.0**

* Other currencies comprised GBP and SGD.

RM is our reporting currency and the functional currency for our business operations in Malaysia, including contracts with customers for projects in Malaysia. Our contracts for projects carried out in foreign countries are denominated in foreign currencies, including Euro or USD for projects in Gabon, IDR or USD for projects in Indonesia, and USD for projects in Liberia. Purchases of materials and services are denominated in RM and foreign currencies, including Euro, IDR, USD, GBP and SGD. AEPL, our subsidiary in Singapore, uses Euro to recognise daily transactions and present its financial statements.

We are exposed to foreign currency exchange gains or losses arising from timing differences between when our billings, and actual receipts from customers and payments to suppliers denominated in foreign currencies are translated into RM. For AEPL, we are also exposed based on timing differences between when the billings and actual receipts from customers denominated in USD are translated into Euro, and when the assets, liabilities, revenue, and earnings recorded by AEPL are translated from Euro into RM for financial reporting and repatriation purposes.

Fluctuations in the foreign currency exchange rates between the RM and foreign currencies, including the Euro, may have a material effect on our reported income and expenses, as they are stated in RM in our combined financial statements.

9.1.6 Our business and financial performance may be affected by the prolonged COVID-19 pandemic

Our financial performance was affected by the economic and other disruptions related to COVID-19 in Malaysia and other countries where we carry out our construction or installation works including Gabon, Indonesia and Liberia.

Our operational facilities in Johor faced some disruptions due to COVID-19 and this is summarised as follows:

- EMESB's fabrication facility and office:
    - Operations were temporarily shut between 18 March 2020 and 21 April 2020;
    - We resumed operations with 50% workforce capacity from 22 April 2020 to 3 May 2020;
    - We returned to normal workforce capacity between 4 May 2020 and 25 May 2021;
    - We operated at 60% workforce capacity between 26 May 2021 and 18 October 2021;
    - We operated at normal workforce capacity from 19 October 2021 and up to the LPD.

- ETSB's office:
    - Operations were temporarily shut between 18 March 2020 and 6 May 2020;
    - We resumed operations with normal workforce capacity between 6 May 2020 and 25 May 2021;
    - We operated at 60% workforce capacity between 26 May 2021 and 28 September 2021;
    - We operated at 80% workforce capacity between 29 September 2021 and 24 October 2021;
    - We operated at normal workforce capacity from 25 October 2021 and up to the LPD.

We were able to carry out our business operations in Malaysia, apart from the periods and restrictions described above, and complied with relevant SOP. Similarly, we continued to operate in other countries while complying with relevant SOP. Any deterioration in the COVID-19 pandemic in Malaysia and/or other countries, such as increases in COVID-19 infections and/or the emergence of COVID-19 variants could result in the tightening of MCO and other restrictions, which could include suspension or interruption of our operations in the affected areas or countries. This could have an adverse effect on our business operations and financial performance.

While we have implemented and enforced the relevant SOP at our operational facilities and external worksites to reduce the risk of COVID-19 among our employees and contract workers, there can be no assurance that there will not be any positive diagnosis for COVID-19 in our operational facilities or worksites. There is a risk that if any of our employees or contract workers receive a positive diagnosis for COVID-19, we may be required to temporarily shut down one or more of our facilities for a period of time as advised by the Ministry of Health Malaysia or other health authorities. The affected staff, as well as other staff who have come into close contact with them and/or exhibit symptoms consistent with COVID-19, will be required to quarantine, and may be unable to perform their work duties as a result.

As at the LPD, a total of 41 of our employees and contract workers in Malaysia have received positive diagnosis for COVID-19, all of whom have since recovered and returned to work. As at the LPD, a total of 14 of our staff and contract workers in Gabon have received positive diagnoses for COVID-19, all of whom have recovered and returned to work.

The COVID-19 pandemic may also result in delays in implementing our business strategies in accordance with the expected timeline as set out in Section 7.16 of this Prospectus. Such delays may adversely affect the development of our business and future financial performance.

For further information on the effects of COVID-19 pandemic on our business operations, please refer to Section 7.23.1 of this Prospectus.

9.1.7 We are exposed to fluctuations in the market price of steel

We mainly use steel products and pipes for the construction of plants and facilities and fabrication of equipment. Steel materials and pipes were our largest purchases during the Financial Years Under Review, having accounted for 32.8%, 32.5%, 44.1% and 26.2% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. We mainly purchased steel plates, bars, rods and pipes from suppliers in Malaysia to fabricate plant, equipment and structures for palm oil, rubber and other industries.

Steel is a commodity whose price is affected by, among others, overall economic performance, demand, production capacity and supply. Between May 2018 and May 2022, global steel prices recorded the lowest global price at USD385 per tonne on 11 May 2020 before it peaked at USD1,275 per tonne on 11 April 2022. On 23 May 2022, the global steel price had declined to USD878 per tonne *(Source: IMR Report)*. Geopolitical events, such as the 2022 Russian Ukraine conflict, may result in fluctuations in commodity prices, including the market price of steel. Fluctuations in the market price of steel may have an adverse effect on our business operations and/or financial performance.

To help reduce our exposure to the fluctuations in steel price, we take the following measures, whenever it is practical:

(i) lock in the price for all of the steel products and pipes with suppliers for a period of time while we bid for a contract; or

(ii) purchase all of the steel materials and pipes that are required for a project promptly after securing the contract or purchase order in order to stay close to the budget that were used to bid for the contract.

However, there can be no assurance that these measures will result in purchasing the required steel materials at prices that are not materially higher than the budgeted prices.

An increase in the market price of steel may increase the cost of carrying out and completing our projects. As our projects are mainly carried out based on fixed lump sum or fixed lump sum plus scheduled rates contracts and purchase orders, we will not be able to pass on costs increases stemming from the increase in the steel prices to our customers without their agreement. Consequently, any unanticipated increase in the market price of steel may have an adverse effect on our financial performance and margins.

9.1.8 We are dependent on our subcontractors to carry out building and construction works and contract workers for labour supply which may affect the timing our projects

As a building or turnkey contractor, we engage subcontractors to carry out some portions of our projects, including the construction of plants and facilities in Malaysia, Gabon and Liberia for the Financial Years Under Review. The works that we engaged subcontractors to carry out for our construction of plants and facilities include among others, civil and structural works (such as earthworks and foundation), erection of steel structures, installation of machinery and road infrastructure works, as well as mechanical, electrical and piping works.

From this perspective, we are dependent on our subcontractors to perform their works and deliver their services in a timely manner. We also engage contract workers as a source of labour to carry out the construction of plants and facilities in Gabon, and also to carry out fabrication works at our operational facilities in Johor.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, purchases of subcontracted services collectively amounted to RM27.1 million (35.9% of total purchases of input materials and services), RM38.3 million (33.5% of total purchases of input materials and services), RM39.7 million (37.6% of total purchases of input materials and services) and RM42.8 million (41.6% of total purchases of input materials and services) respectively. Further information on purchases of services from subcontractors and contract workers are set out in Section 7.11 of this Prospectus.

Our subcontractors including contract workers carry out their works under our direct control, supervision and management, therefore we are ultimately responsible for ensuring that they deliver according to schedule and to the required specifications and quality. In the event that they deliver any substandard work to us or are unable to deliver their services in a timely manner, there is a risk that we may be liable for any compensation to the customer as a result of our subcontractors' non-performance, late performance or poor quality. Furthermore, we are reliant on our subcontractors for their adherence to health and safety regulations. In the event our subcontractors do not comply, we would be responsible for any misconduct, injuries or accidents of safety issues to the workers which may lead to stop work orders or suspension of projects.

While we may attempt to seek compensation from the relevant subcontractors for any delays, non-performance or poor performance in meeting specifications and quality as such rights are not expressly set out in our work orders, we may be required to compensate our customers prior to receiving compensation from our subcontractors. As at the LPD, we have not encountered any material occurrences of delay/non-performance/poor performance from our subcontractors since the inception. In the event we are unable to seek compensation from our subcontractors or if the amount of the claims cannot be recovered in full or at all, we may be required to bear some or all of the cost of the claims. These additional costs would increase our overall costs which may adversely impact on our financial performance. Although we seek to manage and monitor our projects closely to adhere to the project milestones and the project specifications, there is no assurance that we will not experience any delays in the completion of our projects or poor performance relating to the work performed by our subcontractors or contract workers.

Further information on subcontracted works on the construction of plants are set out in Section 7.3.1.1 (k) of this Prospectus, and the construction of facilities are set out in Section 7.3.1.2 (h) of this Prospectus.

9.1.9 We are exposed to fluctuations in sea freight rates

We utilise sea freight to ship our steel structures, equipment and other goods required to complete our projects from Malaysia to palm oil mill, other palm oil and rubber facilities, and other worksites in other countries, as well as materials and equipment to fulfil orders from customers in other countries, including Gabon, Indonesia and Liberia. Based on our contracts and purchase orders with our customers, we are responsible for the sea freight and other costs related to shipping these goods to their specified destinations. Sea freight rates are set by common carriers and are influenced by, among others, the number of scheduled sailings between ports, availability of ships, demand for shipping, and fuel prices. Sea freight charges amounted to RM1.6 million (1.8%), RM12.1 million (9.0%), RM21.1 million (16.0%) and RM14.1 million (11.2%) of our total cost of sales for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We can only book sea freight when the steel structures, machinery and equipment, and other goods are ready for shipment, which is usually some period of time after the respective contracts are secured. Thus, there is a risk that our actual sea freight rates may be materially higher compared to the budgeted sea freight rates used in preparing the bid for the contract. It may not be possible to delay the shipment, as such delays could mean that we fail to meet our delivery and project deadlines, thus leading to the penalties such as LAD. Furthermore, for FYE 2020 and up to the LPD, sea freight rates have increased due to, among others, increase in fuel prices and disruption to trade patterns related to COVID-19, including the trade imbalance between China and the rest of the world.

An increase in sea freight rates may increase the costs of implementing and completing our projects. As our projects are mainly carried out on fixed lump sum or fixed lump sum plus scheduled rates contracts and purchase orders, we will not be able to pass on costs increases due to increases in sea freight rates to our customers without their agreement. Consequently, an increase in sea freight rates may have an adverse effect on our financial performance and margins.

9.1.10 We are dependent on our directors and key management team

The performance of our business operations, implementation of on-going projects, and successful execution of our business strategy will depend on the expertise, experience, and contributions of our Managing Director, Wong Choi Ong and Executive Director, Pan Kum Wan, as well as our Key Senior Management comprising Tia Tuan Sim, Andy Tan Boon Kiong and Thing Jin Suan. Our business operations, ongoing projects, and business strategy may be adversely affected if we lose the services of one or more of the Directors or key management team named here, and are unable to employ a suitable replacement in a timely manner.

For further information on the profiles of our Directors and Key Senior Management, please refer to Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus.

9.1.11 We may not be successful in implementing our business strategies and future plans

Our business strategies and future plans involve expanding our existing business activities including the expansion in the supply of environmental related products, and establishing a new fabrication facility and office in Indonesia. For further information on our business strategy and future plans, please refer to Section 7.16 of this Prospectus.

There is a risk that we may be delayed, or fail to successfully implement our business strategies and future plans due to, among others, adverse market conditions, prolonged COVID-19 pandemic, limited experience, expertise or track record in a specific field, inability to secure customers to support new activities or facilities, or delay or failure to implement the projects. Any delay or failure to successfully implement our business strategies and future plans may have an adverse effect on our expected future financial performance.

9.1.12 We are required to comply with HSE laws and regulations

We are required to comply with the relevant health, safety and environment ("**HSE**") laws and regulations that are enforced at locations where we carry out construction and fabrication work, including at our fabrication facility in Johor and project worksites in Malaysia, as well as at project worksites in foreign countries such as Gabon and Liberia. These HSE laws and regulations are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs and the effect that the works that we carry out have on the surrounding environment.

Injury or harm of our employees and contract workers as they perform their jobs, as well as failure to comply with or breaches of the relevant HSE laws and regulations, may result in suspension or slowdown of our work that could delay our project implementation, civil, administrative or legal proceedings taken against us, financial penalties, and/or suspension or termination of the affected contract.

During the Financial Years Under Review and as at the LPD, there have been no material injury or harm that affected our employees or contract workers, or breach or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences listed above. Nevertheless, there can be no assurance that injury or harm to our employees or contract workers, or breach or failure to comply with relevant HSE laws and regulations, will not occur in the future.

9.1.13 We are dependent on the palm oil industry

We are dependent on the palm oil industry as it accounted for most of our revenue during the Financial Years Under Review, having represented RM82.2 million (72.3%), RM146.3 million (85.6%), RM133.6 million (86.9%) and RM108.9 million (71.1%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also serve customers that operate in other industries such as the paperboard and packaging, and glove and explosives manufacturing.

Our business operations and financial performance will be adversely affected if there is a slowdown in the palm oil industry due to, among others, a fall in the global market prices of CPO and CPKO, a decline in demand for palm oil and palm oil products due to, among others, trade barriers and restrictions, actions by pressure groups and changing customer preferences, adverse changes in the countries where oil palm plantations are located, natural disasters, changes to climactic conditions that adversely affect oil palm cultivation and crop production or other factors that may affect oil palm cultivation, crop production and demand for palm oil and its derivatives and products.

In the event there is a slowdown in the palm oil industry, we may not be able to secure sufficient customers in other industries to avoid the adverse effects to our business operations and financial performance.

9.1.14 We are subject to the risks of defect liability, warranty claims and minimum performance guarantee from our customers

We extend a defect liability period usually for a period of 12 months from the date of completion, handover or acceptance by the customer, as defined in the respective contracts. We are responsible for making good, at our expense, any defects or faults that may be found or that occur during the defect liability period. Our customers may make claims against us during the defect liability period for the construction of plants and facilities.

Our customers may also make warranty claims against us for the construction and fabrication of palm oil mill and facilities, and other equipment and facility projects, as defined in the contract. The warranty periods are defined as a specified period of time from the date of completion, handover or acceptance by the customer, and is usually for a period of 25 years for structures (portal frame and wailing systems) generally in respect of the construction of the workers' quarters in Gabon (which is provided at the request of the customer), 1 to 5 years for structural works, 12 months for workmanship, and 12 months for machinery and equipment. During the warranty period, we are responsible for making good, at our expense, defects, faults, breakdowns or failures that occur to the affected structure or equipment.

In the event that a customer makes a defect liability or warranty claim against us, we will have to incur costs to make good the defect, fault, breakdown or failure. In the event that the costs of making good are material, it may adversely affect our financial performance.

We also provide a minimum performance guarantee on the level of output and/or quality for some machinery and equipment, as stipulated in the respective contracts for the construction of palm oil mills or plants including fabrication of equipment, as well as other industrial equipment. In the event that the equipment fails to meet the minimum performance guarantee parameters, we will be responsible for making any necessary modifications to achieve the required performance level at our expense and may also be liable for performance liquidated damages as stipulated in the respective contracts.

During the Financial Years Under Review, total costs incurred to make good defects during the defect liability period for all of our construction of palm oil mill plants or upgrades, and construction of facilities for palm oil, rubber and other industries amounted to approximately RM7,469, RM196,304, RM17,833 and RM186,524 for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

There is no assurance that we will not receive defect liability or warranty claims in the future that may result in us incurring material costs that would adversely affect our financial performance.

9.1.15 Our business operations may be disrupted by the non-renewal and/or revocation of material licences and permits

We are required to obtain and maintain licences and permits approvals from government authorities in Malaysia, where we have operational facilities to fabricate steel structures, machinery and equipment, and where we implement some of our projects. The major licences and permits that we require in Malaysia include the certificate of registration as a contractor with CIDB, manufacturing license for the manufacturing of palm oil and biomass machinery and parts, and DOSH registration for the manufacture of unfired pressure vessels. The details of our major licences and permits are set out in Section 7.18 of this Prospectus. We do not require any licences or permits to implement our projects in Gabon, Indonesia and Liberia.

Some of these licences and permits require that we pass periodic inspection, fulfil specified obligations, laws and regulations, and/or fulfil other conditions in order to remain valid. Failure to do so may result in the suspension, revocation, or non-renewal of the affected licences or permits. All of our licences and permits are valid for a specified period of time, after which they will expire. Consequently, we have to renew them as and when they expire. In the event of the suspension, revocation, or non-renewal of our licences or permits, we may not be able to carry out certain activities or manufacture certain types of equipment. This may lead to, among others, disruption to our business operations resulting in delays or failure to complete affected projects, and consequently, adversely affect our financial performance.

As we do not have a physical presence or business entity in Gabon, Indonesia and Liberia, we implement our projects there based on the following arrangements:

(i) As at LPD, we have 18 employees in Gabon managing and supervising our projects, of which 17 are working in the country based on work permits provided by our customers there. We also have 168 contract workers in Gabon who are working based on work permits provided by our customers or subcontractors in Gabon.

(ii) We do not have employees stationed in Indonesia as at the LPD as the projects are remotely managed by our team in Johor due to the travel restrictions from COVID-19 pandemic. The construction works are carried out by external parties that are engaged by the customer.

(iii) We do not have employees stationed in Liberia as the project has been completed, save for the commissioning of the biogas plant, which does not require our employees or contract workers.

9.1.16 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations

Carrying out our business operations at our operational facilities and worksites involve risks and hazards including, but not limited to, workplace and other accidents, loss of cargo during shipment, fire, flood and other natural disasters. To protect against various losses and liabilities, we generally maintain insurance coverage for some of our contracts at levels that are stipulated in such contracts or at levels that we believe are customary to the nature of our business. We maintain insurance coverage for, among others, general liability, workman's compensation, and damages to our facilities, machinery and equipment, where required by law. We may incur losses or liabilities that exceed our policy limits or that are not covered by our insurance coverage, which may have an adverse effect on our business operations and financial performance. As at the LPD, the total sum insured under our insurance policies is RM151.9 million and there has been no material claims against our insurance policies in the past.

All of our insurance coverage is subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in the premium on our insurance coverage, we may incur higher costs to maintain our insurance coverage at the same level or we may have to reduce the level of our insurance coverage. There is also a risk that we are unable to renew or replace our insurance coverage when they expire. The occurrence of any of these events may have an adverse effect on our business operations and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from operators in Malaysia and foreign countries

We face competition from operators who are involved in the construction of plants and fabrication of equipment for the palm oil industry, including those that are based in Malaysia as well as in foreign countries. We may also face competition from new entrants that seek to establish themselves in the industry from time to time. Competitors may have advantages over us in terms of, among others, financial, labour, operational, technological, marketing, and other areas or resources. There can be no assurance that we will continue to remain competitive against existing and prospective competitors, and consequently no assurance that customers will continue to award contracts and purchase orders to us in the future. Failure to remain competitive and secure new contracts will have an adverse effect on our future financial performance.

9.2.2 In Malaysia, the capping of total cultivated oil palm area and regulatory limitations on the development of palm oil mills may affect our business

In 2019, Malaysia enforced various policies such as capping the total oil palm cultivated area to 6.5 million hectares by 2023, a stop on new planting of oil palm in peatland, ban on the conversion of forest reserved areas for oil palm cultivation and opening up of oil palm plantation available for public access. *(Source: IMR Report)* These policies have the impact of constraining the growth of the production of oil palm fresh fruit bunch, which is the feedstock for palm oil mill. Consequently, this will constrain the growth of new palm oil mills, which may affect demand for our services and equipment.

In Malaysia, licences for the development and operation of palm oil mills are issued to a company only if it possesses its own matured plantations or has access to plantations belonging to its group or subsidiary companies of at least 4,000 hectares. *(Source: IMR Report)* This is likely to limit the growth of palm oil mills in Malaysia, which may impact on the demand for our services and equipment.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

In addition, there can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing. There is also no assurance that the market price of our Shares will not decline below the IPO Price.

9.3.2 Volatility of share prices traded on Bursa Securities

The performance of Bursa Securities is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of the Public Issue before the trading of our Shares commences. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market (both local and foreign), our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) variations in our financial results and operations;

(ii) success or failure of our Key Senior Management in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of our Key Senior Management;

(viii) fluctuation in stock market prices and volume; or

(ix) involvement in litigation.

There is no assurance that the market price of our Shares will not be subject to volatility due to market sentiments.

9.3.3 The interest of our Promoters who controls our Group may not be aligned with the interest of our shareholders

Upon Listing, our Promoters will hold approximately 49.1% of our enlarged number of issued Shares. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group. Our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law or by relevant guidelines or regulations.

As a step towards good corporate governance, we have appointed 4 Independent Non-Executive Directors and set up an Audit and Risk Management Committee to ensure that, among others, all future transactions involving related parties are entered into on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. Our Audit and Risk Management Committee will in that sense represents the interest of the minority shareholders and the general public at large.

Nonetheless, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

9.3.4 Failure or delay in our Listing

Below is a non-exhaustive list of possible occurrences or events which could cause a delay or termination of our Listing:

(i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of having at least 25% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing;

(iii) the revocation of approvals from relevant authorities prior to our Listing or Admission for whatever reason other than the reasons specified in paragraph (iv) below; or

(iv) if the SC issues a stop order pursuant to Section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to Section 243 of the CMSA.

If any event in paragraphs (i), (ii) or (iii) above occurs, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with Section 243(2) of the CMSA. However, if our IPO Shares have been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Sections 116 or 117 of the Act. Such cancellation can be implemented by either:

(i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya; or

(ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

Therefore, there is a risk that monies paid in respect of our IPO Shares cannot be recovered in a timely manner.

Should the event in paragraph (iv) above occur, the issue of our IPO Shares shall be considered void and the investors will not receive any IPO Shares. In such event, and pursuant to Sections 243(2) and 245(7) of the CMSA, as the case may be, we shall be liable to forthwith repay, without interest, all monies received from our IPO Shares and if such monies are not repaid within 14 days after we become liable to pay or within 14 days of the stop order, we will be liable to repay the monies together with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

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

(i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiaries or holding company or a chief executive of the listed corporation, its subsidiaries or holding company;

(ii) a major shareholder including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiaries or holding company, having an interest or interests in 1 or more voting shares in a corporation and the number or aggregate number of those shares is:

  (a) 10% or more of the total number of voting shares in the corporation; or

  (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Save for the Acquisitions pursuant to our internal reorganisation for the Listing (details of which are as set out in Section 6.1.1 of this Prospectus) and as disclosed below, there is no other material related party transaction entered or to be entered into by our Group for the Financial Years Under Review and up to the LPD:

				Transaction value				
Companies within our Group	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**1 January 2022 up to the LPD RM'000**
EMESB	Top Well Trading & Services[(1)]	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director and major shareholder, was the shareholder of Top Well Trading & Services. Top Well Trading & Services had been struck off on 7 September 2021.	Sale of consumables and spare parts for palm oil mills from EMESB to Top Well Trading & Services	230 (Represents 0.2% of our Group's revenue for the FYE 2018)	43 (Negligible as compared to our Group's revenue for the FYE 2019)	-	-	-
EMESB	Buildwiser Sdn Bhd[(2)]	Wong Choi Ong and Pan Kum Wan, who are our Directors and major shareholders, were the directors and major shareholders of Buildwiser Sdn Bhd. They resigned as directors on 6 October 2020 and disposed of their shareholdings in Buildwiser Sdn Bhd on 5 October 2020 to a third party unrelated to them and our Group.	Subcontractor services in civil, structural and fabrication works provided by Buildwiser Sdn Bhd to EMESB	1,186 (Represents 1.4% of our Group's costs of sales for the FYE 2018)	1,776 (Represents 1.3% of our Group's costs of sales for the FYE 2019)	2,364 (Represents 1.8% of our Group's costs of sales for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	1 January 2022 up to the LPD RM'000
			Sales of goods from EMESB to Buildwiser Sdn Bhd	10 (Negligible as compared to our Group's revenue for the FYE 2018)	-	-	-	-
			Rental of office spaces by EMESB to Buildwiser Sdn Bhd	10 (Represents 2.7% of our Group's other income for the FYE 2018)	8 (Represents 1.8% of our Group's other income for the FYE 2019)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	1 January 2022 up to the LPD RM'000
ETSB	Buildwiser Sdn Bhd(2)	Wong Choi Ong and Pan Kum Wan, who are our Directors and major shareholders, were the directors and major shareholders of Buildwiser Sdn Bhd. They resigned as directors on 6 October 2020 and disposed their shareholdings in Buildwiser Sdn Bhd on 5 October 2020 to a third party unrelated to them and our Group.	Rental of office spaces by ETSB to Buildwiser Sdn Bhd	-	20 (Represents 4.6% of our Group's other income for the FYE 2019)	30 (Represents 2.2% of our Group's other income for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	1 January 2022 up to the LPD RM'000
ETSB	Sterling Engineering & Trading Sdn Bhd	Law Nyok Koi, the spouse of Wong Choi Ong and Li Siok Go, the spouse of Pan Kum Wan, who are persons connected with Wong Choi Ong and Pan Kum Wan respectively, were also shareholders of Sterling Engineering & Trading Sdn Bhd. Law Nyok Koi and Li Siok Go disposed their respective shareholdings in Sterling Engineering & Trading Sdn Bhd on 26 November 2021 to a third party unrelated to them and our Group.	Sale of goods (economizer) from ETSB to Sterling Engineering & Trading Sdn Bhd.	191 (Represents 0.2% of our Group's revenue for the FYE 2018)	-	-	-	-
EMESB	Wong Choi Ong	Wong Choi Ong is our Non-Independent Executive Director / Managing Director and major shareholder.	Disposal of a motor vehicle by EMESB to Wong Choi Ong (This is a one-off transaction)	-	-	47 (Represents 0.1% of our Group's NA for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Note:

(1) For the avoidance of doubt, Top Well Trading & Services does not have any relationship with TWTSSB save for the common directorship held by Wong Choi Ong. Top Well Trading & Services had been struck off on 7 September 2021.

(2) Ceased to be a related party since October 2020. Subsequent to October 2020, Buildwiser Sdn Bhd remained as a supplier to the Group. For FYE 2021, Buildwiser Sdn Bhd is one of the top 5 suppliers of the Group, providing sub-contracted civil works services to the Group for the amount of RM8,048,000, accounting for 7.8% of the proportion of the Group's purchases in FYE 2021.

Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group, which were based on quotation from the second-hand dealer (on the motor vehicle), asking rental for similar office space (on the rental of office space), comparison of profit margins against similar sales to other customers (on the sales to Sterling Engineering & Trading Sdn Bhd and to Top Well Trading & Services), the apportionment of costs for secondment of engineer based on the market-rate salary of an engineer with comparable experience and expertise for a project awarded by EMESB to Buildwiser Sdn Bhd (on the sales from EMESB to Buildwiser Sdn Bhd) and quotation given by other subcontractors (on the subcontractor services).

Upon Listing, to safeguard the interest of our Group and our minority shareholders, our Audit and Risk Management Committee will review the terms of related party transactions and ensure that any related party transactions are carried out on an arm's length basis and on terms which are not more favourable to the related parties than those normally agreed with other customers and suppliers, and are not detrimental to our minority shareholders.

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with them, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Our Board has confirmed that there are no related party transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our subsidiaries was a party in respect of the Financial Years Under Review.

10.3 LOANS AND FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, our Board has confirmed that there are no outstanding loans and financial assistance made by us to or for the benefit of any related party during the Financial Years Under Review and up to the LPD:

			Amount				
Parties	**Nature of relationship**	**Nature of transaction**	**FYE 2018 RM'000**	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**1 January 2022 up to the LPD RM'000**
EMESB and Ecosciences Engineering & Construction Gabon ("**EECG**")	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director, is also the major shareholder of EECG. EECG has been struck off on 20 August 2021.	Advances from EMESB to EECG for EMESB's project expenses in Gabon[(1)]	3,146 (Represents 8.1% of our Group's NA as at 31 December 2018)	-	-	-	-
EMESB and HESB	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director and major shareholder, is also a director of HESB, a 40% owned associated company of EMESB. HESB had been struck off on 30 November 2021.	Advances from EMESB to HESB for working capital purposes	467 (Represents 1.2% of our Group's NA as at 31 December 2018)	-	-	-	-

Note:

(1) EECG was an entity established by our Non-Independent Executive Director / Managing Director, Wong Choi Ong and our Project Director, Andy Tan Boon Kiong as a Gabonese branch office of our Group, solely for the purpose of overseeing and managing the day-to-day project expenses in Gabon. These project expenses were costs incurred for the construction of palm oil mills and facilities in Gabon for the purchase of building materials such as sand, steel, cement and bricks as well as labour costs and other administrative expenses. All the expenses incurred by EECG were fully charged back to EMESB on a claim basis.

The branch office has been maintained since 2014. In year 2020, in order to manage our operations in Gabon more efficiently and focus more on our project management, our Group subcontracted our construction activities to Palm Tech Engineering Construction. In view of this, our Group is no longer needed to maintain a branch office in Gabon.

Our Directors confirm that the advances made by EMESB to EECG for payments made on behalf of EMESB were on an arm's length basis and such arrangement is not unfavourable to our Group. However, the advances made by EMESB to HESB was not made on arm's length basis as it was provided free of cost. Going forward, we will not be providing any such financial assistance to or for the benefit of related parties.

10.4 LOANS AND FINANCIAL ASSISTANCE FROM RELATED PARTIES TO OUR GROUP

For the Financial Years Under Review, our Executive Directors Wong Choi Ong and Pan Kum Wan, had extended personal guarantees for financing facilities granted to our Group, of which further details are set out in Section 12.4.3 of this Prospectus.

In conjunction with the Listing, we have written to our financiers to seek approval for the release and/or discharge of the personal guarantees, or substituting the same with a corporate guarantee from our Company (as the case may be). As at the LPD, we have received approvals (subject to the Listing) for the substitution of the said personal guarantees, with a corporate guarantee from our Company. Our Group expects the same to be completed upon the listing of our Company.

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11. CONFLICTS OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS

Save as disclosed below, as at the LPD, none of our Directors and Substantial Shareholder have any interest, direct or indirect in any businesses or corporations that (i) carry on a similar trade as that of our Group; or (ii) are customers or suppliers of our Group:

Business/ Corporation	Principal activity	Nature	Interested directors and/or substantial shareholders	Nature of interest
PT Palmas Project Engineering ("**PT Palmas**")	Construction of palm oil mills and refineries	PT Palmas is our major customer for FYE 2018. The contribution of PT Palmas to the revenue of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 amounted to approximately RM5.7 million, RM66,000, RM150,000 and RM6.2 million, accounting for 5.0%, 0.04%, 0.1% and 4.0% of the total revenue for the respective financial years.	Lim Siew Kuen	Lim Siew Kuen, our Substantial Shareholder is a director of PT Palmas(1)

Note:

(1) Lim Siew Kuen's shareholding in our Company will reduce to 4.7% after our IPO and as such, he will cease to be a substantial shareholder after our IPO.

The transactions between our Group and PT Palmas were carried out on arm's length basis and on normal commercial terms which were not more favourable to PT Palmas than those generally available to third parties. Revenue for the FYE 2018 was in respect of supply of fabricated equipment which was awarded to the Group prior to the appointment of Lim Siew Kuen to the board of directors of PT Palmas in 2019.

The Board is of the view that Lim Siew Kuen's interest in PT Palmas does not give rise to a conflict of interest situation after taking into consideration of the following:

(a) Lim Siew Kuen does not hold any shares in PT Palmas, nor does he have any control over the board of directors or board of commissioner of PT Palmas, which comprises 3 directors and 1 commissioner respectively;

(b) Lim Siew Kuen is not a director of any of the companies within our Group and has no influence over the decision making of our Group. His shareholding in our Company is solely for investment purposes and he will cease to be a substantial shareholder of our Company upon completion of the IPO;

(c) our Group is not dependent on PT Palmas for revenue;

(d) PT Palmas operates in Indonesia only, while our Group derives our revenue principally from Gabon, with Indonesia contributing 27.0% to our revenue for the FYE 2021.

Moving forward, our Group may potentially compete with PT Palmas for business in Indonesia as it is a target market which our Group has expanded into. Our Group intends to set up a new fabrication facility and office in Indonesia as set out in Section 7.16.3(a) of this Prospectus. Notwithstanding this, any decision by our Group relating to its business growth strategy will not, in any way, be affected by Lim Siew Kuen's interest in PT Palmas. Our Group will continue to participate in tender for projects and optimise on growth opportunities both in Malaysia and in foreign markets. Our Audit and Risk Management Committee will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out in the best interest of our Group.

As such, the interests of our Directors and substantial shareholders in other businesses and corporations would not (i) give rise to a situation of conflict of interest with the Group; or (ii) detract time and commitment from the Directors which may hinder their effective discharge of duties in our Company.

11.2 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST

(i) Declaration by HLIB

HLIB, its subsidiaries and associated companies as well as its penultimate holding company, namely Hong Leong Financial Group Berhad, and the subsidiaries and associated companies of Hong Leong Financial Group Berhad (collectively, the "**Hong Leong Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

The Hong Leong Group has engaged, and may in the future engage, in transactions with and perform services for our Group. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group.

The Hong Leong Group may have, in the ordinary course of its business, granted credit facilities to our Group. As at the LPD, our Group has outstanding credit facilities with the Hong Leong Group amounting to approximately RM5.9 million.

Notwithstanding the above, HLIB is of the view that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO as:

(a) HLIB is a licensed investment bank and its appointment as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO and the extension of the credit facilities by the Hong Leong Group arose in its ordinary course of business;

(b) the conduct of the Hong Leong Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and, where applicable, the CMSA, as well as the Hong Leong Group's own internal controls and checks; and

(c) the said credit facilities which is 0.03% of the audited NA of the Hong Leong Group as at 30 June 2021 of RM22.8 billion, are not material.

(ii) Declaration by Chooi & Company + Cheang & Ariff

Chooi & Company + Cheang & Ariff confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors as to the laws of Malaysia in respect of our IPO.

(iii) Declaration by Infinitus Law Corporation

Infinitus Law Corporation confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors as to the laws of Singapore in respect of our IPO.

(iv) Declaration by Crowe Malaysia PLT

Crowe Malaysia PLT confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

(v) Declaration by Vital Factor Consulting Sdn Bhd

Vital Factor Consulting Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Independent Business and Market Research Consultants in respect of our IPO.

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12. FINANCIAL INFORMATION

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

12.1.1 Historical financial performance

We were incorporated in Malaysia under the Act on 21 August 2020. On 10 August 2021, we completed the Acquisitions which resulted in AEPL and EMESB becoming our wholly-owned subsidiaries. As such, the financial statements of our Group comprise:

(i) the combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, as well as the consolidated statements of financial position as at 31 December 2021;

(ii) the combined statements of profit or loss and other comprehensive income for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of profit or loss and other comprehensive income for the FYE 2021;

(iii) the combined statements of changes in equity for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of changes in equity for the FYE 2021; and

(iv) the combined statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of cash flows for the FYE 2021.

The combined financial statements for the FYE 2018, FYE 2019 and FYE 2020 were prepared based on the audited financial statements of Ecoscience for the financial period ended 31 December 2020 as well as separate audited financial statements of AEPL, EMESB, ETSB and TWTSSB for the Financial Years Under Review. The consolidated financial statements of the Group for the FYE 2021 were prepared based on the audited consolidated financial statements of Ecoscience and its subsidiaries for the FYE 2021. All intra-group transactions and balances have been eliminated on combination.

Our historical financial statements have been prepared in accordance with MFRS and IFRS for the purpose of the Accountants' Report. Our subsidiaries' historical financial statements for the Financial Years Under Review have been prepared in accordance with MFRS and/or IFRS, save for the audited financial statements of TWTSSB for the FYE 2018 and FYE 2019 which have been prepared in accordance with Malaysian Private Entities Reporting Standard. As such, the audited financial information of TWTSSB for the FYE 2018 and FYE 2019 is not directly comparable with the Accountants' Report.

The historical financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 13 of this Prospectus.

	<------------------------------Audited------------------------------>			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Revenue	113,627	170,928	153,693	153,163
Cost of sales	(86,062)	(133,369)	(132,220)	(125,939)
GP	27,565	37,559	21,473	27,224
Other income	366	433	1,341	579
Administrative expenses	(14,657)	(14,885)	(13,281)	(14,285)
Other operating expenses	(511)	(1,077)	(12)	(328)
Finance costs	(1,971)	(2,515)	(2,542)	(2,770)
Net impairment (loss)/net reversal of impairment loss on financial assets	(369)	(2,417)	1,540	655
PBT	10,423	17,098	8,519	11,075

	<------------------------------Audited---------------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Taxation	(2,687)	(4,616)	(1,999)	(3,005)
PAT	7,736	12,482	6,520	8,070
Other comprehensive (expense)/income	(199)	(266)	1,067	(917)
Total comprehensive income for the financial year	**7,537**	**12,216**	**7,587**	**7,153**
GP margin(1) (%)	24.3	22.0	14.0	17.8
EBITDA(2)	13,763	20,561	11,771	14,218
EBITDA margin(3) (%)	12.1	12.0	7.7	9.3
PBT margin(4) (%)	9.2	10.0	5.5	7.2
PAT margin(5) (%)	6.8	7.3	4.2	5.3
Basic and diluted EPS(6) (sen)	2.3	3.7	1.9	2.4
Number of Shares in issue after our IPO ('000)	340,000	340,000	340,000	340,000

Notes:

(1) Computed as GP divided by revenue.

(2) Computed as follows:

		<------------------------------Audited---------------------------->			
		FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 (RM'000)**
PAT		7,736	12,482	6,520	8,070
Add:	Taxation	2,687	4,616	1,999	3,005
	Depreciation	1,814	1,653	1,308	1,259
	Interest expenses	1,747	2,021	2,215	2,078
Less:	Interest income	(221)	(211)	(271)	(194)
EBITDA		**13,763**	**20,561**	**11,771**	**14,218**

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as PAT divided by the enlarged total number of 340,000,000 Shares after our IPO.

12.1.2 Historical statements of financial position

The table below sets out the summary of our audited combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, as well as our audited consolidated statements of financial position as at 31 December 2021, which has been extracted from the Accountants' Report in Section 13 of this Prospectus.

	<------Audited------>			
	31 December 2018 RM'000	**31 December 2019 RM'000**	**31 December 2020 RM'000**	**31 December 2021 RM'000**
Total non-current assets	26,235	26,988	27,076	26,933
Total current assets	75,774	88,903	111,271	101,480
Total assets	**102,009**	**115,891**	**138,347**	**128,413**
Total non-current liabilities	10,629	11,967	12,319	11,594
Total current liabilities	52,370	56,450	74,016	57,654
Total liabilities	**62,999**	**68,417**	**86,335**	**69,248**
Share capital	-	-	#	51,566
Invested equity	6,357	6,357	6,357	-
Foreign exchange translation reserve	(133)	(399)	668	(249)
Retained profits	32,786	41,516	44,987	53,057
Merger deficit	-	-	-	(45,209)
Total equity	**39,010**	**47,474**	**52,012**	**59,165**
Total equity and liabilities	**102,009**	**115,891**	**138,347**	**128,413**

Note:

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12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our capitalisation and indebtedness as at 30 April 2022, and after adjusting for the Public Issue and use of proceeds.

	Unaudited as at 30 April 2022 RM'000	After the Public Issue and use of proceeds RM'000
Indebtedness		
Current		
Secured and guaranteed:		
- Bank overdraft	12,430	5,430
- Bankers' acceptances	6,956	6,956
- Term loans	1,250	1,250
- Lease liabilities	430	430
- Revolving credits	500	500
- Invoice financing[1]	18,450[2]	18,450
	40,016	33,016
Non-current		
Secured and guaranteed:		
- Lease liabilities	343	343
- Term loans	8,570	8,570
	8,913	8,913
Total borrowings	**48,929**	**41,929**
Contingent liabilities		
Secured and guaranteed:		
- Performance guarantee[3]	4,373	4,373
Total indebtedness[4]	**53,302**	**46,302**
Shareholders' equity	**59,486**	**82,783**
Total capitalisation and indebtedness	**112,788**	**129,085**
Gearing ratio[5] (times)	0.82	0.51

Notes:

(1) This represents credit facility provided by financial institutions which was utilised to finance purchases and export sales based on the relevant invoices from the suppliers and to the customers. The cost of financing was captured under interest expenses on bankers' acceptance.

(2) Utilised to finance the purchase of materials, equipment and shipping cost.

(3) Represents the performance guarantee extended to third parties in respect of the contract works carried out by our Group. Please refer to Section 7.3.5 (e) of this Prospectus for further details of our performance guarantee.

(4) Comprises total borrowings and contingent liabilities.

(5) Computed as total borrowings divided by shareholders' equity.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report as set out in Section 13 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements and audited consolidated financial statements, as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Review of operations

We are an investment holding company. Through our subsidiaries, we are principally involved in the following business segments:

(i)	**Construction of plants and facilities**	:	This involves the construction of new plants for palm oil mills, upgrading works on existing plants for palm oil mills, palm oil refineries, biodiesel plants, biogas plants and power generation plants for palm oil mills as well as the construction of supporting facilities such as residential and operational buildings, amenities and infrastructure
(ii)	**Fabrication of equipment**	:	This involves the fabrication of palm oil mill equipment for newly constructed plants for palm oil mills or the replacement of equipment in existing plants for palm oil mills on a standalone basis as well as for other industries such as pulp and paper and rubber gloves
(iii)	**Supply of materials and equipment**	:	This involves supply of construction and piping materials, spun piles and heavy construction equipment
(iv)	**Other activities**	:	This involves supply of spare parts, provision of maintenance and site clearance and earthworks services

Please refer to Section 7 of this Prospectus for further information on our business activities.

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12. FINANCIAL INFORMATION (CONT'D)

An analysis of our financial condition and results of operations are as follows:

(i) Revenue

Our primary source of revenue is derived from our construction of plants and facilities segment. We mainly construct palm oil mills for our customers in the plantation industry. Apart from palm oil mills, we also construct other types of plant within the palm oil or supporting industries such as palm oil refinery, biodiesel plant, biogas plant as well as power generation plant for palm oil mills. This business segment includes the construction of the entire plant as well as upgrading works on existing plants.

To complement our core business activities of constructing plants, we are also involved in the construction of facilities comprising residential and operational buildings, amenities and infrastructure to cater to the needs of the community that supports the operations of palm oil mills and rubber plantations. We are also involved in the construction of facilities for other industries such as buildings for rubber glove manufacturing plants, explosives manufacturing facilities and renewable energy power station.

During the Financial Years Under Review, we secured contracts from the Olam Group to construct these facilities such as, among others, workers' quarters, operational buildings, amenities and infrastructure, which will cater to the needs of the community that supports the operations of the Olam Group's palm oil mills and rubber plantations in Gabon, Africa. These facilities are integral to the effective and efficient operations of plantations and mills as some of them are usually located a long distance away from the nearest towns or other communities.

We secured these contracts from the Olam Group following the completion of the construction of its palm oil mill and rubber plantation facilities by us in Gabon, Africa, where these facilities are constructed to support the operations of its plantation estates.

Besides our construction segment, we also derived revenue from our fabrication segment, where we fabricate equipment on a standalone basis for palm oil mills as well as for other industries, such as pulp and paper, rubber gloves and power generation. Our standalone equipment is either integrated with the newly constructed plants or used to replace equipment in existing plants. In addition, we also secured contracts in respect of supplying materials and equipment such as piping materials, spun piles and heavy construction equipment. We have also started to recognise revenue from the leasing of non-chemical water treatment equipment commencing from FYE 2021 under fabrication segment. Lastly, we also derived revenue from other activities such as trading of consumables, spare parts and building materials, as well as provision of maintenance and site clearance and earthworks services.

The pricing of our products and services varies from customer to customer as they are provided based on the customers' specifications and requirements and are determined based on factors such as, among others, type and complexity of plants and facilities, project duration as well as logistics arrangement.

In general, palm oil mill and facilities construction project can be completed within 12 to 24 months depending on, among others, size and capacity of the plant, weather and site condition, design and technical complexity as well as variation orders, if any.

Revenue from our construction segment is recognised over time during the period in which the construction services are rendered using the input method, determined based on the proportion of construction costs incurred for work performed to-date, over the estimated total construction costs. Transaction price (or contract revenue) is computed based on the price specified in the contract and adjusted for any variable consideration, such as incentives and penalties. Incentives represent the additional revenue apart from the transaction price (or contract revenue) which are not included in the respective contracts. Incentives may be awarded to us by our customers when we complete and deliver our projects within the project timeline.

For the Financial Years Under Review, we recognised total incentives of RM2.4 million from the Olam Group for the construction of workers' quarter projects in Gabon as revenue in FYE 2018. We issued the claims for the incentives of RM1.6 million in FYE 2018 and RM0.7 million in FYE 2019. Whereas penalties represent among others, LAD which can be claimed by our customers against us in the event that we are unable to complete and deliver our projects in accordance with the project timeline as stated in the contracts. For the FYE 2020, we made provision for LAD of RM1.0 million (including a provision for LAD of RM0.6 million and RM0.4 million which was set off against the progressive billing) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad. For the FYE 2021, we made a provision for LAD of RM0.2 million, which was the maximum claim on the LAD as at 30 November 2021, for the EPCC of ESP for biomass power plant at a palm oil mill in Johor for Ladang Petri Tenggara Sdn Bhd. Past experience on our completed projects is used to estimate and provide for the variable consideration, using the most-likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract asset is recognised when services have been rendered but invoices have not yet been issued. Conversely, a contract liability arises when invoices have been issued for services which have not yet been rendered.

Revenue from our fabrication of equipment segment is generated from the provision of fabrication of palm oil mill equipment for newly constructed plants for palm oil mills or the replacement of standalone equipment in existing plants for palm oil mills, as well as for other industries such as pulp and paper, rubber gloves and power generation. These equipment are usually fabricated according to our customers' requirements in terms of specifications and designs, and generally require 6 to 12 months to be fabricated. It also includes delivery, installation, testing of fabricated equipment at our customers' operation site and thereafter, acceptance by our customers.

Revenue from the supply of materials and equipment is recognised when we have transferred control of the goods to our customers, being the date when the goods have been delivered to and accepted by our customers.

Revenue from the provision of repair and maintenance and other services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by our customers.

We market our services in both the local and foreign markets, where majority of our customers are companies involved in the palm oil, rubber and other industries such as pulp and paper, rubber gloves and explosives manufacturing, as well as power generation.

(a) Revenue by business segments

The table below sets out our revenue by business segments for the Financial Years Under Review:

	<---Audited---							-->
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Construction of plants and facilities								
• Plants	10,369	9.1	50,832	29.7	103,877	67.6	28,145	18.4
• Facilities	86,790	76.4	99,549	58.2	15,641	10.2	57,968	37.9
	97,159	85.5	150,381	87.9	119,518	77.8	86,113	56.3
Fabrication of equipment	9,913	8.7	18,844	11.0	17,925	11.7	33,060	21.6
Supply of materials and equipment	1,166	1.0	451	0.3	13,129	8.5	32,233	21.0
Other activities[(1)]	5,389	4.8	1,252	0.8	3,121	2.0	1,757	1.1
Total	**113,627**	**100.0**	**170,928**	**100.0**	**153,693**	**100.0**	**153,163**	**100.0**

Note:

(1) Please refer to Section 7.1.2 (iv) of this Prospectus for further details of other activities.

(b) Revenue by geographical locations

The table below sets out our revenue by geographical locations of our customers where the projects are carried out for the Financial Years Under Review:

	<---Audited---							-->
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	8,868	7.8	23,027	13.5	28,178	18.3	41,849	27.3
<u>Foreign</u>								
Gabon	89,734	79.0	136,131	79.6	106,020	69.0	69,504	45.4
Liberia	6,006	5.3	2,055	1.2	765	0.5	451	0.3
Indonesia	9,019	7.9	7,821	4.6	18,730	12.2	41,359	27.0
India	-	-	1,892	1.1	-	-	-	-
Singapore	-	-	2	-*	-	-	-	-
	104,759	92.2	147,901	86.5	125,515	81.7	111,314	72.7
Total	**113,627**	**100.0**	**170,928**	**100.0**	**153,693**	**100.0**	**153,163**	**100.0**

Note:

* Negligible.

(c) Commentaries on revenue

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our total revenue increased by RM57.3 million or approximately 50.4% to RM170.9 million (FYE 2018: RM113.6 million). This was mainly due to the increase in revenue by RM53.2 million from construction of plants and facilities.

By business segments

Construction of plants and facilities

Revenue from our construction segment increased by RM53.2 million or approximately 54.7% to RM150.4 million (FYE 2018: RM97.2 million) mainly attributed to the following factors:

(i) increase in revenue from the construction of plants by RM40.4 million. In particular:

- we secured new contracts from Olam Palm for the construction of a palm oil mill, kernel crushing plant and biogas plant in Gabon with a total contract sum of RM127.5 million, for which we recognised revenue of RM30.6 million during the FYE 2019;
- we commenced upgrading works for an existing palm oil refinery in Malaysia for KL-Kepong Edible Oils Sdn Bhd, which contributed RM5.7 million to our revenue for the FYE 2019; and
- we performed upgrading works for an existing palm oil mill in Malaysia for Victory Enghoe Plantations Sdn Bhd, where we recorded revenue RM4.2 million for the FYE 2019.

(ii) increase in revenue from construction of facilities by RM12.8 million. In particular:

- we recorded an increase in revenue by RM5.4 million to RM92.3 million (FYE 2018: RM86.9 million) from the Olam Group for the construction of supporting facilities for the palm oil mill and rubber plantation community comprising 215 blocks of workers' quarters and infrastructure facilities such as office units, clinic, school, stores and clubhouses. These are ongoing contracts which were secured prior to FYE 2019 and we had commenced our construction works since the FYE 2017; and
- we recorded an additional revenue of RM6.7 million from the new contracts secured from Olam Palm to construct another 21 blocks of workers' quarters in Gabon during the FYE 2019.

Fabrication of equipment

For the FYE 2019, revenue from our fabrication segment increased by RM8.9 million or approximately 89.9% to RM18.8 million (FYE 2018: RM9.9 million) mainly attributed to the following factors:

(i) we commenced works for the fabrication of palm oil mill equipment such as the electrostatic precipitators for biomass boilers at 5 palm oil mills in Malaysia for our local customer, namely Sime Darby Plantation Berhad which contributed RM9.5 million to our revenue; and

(ii) we secured new contract from Olam Palm for the fabrication of bulking tanks for which we recognised revenue of RM4.3 million during the FYE 2019.

However, the above was partly offset by a lower revenue from PT Palmas Project Engineering by RM4.6 million for the fabrication of palm oil mill equipment which was near completion in the previous financial year.

Supply of materials and equipment

Our revenue contribution from the supply of material and equipment segment decreased by RM0.7 million to RM0.5 million (FYE 2018: RM1.2 million) during the FYE 2019 as a result of lower supply of construction materials such as cement, gravel, sand, bricks and High Density Poly Ethylene (HDPE) pipes to the Olam Group in Gabon for their internal usage in relation to a minor upgrading works for their palm oil mills during the FYE 2018.

Other activities

Revenue from our others segment also decreased by RM4.1 million to RM1.3 million (FYE 2018: RM5.4 million) mainly attributed to the absence of one-off project (site clearing and earthworks for a biomass power plant in Kluang) which contributed RM3.9 million or 71.8% of revenue in FYE 2018. The project was suspended in January 2019 and terminated by the customer in January 2022 at the request of our customer. In addition, we reversed RM0.5 million of our revenue which had been recognised during the FYE 2018 for work performed on the said project but yet to be billed.

By geographical locations

Foreign markets

Foreign markets accounted for approximately 86.5% of our revenue for the FYE 2019, while local market contributed the remaining 13.5%, with Gabon, Africa remaining as the principal market for our foreign sales, accounting for approximately 79.6% of our revenue for the FYE 2019.

For the FYE 2019, sales derived from Gabon, Africa increased by approximately RM46.4 million to RM136.1 million (FYE 2018: RM89.7 million) mainly due to higher revenue recognition for new and on-going contracts from the Olam Group for the construction of workers' quarters, palm oil mill, kernel crushing plant and biogas plant, in which new contracts contributed approximately 31.5% of the total revenue from such contracts while the on-going projects contributed remaining 68.5% of the total revenue from such contracts. However, revenue from Liberia, Africa decreased by RM3.9 million to RM2.1 million (FYE 2018: RM6.0 million) mainly due to the completion of fabrication work for bulking tank and near completion of the construction of biogas plant during the FYE 2019.

Local market

Revenue from the local market increased by approximately RM14.1 million to RM23.0 million (FYE 2018: RM8.9 million) mainly due to higher orders and/or contracts for the upgrading works for palm oil mills and/or refinery, as well as fabrication of palm oil mill equipment for our local customers as explained above.

For the FYE 2019, RM136.1 million or approximately 79.6% of our total revenue was denominated in EUR (FYE 2018: RM89.7 million or approximately 79.0%). During the FYE 2019, our revenue decreased by RM3.6 million due to strengthening of RM against EUR as follows:

			Variance due to movement in exchange rate	
	FYE 2018	**FYE 2019**	**FYE 2019**	**Increase/(Decrease)**
Revenue (EUR'000)	18,854	29,369	29,369	-
Revenue (RM'000)	89,734	136,131	(2)139,776	(3,645)
Exchange rate (RM per EUR)	(1)4.7593	(1)4.6352	(2)4.7593	(0.1241)

Notes:

(1) Based on the average foreign exchange rates used in our combined financial statements to convert our sales denominated in EUR to RM.

(2) Computed based on the average foreign exchange rate used for the FYE 2018.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total revenue decreased by RM17.2 million or approximately 10.1% to RM153.7 million (FYE 2019: RM170.9 million). This was mainly due to the decrease in revenue by RM30.9 million from construction of plants and facilities which was partly offset by the increase in revenue from supply of materials and equipment and other activities by RM12.6 million and RM1.8 million respectively.

By business segments

Construction of plants and facilities

Revenue from our construction segment decreased by RM30.9 million or approximately 20.5% to RM119.5 million (FYE 2019: RM150.4 million) mainly attributed to the decrease in revenue from the Olam Group for the construction of facilities by RM84.3 million to RM13.6 million (FYE 2019: RM97.9 million) as most of the construction works for the workers' quarters, school and infrastructure facilities in Gabon were completed during the FYE 2019.

Such decrease was, however, partly offset by an increase in revenue from the construction of plants by RM53.1 million, which was mainly contributed by the progressive billings from the construction of a palm oil mill, kernel crushing plant and biogas plant for the Olam Group in Gabon, for which we recognised revenue of RM84.3 million during the FYE 2020 (FYE 2019: RM30.6 million).

Fabrication of equipment

For the FYE 2020, revenue from our fabrication segment decreased by RM0.9 million or approximately 4.8% to RM17.9 million (FYE 2019: RM18.8 million) mainly attributed to lower revenue contribution from Sime Darby Plantation Berhad by RM9.5 million for the fabrication of palm oil mill equipment which was near completion during the FYE 2019. Nevertheless, such a decrease was partly offset by a new contract secured from PT Putra Bongan Jaya, a subsidiary of Kuala Lumpur Kepong Berhad, for the fabrication of palm oil mill equipment in Indonesia which we recognised a revenue of RM8.1 million.

Supply of materials and equipment

We recorded an increase in revenue contribution from our supply of materials and equipment segment by RM12.6 million to RM13.1 million (FYE 2019: RM0.5 million) mainly attributed to the supply of piping materials to a paper pulp mill in Selangor amounting to RM11.8 million as well as the supply of heavy equipment to a contractor in Gabon for the Olam Group's project amounting to RM0.8 million.

Other activities

We recorded an increase in revenue contribution from our others segment by RM1.8 million to RM3.1 million (FYE 2019: RM1.3 million) mainly due to the supply of palm oil mill related spare parts to Olam Palm amounting to RM2.4 million for the FYE 2020 (FYE 2019: RM0.8 million).

By geographical locations

Foreign markets

Foreign markets accounted for approximately 81.7% of our revenue for the FYE 2020, while local market contributed the remaining 18.3%, with Gabon, Africa remaining as the principal market for our foreign sales accounting for approximately 69.0% of our revenue for the FYE 2020. For the FYE 2020, sales derived from Gabon, Africa decreased by approximately RM30.1 million to RM106.0 million (FYE 2019: RM136.1 million) mainly due to lower revenue recognition following the completion of most contracts for the construction of workers' quarters in Gabon, Africa as explained above. Our foreign sales from Indonesia increased by RM10.9 million to RM18.7 million for the FYE 2020 (FYE 2019: RM7.8 million) mainly due to new orders secured from PT Putra Bongan Jaya as explained above.

Local markets

Revenue from the local market increased by approximately RM5.2 million to RM28.2 million (FYE 2019: RM23.0 million) mainly due to the revenue contribution from our supply of materials and equipment segment as explained above. However, this was partly offset with lower revenue contribution from our local customers such as Sime Darby Plantation Sdn Bhd.

For the FYE 2020, RM106.0 million or approximately 69.0% of our total revenue was denominated in EUR (FYE 2019: RM136.1 million or approximately 79.6%). During the financial year, our revenue increased by RM3.8 million due to weakening of RM against EUR as follows:

			Variance due to movement in exchange rate	
	FYE 2019	**FYE 2020**	**FYE 2020**	**Increase/(Decrease)**
Revenue (EUR'000)	29,369	22,046	22,046	-
Revenue (RM'000)	136,131	106,020	(2)102,188	3,832
Exchange rate (RM per EUR)	(1)4.6352	(1)4.8090	(2)4.6352	0.1738

Notes:

(1) Based on the average foreign exchange rates used in our combined financial statements to convert our sales denominated in EUR to RM.

(2) Computed based on the average foreign exchange rate used for the FYE 2019.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total revenue decreased marginally by RM0.5 million or approximately 0.3% to RM153.2 million (FYE 2020: RM153.7 million). This was mainly due to the decrease in revenue from the construction of plants and facilities and other activities by RM33.4 million and RM1.3 million respectively which was offset by the increase in revenue from the supply of materials and equipment and fabrication of equipment by RM19.1 million and RM15.2 million respectively.

By business segments

Construction of plants and facilities

Revenue from our construction of plants segment decreased by RM75.8 million or approximately 73.0% to RM28.1 million (FYE 2020: RM103.9 million) primarily due to a RM69.0 million decrease in revenue from the Olam Group for the construction of plants following the completion of the construction works for a palm oil mill, kernel crushing plant and biogas plant in Gabon which were at the tail end of the project phases during the FYE 2021. In addition, there was no new project relating to construction of plants secured during the FYE 2021.

Such a decrease was, however, partly offset by an increase in revenue from the construction of facilities by RM42.4 million or approximately 271.8% to RM58.0 million (FYE 2020: RM15.6 million) which was mainly due to the following factors:

(i) recognition of revenue from the irrigation project in Gabon awarded by Olam Palm in FYE 2021 amounting to RM38.3 million;

(ii) increase in revenue from Customer A for the construction of facilities for glove manufacturing plants amounting to RM13.3 million; and

(iii) the refurbishment and construction of buildings for an explosives manufacturing facility amounting to RM4.9 million during the FYE 2021.

This was, however, partly offset by the decrease in revenue from the Olam Group for the construction of facilities by RM13.6 million following the completion of the construction works for workers' quarters, school and other facilities in FYE 2020.

Fabrication of equipment

For the FYE 2021, revenue from our fabrication segment increased by RM15.2 million or approximately 84.9% to RM33.1 million (FYE 2020: RM17.9 million) which was mainly attributed to the following factors:

(i) revenue contribution of RM7.4 million from GoodGloves Industries Sdn Bhd for the fabrication of stainless-steel tanks and piping works for a glove manufacturing plant in Malaysia;

(ii) revenue contribution of RM4.0 million from Olam Palm for the fabrication of bulking tanks for a palm oil mill in Gabon which was completed in the FYE 2021; and

(iii) a new contract secured from PT Palmas Project Engineering for the fabrication of palm oil mill equipment in Indonesia which we recognised a revenue of RM5.9 million during the FYE 2021.

Supply of materials and equipment

We recorded an increase in revenue from our supply of materials and equipment by RM19.1 million or 145.8% to RM32.2 million (FYE 2020: RM13.1 million) mainly attributed to the supply of spun piles to a palm oil mill in Indonesia amounting to RM18.5 million, increase in supply of heavy machinery and equipment to the contractors in Gabon by RM10.3 million, and the supply of piping materials to Olam Group amounting to RM1.1 million. However, this was partly offset by the decrease in supply of piping materials to a paper pulp mill by RM10.8 million upon full delivery of the remaining orders in FYE 2021.

Other activities

Revenue from our other activities decreased by RM1.3 million or 41.9% to RM1.8 million (FYE2020: RM3.1 million) mainly due to lower sales of palm oil related spare parts to Olam Palm amounting to RM1.1 million for the FYE 2021 (FYE 2020: RM2.4 million).

By geographical locations

Foreign markets

Foreign markets accounted for approximately 72.7% of our revenue for the FYE 2021 (FYE 2020: 81.7%), while the local market contributed the remaining 27.3% (FYE 2020: 18.3%), with Gabon, Africa remaining as the principal market for our foreign sales accounting for approximately 45.4% of our revenue for the FYE 2021 (FYE 2020: 69.0%). For FYE 2021, sales derived from Gabon, Africa decreased by RM36.5 million or approximately 34.4% mainly due to lower revenue recognition following the completion of most contracts for the construction of plants, coupled with no new project relating to construction of plants was secured during the FYE 2021. This was, however, partly offset by the recognition of revenue from the irrigation project in Gabon awarded by Olam Palm in FYE 2021 as explained in this section. Our foreign sales from Indonesia increased by RM22.7 million to RM41.4 million for the FYE 2021 (FYE 2020: RM18.7 million) mainly due to the supply of spun piles to a palm oil mill in Indonesia and a new contract secured from PT Palmas Project Engineering as explained in this section.

Local markets

Revenue from the local market increased by approximately RM13.6 million to RM41.8 million (FYE 2020: RM28.2 million) mainly due to the construction of buildings and fabrication of stainless-steel tanks and piping works for a glove manufacturing plant.

For the FYE 2021, RM31.2 million or approximately 20.4% of our total revenue was denominated in EUR (FYE 2020: RM106.0 million or approximately 69.0%). During the financial year, our revenue increased by RM0.5 million due to the weakening of RM against the EUR as follows:

			Variance due to movement in exchange rate	
	FYE 2020	**FYE 2021**	**FYE 2021**	**Increase/(Decrease)**
Revenue (EUR'000)	22,046	6,367	6,367	-
Revenue (RM'000)	106,020	31,163	30,619	544
Exchange rate (RM per EUR)	(1)4.8090	(1)4.8944	(2)4.8090	0.0854

Notes:

(1) Based on the average foreign exchange rates used in our combined financial statements or consolidated financial statements to convert our sales denominated in EUR to RM.

(2) Computed based on the average foreign exchange rate used for the FYE 2020.

(ii) Cost of sales

Our cost of sales comprises 3 main components, namely construction material costs, service costs (mainly subcontractors' and consultants' costs) as well as production overheads. Our cost of sales increased from RM86.1 million for the FYE 2018 to RM133.4 million for the FYE 2019 in tandem with our revenue growth during the FYE 2019. For the FYE 2020, our cost of sales decreased slightly by RM1.2 million to RM132.2 million notwithstanding a decrease in our revenue by 10.1% during the financial year mainly due to higher freight and logistic expenses and fixed overheads incurred amidst the MCO period. For the FYE 2021, our cost of sales decreased by RM6.3 million to RM125.9 million in line with the decrease in our revenue during the financial year.

(i) Construction material costs

Construction material costs represent the key component, accounting for approximately 56.1%, 56.8%, 48.2% and 39.4% of our cost of sales for the Financial Years Under Review respectively. As a turnkey contractor, we are responsible for the procurement of all required materials such as, among others:

- steel products and pipes which include plates, sheets, bars, rods and pipes used for the fabrication of palm oil milling plant and equipment and other equipment and structure;
- building materials which include cement, concrete, spun piles, gravel, bricks, sands, soil, wood, timber, plywood, cables and wires, electrical distribution, protection and control devices such as switchboards and switches, as well as plumbing systems;
- machinery and components of equipment which include, among others, pumps, motors, hydraulic components, control systems;
- heavy construction equipment;

- hand tools and consumables; and

- fuel for the operation of construction equipment, generator sets and other equipment.

We source our raw materials from both local and foreign suppliers. For the Financial Years Under Review, 59.0%, 60.0%, 87.2% and 84.3% of our raw materials are sourced from local suppliers. We obtain quotations for raw materials from our suppliers before we submit our quotations and/or proposals to our customers. The prices of raw materials are mainly influenced by the overall market supply and demand conditions. Please refer to Section 9.1.7 of this Prospectus for further information on the risk relating to the fluctuations in the market price of steel based on the prevailing market conditions.

(ii) Service costs

Service costs comprise mainly the following:

- subcontractors' and consultants' costs

  We engage subcontractors and contract workers for construction works such as earthworks, civil and structural works as well as mechanical and electrical works for our construction projects. We also subcontract some of our fabrication work to third parties.

  We engage external consultants such as professional engineers, quantity surveyors and/or architects for the certification of work done at project sites. In addition, we also engage third party consultants to assist in technical design, specifications and engineering for our construction projects.

  After securing a project, we would negotiate and agree upfront on the scope of work and cost of the subcontractors and consultants, including the workmanship and labour charges involved in delivering the outsourced work. We select subcontractors and consultants for our construction projects in closed tenders based on factors such as track record, financial strength, workmanship, efficiency, reliability, reputation, capacity and pricing;

- rental of machinery and equipment such as mobile cranes, forklifts and scaffolding used at our project sites; and

- freight and related charges for delivery of our raw materials/finished goods.

Service costs accounted for 35.5%, 36.4%, 46.0% and 54.9% of our cost of sales for the Financial Years Under Review respectively.

(iii) Production overheads

Production overheads comprise mainly the following:

- direct labour costs which consist of wages, salaries, bonuses, statutory contributions and other staff-related costs incurred in relation to our factory and project staff; and

- maintenance costs for our fabrication machinery and equipment such as cutting machines, bending machines and CNC machines used at our fabrication facility;

Production overheads accounted for approximately 8.4%, 6.8%, 5.8% and 5.7% of our cost of sales for the Financial Years Under Review respectively.

Our cost of sales is mainly driven by the following factors:

(i) fluctuation in prices of our raw materials (steel and building materials) which is influenced by overall market supply and demand conditions;

(ii) our ability to source for subcontractors and consultants for our construction projects at competitive prices and to maintain long-term working relationship with them; and

(iii) our ability to implement and manage our projects in a timely and cost-effective manner.

(a) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Financial Years Under Review:

	<-----Audited							---->
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Material costs	48,275	56.1	75,802	56.8	63,656	48.2	49,613	39.4
Service costs	30,583	35.5	48,468	36.4	60,854	46.0	69,118	54.9
Production overheads	7,204	8.4	9,099	6.8	7,710	5.8	7,208	5.7
Total	**86,062**	**100.0**	**133,369**	**100.0**	**132,220**	**100.0**	**125,939**	**100.0**

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(b) Cost of sales by business segments

The table below sets out our cost of sales by business segments for the Financial Years Under Review:

	<-----Audited							---->
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Construction of plants and facilities								
• **Plants**								
Material costs	8,440	9.8	27,121	20.4	39,163	29.6	2,894	2.3
Service costs	6,376	7.4	12,291	9.2	45,880	34.7	15,628	12.4
Production overheads	755	0.9	2,297	1.7	5,191	3.9	3,074	2.4
	15,571	18.1	41,709	31.3	90,234	68.2	21,596	17.1
• **Facilities**								
Material costs	31,583	36.7	37,672	28.3	2,986	2.3	11,494	9.1
Service costs	18,385	21.3	29,576	22.2	6,877	5.2	36,463	29.0
Production overheads	5,405	6.3	4,846	3.6	407	0.3	1,155	0.9
	55,373	64.3	72,094	54.1	10,270	7.8	49,112	39.0
	70,944	82.4	113,803	85.4	100,504	76.0	70,708	56.1
Fabrication of equipment								
Material costs	6,508	7.6	9,998	7.5	9,654	7.3	15,632	12.4
Service costs	2,333	2.7	5,742	4.3	6,937	5.2	10,599	8.4
Production overheads	857	1.0	1,750	1.3	1,679	1.3	2,713	2.2
	9,698	11.3	17,490	13.1	18,270	13.8	28,944	23.0
Supply of materials and equipment								
Material costs	145	0.2	280	0.2	10,547	8.0	18,613	14.8
Service costs	-	-	-	-	782	0.6	6,345	5.0
Production overheads	-	-	-	-	20	0.0	238	0.2
	145	0.2	280	0.2	11,349	8.6	25,196	20.0
Other activities								
Material costs	1,599	1.9	731	0.5	1,306	1.0	980	0.8
Service costs	3,489	4.0	859	0.6	378	0.3	83	0.1
Production overheads	187	0.2	206	0.2	413	0.3	28	-*
	5,275	6.1	1,796	1.3	2,097	1.6	1,091	0.9
Total	**86,062**	**100.0**	**133,369**	**100.0**	**132,220**	**100.0**	**125,939**	**100.0**

Note:

* Negligible

(c) **Cost of sales by geographical locations**

The table below sets out our cost of sales by geographical locations for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	8,035	9.3	24,049	18.0	31,365	23.7	36,022	28.6
Foreign								
Gabon	56,350	65.5	96,978	72.7	77,435	58.6	54,058	42.9
Liberia	9,679	11.3	1,145	0.9	74	0.1	34	-*
Indonesia	11,998	13.9	9,398	7.1	23,341	17.6	35,825	28.5
India	-	-	1,799	1.3	5	-*	-	-
	78,027	90.7	109,320	82.0	100,855	76.3	89,917	71.4
Total	**86,062**	**100.0**	**133,369**	**100.0**	**132,220**	**100.0**	**125,939**	**100.0**

Note:

* Negligible.

(d) **Commentaries on cost of sales**

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our cost of sales increased by RM47.3 million or approximately 55.0% to RM133.4 million (FYE 2018: RM86.1 million) in line with our revenue growth. Cost of sales from the construction segment increased by approximately RM42.9 million or 60.5% to RM113.8 million (FYE 2018: RM70.9 million) mainly due to:

(i) increase in material costs by approximately RM24.8 million or 62.0% to RM64.8 million (FYE 2018: RM40.0 million) mainly as a result of higher consumption of steel products and building materials as we secured new construction contracts from the Olam Group;

(ii) increase in service costs by approximately RM17.1 million or 69.0% to RM41.9 million (FYE 2018: RM24.8 million) as a result of additional contract workers and/or subcontractors engaged to perform construction works at our project sites to cater for the new contracts secured and higher rental of machinery and equipment, freight and logistic costs for shipment and/or delivery of fabricated components to our project sites, as well as site expenses due to the increase in number of construction workers at our project sites; and

(iii) increase in production overheads by approximately RM0.9 million or 14.5% to RM7.1 million (FYE 2018: RM6.2 million) mainly due to increase in factory wages as a result of higher overtime cost incurred to undertake the fabrication work, higher bonus for the project staff, as well as higher maintenance costs for our machineries during the FYE 2019.

Cost of sales from the fabrication segment increased by approximately RM7.8 million or 80.4% to RM17.5 million (FYE 2018: RM9.7 million) mainly due to:

(i) increase in material costs by approximately RM3.5 million or 53.8% to RM10.0 million (FYE 2018: RM6.5 million) as we secured new contracts for the fabrication of palm oil mill equipment and building tanks during the FYE 2019, as explained in Section 12.3.1(i)(c) of this Prospectus; and

(ii) increase in production overheads by approximately RM0.9 million or 100.0% to RM1.8 million (FYE 2018: RM0.9 million) mainly due to an increase in factory wages as a result of higher overtime cost incurred to undertake the fabrication work and higher maintenance costs for our machineries during the FYE 2019.

Notwithstanding the lower revenue recorded in FYE 2019 from supply of materials and equipment segment, cost of sales from supply of materials and equipment segment increased by approximately RM0.2 million or 200.0% to RM0.3 million (FYE 2018: RM0.1 million) mainly due to higher cost of supply for the cement foundations.

Cost of sales from other activities segment decreased by approximately RM3.5 million or 66.0% to RM1.8 million (FYE 2018: RM5.3 million) in line with the suspension of site clearing and earthworks for a biomass power plant in Kluang. The higher cost of sales from other activities for the FYE 2018 was mainly in relation to the cost incurred such as the subcontractors' costs for the site clearing and earthworks for the biomass power plant in Kluang.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, notwithstanding a decrease in our revenue by 10.1%, our cost of sales only decreased slightly by RM1.2 million or approximately 0.9% to RM132.2 million (FYE 2019: RM133.4 million) mainly due to the following reasons:

Cost of sales from the construction segment decreased by approximately RM13.3 million or 11.7% to RM100.5 million (FYE 2019: RM113.8 million) mainly due to:

(i) decrease in material costs by approximately RM22.7 million or 35.0% to RM42.1 million (FYE 2019: RM64.8 million) mainly due to lower consumption of building materials by RM16.5 million, as well as hand tools and fuel by RM4.1 million as we completed most of the construction works for the workers' quarters and infrastructure facilities for the Olam Group during the FYE 2019. However, such decrease was partly offset by higher purchase of steel products and pipes by RM7.2 million for the fabrication of palm oil mill equipment and structures, as well as rising steel prices towards the end of FYE 2020; and

(ii) decrease in production overheads by approximately RM1.5 million or 21.1% to RM5.6 million (FYE 2018: RM7.1 million) mainly due to the reclassification of the salary of our project director from direct labour under cost of sales to indirect labour under administrative expenses, coupled with the decrease in factory wages due to lower fabrication activities at our factory during the MCO period. For the FYE 2020, we recorded higher production overheads by RM2.9 million or 126.1% to RM5.2 million (FYE 2019: RM2.3 million) for the construction of plants segment mainly due to fulfilment of on-going palm oil mills projects. However, such higher production overheads for the construction of plants segment was partly offset by the decrease in the production overheads for the construction of facilities segment by RM4.4 million or 91.7% to RM0.4 million (FYE 2019: RM4.8 million) in line with the revenue for this segment.

However, such decreases were partly offset by higher service costs such as higher freight and logistic expenses by RM7.3 million as a result of more shipments and/or delivery of fabricated components to our project sites in Gabon and Indonesia wherein due to the delay in the project progress for the Indonesia project arising from COVID-19 impact, we had to deliver our fabricated components in batches and hence resulted in additional shipments, coupled with the increase in freight rate during the COVID-19 pandemic period. The freight rates for Indonesia have increased from RM280 per m^3 to RM450 per m^3, which represent an increase of approximately 60.7% while the freight rates for Gabon have increased from RM11,386 per 40-foot high cube container to RM27,286 per 40-foot high cube container, which represent an increase of approximately 140%. In addition, subcontractors' cost also increased by RM1.2 million as we engaged more subcontractors for electrical and installation works in Gabon for the construction of palm oil mills during the FYE 2020.

Cost of sales from the fabrication segment increased by approximately RM0.8 million or 4.6% to RM18.3 million (FYE 2019: RM17.5 million) mainly due to increase in service costs by approximately RM1.2 million or 21.1% to RM6.9 million (FYE 2019: RM5.7 million) mainly due to higher freight and logistic expenses by RM1.7 million as a result of more shipments and/or delivery of fabricated components to our project sites in Gabon and Indonesia, coupled with the increase in freight rate during the COVID-19 pandemic period.

However, such increase was partly offset by the decrease in material cost by approximately RM0.3 million or 3.0% to RM9.7 million (FYE 2019: RM10.0 million) mainly due to lower procurement of machinery and components of equipment and hand tools. In addition, factory wages decreased due to lower fabrication activities at our factory during the MCO period.

Cost of sales from the supply of materials and equipment segment increased approximately by RM11.0 million or 3,666.7% to RM11.3 million (FYE 2019: RM0.3 million) mainly due to increase in supply of piping materials to the paper pulp mill and heavy equipment to a contractor in Gabon as explained in Section 12.3.1(i)(c) of this Prospectus.

Cost of sales from the other activities segment also increased by approximately RM0.3 million or 16.7% to RM2.1 million (FYE 2019: RM1.8 million) mainly attributable to the increase in the supply of palm oil mill related spare parts to the Olam Group.

<u>Comparison between FYE 2020 and FYE 2021</u>

For the FYE 2021, our cost of sales decreased by RM6.3 million or approximately 4.8% to RM125.9 million (FYE 2020: RM132.2 million) mainly due to the following reasons:

Cost of sales from the construction segment decreased by approximately RM29.8 million or 29.7% to RM70.7 million (FYE 2020: RM100.5 million) mainly due to:

(i) decrease in material costs by approximately RM27.7 million or 65.8% to RM14.4 million (FYE 2020: RM42.1 million) mainly due to lower consumption of steel materials and pipes as well as machinery and components for equipment which was partly offset by higher consumption of building materials. This was in line with the decrease in revenue recognised from the construction of plants segment which consumed mainly the steel materials and pipes in FYE 2021 and the increase in revenue recognised from the construction of facilities segment which consumed mainly the building materials in FYE 2021;

(ii) decrease in service costs by approximately RM0.7 million or 1.3% to RM52.1 million (FYE 2020: RM52.8 million) mainly due to the decrease in service cost by RM30.3 million for the construction of plants segment which was in line with the decrease in revenue recognised from this segment. Such decrease, however, was partly offset by the increase in service costs by RM29.6 million for the construction of facilities segment as we engaged more subcontractors and contract workers to perform construction works at our project sites to cater for the new contracts secured; and

(iii) decrease in production overheads by approximately RM1.4 million or 25.0% to RM4.2 million (FYE 2020: RM5.6 million) mainly due to the decrease in production overhead by RM2.1 million for the construction of plants segment which was in line with the decrease in revenue for this segment. However, it was partly offset by the increase in production overhead by RM0.8 million for the construction of facilities which was attributed to higher wages incurred in line with higher revenue recorded for the construction of facilities for the FYE 2021.

Cost of sales from the fabrication segment increased by RM10.6 million or approximately 57.9% to RM28.9 million (FYE 2020: RM18.3 million) mainly due to:

(i) increase in material costs by approximately RM5.9 million or 60.8% to RM15.6 million (FYE 2020: RM9.7 million) mainly due to higher procurement of materials for the fabrication works for a glove manufacturing plant in Malaysia and a new palm oil mill in Indonesia, as well as the fabrication of bulking tanks for Olam Palm which was completed in the FYE 2021; and

(ii) increase in service costs by approximately RM3.7 million or 53.6% to RM10.6 million (FYE 2020: RM6.9 million) as we engaged subcontractors for the fabrication of tanks and piping works for a new glove manufacturing plant, ESP for a biomass power plant and tanks for an existing palm oil refinery in Malaysia. We also engaged contract workers for the installation and erection of tanks for a palm oil mill in Gabon.

Cost of sales from the supply of materials and equipment segment increased approximately by RM13.9 million or 123.0% to RM25.2 million (FYE 2020: RM11.3 million) mainly due to:

(i) increase in material costs by approximately RM8.1 million or 77.1% to RM18.6 million (FYE 2020: RM10.5 million) mainly due to increase in supply of spun piles to a palm oil mill in Indonesia and the supply of heavy machinery and equipment to the contractors in Gabon as explained in Section 12.3.1(i)(c); and

(ii) increase in service costs by approximately RM5.5 million or 687.5% to RM6.3 million (FYE 2020: RM0.8 million) mainly due to higher freight and logistics expenses for the delivery of heavy machinery and equipment and spun piles to Gabon and Indonesia, respectively.

Cost of sales from the other activities segment decreased by approximately RM1.0 million or 47.6% to RM1.1 million (FYE 2020: RM2.1 million) mainly attributed to lower supply of palm oil related spare parts to Olam Palm during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin

(a) GP and GP margin by business segments

The table below sets out our GP and GP margin by business segments for the Financial Years Under Review:

GP

	<----Audited----							---->
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Construction of plants and facilities								
• Plants	(5,202)	(18.9)	9,123	24.3	13,643	63.5	6,549	24.1
• Facilities	31,417	114.0	27,455	73.1	5,371	25.0	8,856	32.5
	26,215	95.1	36,578	97.4	19,014	88.5	15,405	56.6
Fabrication of equipment	215	0.8	1,354	3.5	(345)	(1.6)	4,116	15.1
Supply of materials and equipment	1,021	3.7	171	0.5	1,780	8.3	7,037	25.9
Other activities	114	0.4	(544)	(1.5)	1,024	4.8	666	2.4
Total	**27,565**	**100.0**	**37,559**	**100.0**	**21,473**	**100.0**	**27,224**	**100.0**

GP margin

	<----Audited----			---->
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	%	**%**	**%**	**%**
Construction of plants and facilities				
• Plants	-#	17.9	13.1	23.3
• Facilities	36.2	27.6	34.3	15.3
Fabrication of equipment	2.2	7.2	-#	12.5
Supply of materials and equipment	87.6	37.9	13.6	21.8
Other activities	2.1	-#	32.8	37.9
Overall GP margin	**24.3**	**22.0**	**14.0**	**17.8**

Note:

\# Not applicable due to gross loss recorded.

(b) GP and GP margin by geographical locations

GP

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	833	3.0	(1,022)	(2.7)	(3,187)	(14.8)	5,827	21.4
Foreign								
Gabon	33,384	121.1	39,153	104.2	28,585	133.1	15,446	56.8
Liberia	(3,673)	(13.3)	910	2.4	691	3.2	417	1.5
Indonesia	(2,979)	(10.8)	(1,577)	(4.1)	(4,611)	(21.5)	5,534	20.3
India	-	-	93	0.2	(5)	-*	-	-
Singapore	-*	-*	2	-*	-	-	-	-
	26,732	97.0	38,581	102.7	24,660	114.8	21,397	78.6
Total	**27,565**	**100.0**	**37,559**	**100.0**	**21,473**	**100.0**	**27,224**	**100.0**

Note:

* Negligible.

GP margin

	<-----Audited----->			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	%	%	%	%
Malaysia	9.4	-#	-#	13.9
Foreign				
Gabon	37.2	28.8	27.0	22.2
Liberia	-#	44.3	90.3	92.5
Indonesia	-#	-#	-#	13.4
India	-	4.9	-#	-
Singapore	100.0	100.0	-	-
Overall GP margin	**24.3**	**22.0**	**14.0**	**17.8**

Note:

\# Not applicable due to gross loss recorded.

(c) Commentaries on GP

Comparison between FYE 2018 and FYE 2019

Our GP for the FYE 2019 increased by RM10.0 million or approximately 36.2% to RM37.6 million (FYE 2018: RM27.6 million) mainly attributable to the following reasons:

(i) we recorded GP of RM9.1 million from our construction of plants segment for the FYE 2019 as compared to gross loss of RM5.2 million for the FYE 2018 mainly due to profits from newly secured contracts for the construction of palm oil mill, kernel crushing and biogas plants from the Olam Group.

The gross loss incurred for the FYE 2018 was mainly due to one-off partial reversal of revenue of RM3.1 million, which was caused by the termination of contract to fabricate mechanical works for the palm oil mill project in Indonesia by our customer. The contract was terminated as a result of termination of work for the entire palm oil mill project due to site possession issues faced by our customer during the FYE 2018, as disclosed in Section 9.1.4 of this Prospectus. The products were delivered to the site based on the instruction of our customer prior to the site possession being obtained by the customer. Our Group was not aware that the site possession had not been obtained by the customer.

Our Group had previously recognised the revenue of RM17.8 million based on the stage of completion and incurred cost of RM15.4 million prior to FYE 2018. Prior to the termination of the project, our Group had completed 100% of the works and was pending the delivery to the site. However, following the termination of work, both our Group and the customer had agreed on a final claim amounted to RM14.7 million which represents 94.8% of our cost incurred. This had caused the reversal of revenue of RM3.1 million in the FYE 2018. Our Group was only able to recover 94.8% of the cost incurred for the project and the amount had been fully collected. Such actual corresponding costs incurred was expensed off from FYE 2014 to FYE 2017 in compliance with the MFRS 15 and hence no reversal.

In addition, we also incurred additional costs of RM3.1 million due to some additional work carried out for the commissioning of the palm oil mill in Liberia, Africa during the FYE 2018, for which revenue had been fully recognised during the FYE 2017. The construction of palm oil was fully completed and commissioned in the FYE 2017 where all revenue and cost have been fully recognised in the same year. However, following the commissioning of the palm oil mills, the project owner requested our Group to assist to perform additional electrical and piping works to enhance the process flow which our Group agreed on the basis of goodwill taking into consideration the business relationship. No revenue was recognised for such additional work done and it was not part of warranty or defect liability works. The GP of this project after taking into account of the cost for the additional work done is RM9.4 million; and

(ii) we recorded GP of RM1.4 million from our fabrication segment for the FYE 2019 (FYE 2018: RM0.2 million) mainly due to the higher revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus.

Nevertheless, the above increase in GP was partly offset by the following:

(i) lower GP recorded for our construction of facilities segment of RM27.5 million (FYE 2018: RM31.4 million) despite a higher revenue contribution by RM12.7 million from the said segment mainly due to lower contract pricing negotiated for the construction of workers' quarters for the palm oil plantation community and rubber plantation community located in Gabon;

(ii) lower GP recorded for our supply of materials and equipment segment of RM0.2 million (FYE 2018: RM1.0 million) mainly due to lower revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus; and

(iii) gross loss recorded for our other activities segment of RM0.5 million for the FYE 2019 as compared to GP of RM0.2 million for the FYE 2018 mainly due to the cost incurred for the FYE 2019 which was not claimable and the partial reversal of revenue of RM0.5 million which was previously recognised during the FYE 2018 for work performed but yet to be billed as a result of the suspension of site clearing and earthworks for a biomass power plant in Kluang at the request of our customer.

We recorded gross loss of RM1.0 million in Malaysia for the FYE 2019 mainly due to the suspension of site clearing and earthworks for a biomass power plant in Kluang as explained in this section and Section 9.1.4 of this Prospectus.

We recorded gross loss of RM3.0 million in Indonesia for the FYE 2018 mainly attributable to the termination of work for the palm oil mill project in Indonesia by our customer due to site possession issue as explained in this section and Section 9.1.4 of this Prospectus. For the FYE 2019, we recorded gross loss of RM1.6 million mainly due to the construction of palm oil mill in Indonesia as a result of the anticipated gross loss caused by additional custom clearance cost.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our GP decreased by RM16.1 million or approximately 42.8% to RM21.5 million (FYE 2019: RM37.6 million) mainly attributable to the following reasons:

(i) decrease in GP from our construction of facilities segment by RM22.1 million to RM5.4 million (FYE 2019: RM27.5 million) which was in line with the decrease in the revenue as most of the construction projects for the workers' quarters and infrastructure facilities were completed during the FYE 2019; and

(ii) our fabrication segment recorded a gross loss of RM0.3 million for the FYE 2020 as compared to a GP of RM1.4 million for the FYE 2019 mainly due to:

- cost overrun attributed to the freight and logistic cost and fixed overhead amounting to RM0.4 million as explained in Section 12.3.1(ii)(d) above; and

- a total LAD of RM1.0 million (including a provision for LAD of RM0.6 million and RM0.4 million which was set off against the progressive billing) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad due to the delay in the supply of parts from the supplier appointed by the customer. For clarification, we were unable to claim any LAD from such supplier as our purchase order with the supplier did not have such provisions.

Notwithstanding the above, the decrease in GP was partly offset by the following:

(i) increase in GP from our construction of plants segment by RM4.5 million to RM13.6 million (FYE 2019: RM9.1 million) which was in line with the higher revenue recorded for the construction of plants for the Olam Group;

(ii) increase in GP from our supply of materials and equipment segment by RM1.6 million to RM1.8 million (FYE 2019: RM0.2 million) mainly due to new contracts secured for the supply of piping materials to a paper pulp mill in Selangor and heavy equipment to a contractor in Gabon in the FYE 2020; and

(iii) GP recorded for our other activities segment of RM1.0 million for the FYE 2020 as compared to a gross loss of RM0.5 million for the FYE 2019 mainly due to higher sales of palm oil related spare parts to Olam Palm during the FYE 2020.

For the FYE 2020, we recorded gross loss of RM3.2 million in Malaysia mainly due to the following:

(i) gross loss incurred for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad as explained in this section and Section 7.3.5(b) of this Prospectus; and

(ii) gross loss of RM2.2 million for the upgrading work for a palm oil mill in Malaysia.

We recorded gross loss of RM4.6 million in Indonesia for the FYE 2020 mainly due to the construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, rising shipment costs and steel prices which we were unable to pass on to the customer as explained in Section 12.3.1(ii)(d) above.

Comparison between FYE 2020 and FYE 2021

Our GP for the FYE 2021 increased by RM5.7 million or approximately 26.5% to RM27.2 million (FYE 2020: RM21.5 million) mainly attributed to the following:

(i) increase in GP from our construction of facilities segment by RM3.5 million to RM8.9 million (FYE 2020: RM5.4 million) which was in line with the increase in revenue contribution from the irrigation project in Gabon and construction of buildings for a new glove manufacturing plant in Malaysia;

(ii) we recorded GP from our fabrication segment of RM4.1 million as compared to gross loss of RM0.3 million for the FYE 2020 mainly due to newly secured contract for the fabrication of stainless-steel tanks and piping works for a glove manufacturing plant and the contract for the fabrication of bulking tanks for a palm oil mill from Olam Group; and

(iii) increase in GP from our supply of materials and equipment segment by RM5.2 million to RM7.0 million (FYE 2020: RM1.8 million) which was mainly attributed to higher revenue recorded from the supply of spun piles to a palm oil mill in Indonesia and the supply of heavy machinery and equipment to the contractors in Gabon.

Notwithstanding the above, the increase in GP was partly offset by the following:

(i) decrease in GP from our construction of plants segment by RM7.1 million to RM6.5 million (FYE 2020: RM13.6 million) which was in line with the decrease in revenue as most of the construction of plants projects which were at the tail end of the project phases were completed during the FYE 2021; and

(ii) decrease in GP from other activities segment by RM0.3 million to RM0.7 million (FYE 2020: RM1.0 million) mainly due to lower sales of palm oil related spare parts to Olam Palm during the FYE 2021.

(d) Commentaries on GP margin

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our overall GP margin decreased to 22.0% (FYE 2018: 24.3%) mainly attributable to the following reasons:

(i) lower GP margin of 27.6% recorded from our construction of facilities segment for the FYE 2019 (FYE 2018: 36.2%) mainly due to the contracts secured during the FYE 2018 in relation to the construction of workers' quarters in Gabon were of lower contract pricing as part of the contracts negotiation; and

(ii) lower GP margin of 37.9% recorded from our supply of materials and equipment segment (FYE 2018: 87.6%) mainly due to lower revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus.

However, the decrease in the GP margin was partly offset by the following:

(i) higher GP margin of 17.9% recorded from our construction of plants segment for the FYE 2019 as compared to a gross loss of RM5.2 million for the FYE 2018 mainly due to contribution from the construction projects for Olam Palm in Gabon during the FYE 2019; and

(ii) the increase in GP margin for fabrication of equipment segment to 7.2% for the FYE 2019 (FYE 2018: 2.2%) mainly due to higher GP margin for the fabrication of bulking tanks for Olam Palm.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our overall GP margin decreased to 14.0% (FYE 2019: 22.0%) mainly due to the following reasons:

(i) lower GP margin of 13.1% from our construction of plants segment (FYE 2019: 17.9%) mainly due to a gross loss of RM4.6 million recorded for our construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, rising shipment costs and steel prices which we were unable to pass on to the customer, and gross loss of RM2.2 million for the upgrading work for a palm oil mill in Malaysia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, and steel prices which we were unable to pass on to the customer;

(ii) lower GP contribution from the construction of facilities segment for the FYE 2020, which has a higher GP margin as compared to the construction of plant segment. The higher GP margin for the construction of facilities for the FYE 2020 of 34.3% (FYE 2019: 27.6%) was mainly due to higher GP margin contracts secured for the construction of workers' quarters in Gabon. Despite higher GP margin, the GP contribution from the construction of facilities decreased from RM27.5 million in FYE 2019 to RM5.4 million in FYE 2020 which contributed the overall decrease in GP margin of our Group; and

(iii) lower GP margin of 13.6% from our supply of materials and equipment segment for FYE 2020 mainly due to low margin supply contract secured (FYE 2019: 37.9%).

However, we recorded higher GP margin for our other activities segment of 32.8% for the FYE 2020 as compared to a gross loss of RM0.5 million for the FYE 2019 mainly due to higher sales of palm oil related spare parts to Olam Palm during the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our overall GP margin increased to 17.8% (FYE 2020:14.0%) mainly due to the following:

(i) higher GP margin of 23.3% recorded from our construction of plants segment (FYE 2020: 13.1%) due to recognition of revenue from variation orders of which the works have been completed in FYE 2020;

(ii) GP margin of 12.5% from our fabrication of equipment segment during the FYE 2021 as compared to a gross loss recorded in the FYE 2020; and

(iii) higher GP margin of 21.8% recorded from our supply of materials and equipment segment (FYE 2020: 13.6%) due to the higher margin supply contracts secured.

However, the increase in the GP margin was mitigated by the decrease in GP margin from construction of facilities to 15.3% for the FYE 2021 (FYE 2020: 34.3%) owing to the contracts revenue recognised during the FYE 2021 were mainly at competitive pricing compared to those in FYE 2020 and the contracts revenue recognised during the FYE 2020 in relation to the construction of workers' quarters in Gabon were of higher contract pricing.

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12. FINANCIAL INFORMATION (CONT'D)

(iv) Other income

The table below sets out our other income for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	221	60.4	211	48.7	271	20.2	194	33.5
Gain on disposal of property, plant and equipment	85	23.2	47	10.9	47	3.5	60	10.4
Rental and lease income(1)	58	15.9	165	38.1	186	13.9	186	32.1
Fair value gain on other investment(2)	-	-	-	-	278	20.7	117	20.2
Insurance claimed(3)	-	-	-	-	179	13.3	-	-
Wage subsidy(4)	-	-	-	-	134	10.0	22	3.8
Realised gain on foreign exchange	2	0.5	-	-	213	15.9	-	-
Others(5)	-	-	10	2.3	33	2.5	-	-
Total	**366**	**100.0**	**433**	**100.0**	**1,341**	**100.0**	**579**	**100.0**

Notes:

(1) Derived mainly from the rental of buildings to one of our Key Senior Management, Tia Tuan Sim as accommodation (amounting to RM0.1 million per year) and rental of office space to Buildwiser Sdn Bhd.

(2) Being fair value gain on the insurance policy (key man insurance) required by a bank to insure one of our executive directors for a credit facility.

(3) Being insurance compensation for damages caused by hailstorm to the workers' quarter constructed by our Group at the project site in Gabon.

(4) Being subsidy received from Social Security Organisation under the Wage Subsidy Programme.

(5) Comprised mainly income from sales of scrap metal.

Commentaries on other income

Comparison between FYE 2018 and FYE 2019

Our other income remained relatively consistent for the FYE 2019 as compared to the FYE 2018. Our rental and lease income increased by approximately RM0.1 million to RM0.2 million (FYE 2018: RM0.1 million) mainly due to the partial recognition in FYE 2018 as the rental commenced in August 2018 for Buildwiser and September 2018 for Tia Tuan Sim respectively.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our other income increased by RM0.9 million to RM1.3 million (FYE 2019: RM0.4 million) mainly due to the following:

(i) receipt of wage subsidy of RM0.1 million;

(ii) insurance claims of RM0.2 million;

(iii) recognition of fair value gain on insurance taken on an executive director of RM0.3 million; and

(iv) realised gain on foreign exchange of RM0.2 million.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our other income decreased by RM0.7 million to RM0.6 million (FYE 2020: RM1.3 million) mainly due to the following:

(i) decrease in interest income by RM0.1 million mainly due to lower interest rate in the FYE 2021;

(ii) decrease in the recognition of fair value gain on the insurance policy taken on by an executive director by RM0.2 million in accordance with MFRS 9;

(iii) decrease in insurance claims by RM0.2 million as no claim was made during the FYE 2021.

(iv) decrease in wage subsidy by RM0.1 million; and

(v) absence of realised gain on foreign exchange due to the fluctuation of the exchange rate during the FYE 2021 (FYE 2020: RM0.2 million).

(v) Administrative expenses

The table below sets out a breakdown of our administrative expenses for the Financial Years Under Review:

	<-----Audited-----							---->
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration	3,062	20.9	3,703	24.9	3,976	29.9	4,406	30.9
Travelling expenses	2,840	19.4	2,636	17.7	1,567	11.8	1,636	11.5
Depreciation of property plant and equipment and right-of-use assets	1,814	12.4	1,653	11.1	1,308	9.8	1,259	8.8
Staff costs	1,464	10.0	2,127	14.3	3,084	23.2	3,779	26.4
Rental expenses	227	1.5	487	3.3	121	0.9	144	1.0
Upkeep of property plant and equipment	736	5.0	880	5.9	370	2.8	302	2.1
Legal and professional fees	341	2.3	470	3.2	1,153	8.7	932	5.6
Insurance charges	406	2.8	255	1.7	277	2.1	585	4.1
Utility charges	228	1.6	498	3.3	314	2.4	253	1.8
Permit and licence fees	2,288	15.6	639	4.3	50	0.4	44	0.3
Bank charges	177	1.2	65	0.4	82	0.6	63	0.4
Entertainment expenses	149	1.0	290	2.0	70	0.5	38	0.3
Telephone, postage and stationery charges	232	1.6	227	1.5	118	0.9	149	1.0
Others(1)	693	4.7	955	6.4	791	6.0	695	5.8
Total	**14,657**	**100.0**	**14,885**	**100.0**	**13,281**	**100.0**	**14,285**	**100.0**

Note:

(1) Included security fees, quite rent and assessment, processing and tender fee, office and sundry expenses and audit fees.

Commentaries on administrative expenses

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our administrative expenses increased by RM0.2 million or approximately 1.4% to RM14.9 million (FYE 2018: RM14.7 million) mainly due to the following factors:

(i) increase in directors' remuneration by RM0.7 million due to annual increment and higher bonus for our directors in line with our improved performance for the FYE 2019;

(ii) increase in staff costs by RM0.7 million attributed to the overall annual increment and higher bonus as well as an increase in headcounts by 9 employees from 83 employees as at 31 December 2018 to 92 employees as at 31 December 2019 to cater for the continuous expansion of our operations;

(iii) increase in rental expenses by RM0.3 million as a result of the rental of temporary premises as accommodation and rental of motor vehicles for our staff, contract workers and/or subcontractors in Gabon; and

(iv) increase in entertainment expenses by RM0.1 million and other expenses by RM0.3 million due to higher tender fees and interest charged by trade creditor for longer credit term granted.

The above increase in expenses were, however, partly offset by the decrease in permit and licence fees, which were the back charges to us by Olam Group as Olam Group, being the project owner had applied for the work permits for our employees, contract workers and subcontractors sent to Gabon to undertake the construction works at the project sites of RM1.7 million for the FYE 2019 due to lesser staff, contract workers and/or subcontractors was sent to Gabon as compared to the FYE 2018.

Comparison between FYE 2019 and FYE 2020

For the FYE 2019, our administrative expenses decreased by RM1.6 million or approximately 10.7% to RM13.3 million (FYE 2018: RM14.9 million) mainly due to the following factors:

(i) decrease in the travelling expenses by RM1.0 million, entertainment expenses by RM0.2 million and telephone, postage and stationery charges by RM0.2 million due to lesser travelling and marketing activities amid the travel restriction during the COVID-19 pandemic;

(ii) decrease in the upkeep of property, plant and equipment by RM0.5 million mainly due to lower upkeep of motor vehicles as less travelling and mobilisation during the COVID-19 pandemic;

(iii) decrease in rental expenses as well as permit and licences fee, which were the back charges to us by Olam Group for our employees, contract workers and subcontractors sent to Gabon by RM0.9 million due to less staff, contract workers and/or subcontractors was sent to Gabon for our projects during the COVID-19 pandemic; and

(iv) decrease in other expenses by RM0.2 million mainly in respect of the processing and tender fees and sundry expenses.

The above decrease in expenses were partly offset by the following:

(i) increase in staff costs by RM1.0 million mainly due to reclassification of the salary of our project director from cost of sales to administrative expenses and an increase in headcounts by 9 employees from 81 employees as at 31 December 2019 to 90 employees as at 31 December 2020 to cater for the continuous expansion of our operations. Prior to the 1 October 2019, the salary of the project director was classified under the cost of sales. However, effective 1 October 2019, his salary has been reclassified to the administrative expenses as he has been promoted as a key senior management of our Group (transferred to AEPL) to oversee the Gabon operations; and

(ii) increase in legal and professional fees by RM0.7 million mainly attributed to the listing exercise.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our administrative expenses increased by RM1.0 million or approximately 7.5% to RM14.3 million (FYE 2020: RM13.3 million) mainly due to the following factors:

(i) an increase in directors' remuneration by RM0.4 million due to the annual increment;

(ii) an increase in staff costs by RM0.7 million owing to the overall annual increment and higher staff related expenses; and

(iii) an increase in insurance charges by RM0.3 million in view of higher insurance coverage for the irrigation project in Gabon.

The above increase in expenses were, however, partly offset by the decrease in legal and professional fees by RM0.2 million.

(vi) Other operating expenses

The table below sets out a breakdown of our other operating expenses for the Financial Years Under Review:

	<------------------------------Audited------------------------------>							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Impairment loss on investment in associate	200	39.1	-	-	-	-	-	-
Fair value loss on other investments(1)	-	-	507	47.1	-	-	-	-
Loss on foreign exchange	311	60.9	391	36.3	-	-	328	100.0
Property, plant and equipment written off	*	*	179	16.6	12	100.0	-	-
Total	**511**	**100.0**	**1,077**	**100.0**	**12**	**100.0**	**328**	**100.0**

Notes:

* Less than RM1,000.

(1) Being fair value adjustment in accordance with MFRS 9 in relation to the key man insurance.

Commentaries on other operating expenses

<u>Comparison between FYE 2018 and FYE 2019</u>

For the FYE 2019, our other operating expenses increased by RM0.6 million to RM1.1 million (FYE 2018: RM0.5 million) mainly due to the following reasons:

(i) one-off impairment loss on investment in associate for the FYE 2018 as a result of an unsuccessful research and development project implemented by HESB for palm oil filtration system; and

(ii) increase in fair value loss on other investments by RM0.5 million in relation to the key man insurance in accordance with MFRS 9.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our other operating expenses decreased by RM1.1 million or approximately 100.0% to RM12,000 (FYE 2019: RM1.1 million) mainly due to the following reasons:

(i) decrease in fair value loss on other investments by RM0.5 million in relation to the key man insurance in the FYE 2019; and

(ii) recognition of realised gain on foreign exchange as a result of weakening of RM against EUR.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our other operating expenses increased by RM0.3 million (FYE 2020: approximately RM12,000) mainly due to higher recognition of realised loss on foreign exchange in our subsidiary in Singapore, namely AEPL (which EUR is the functional currency), as a result of strengthening of EUR against USD.

(vii) Finance costs

The table below sets out our finance costs for the Financial Years Under Review:

	<----------------------------------Audited-------------------------------->							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Bank charges	224	11.3	494	19.6	327	12.9	692	25.0
Interest expenses on:								
- bankers' acceptances[(1)]	1,257	63.8	1,299	51.7	1,177	46.3	985	35.5
- bank overdraft	213	10.8	330	13.1	636	25.0	737	26.6
- term loans	246	12.5	361	14.4	345	13.6	298	10.8
- lease liabilities	31	1.6	31	1.2	57	2.2	58	2.1
Total	**1,971**	**100.0**	**2,515**	**100.0**	**2,542**	**100.0**	**2,770**	**100.0**

Note:

(1) Including interest expenses on invoice financing.

Commentaries on finance costs

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our finance costs increased by RM0.5 million or approximately 25.0% to RM2.5 million (FYE 2018: RM2.0 million) mainly due to the following reasons:

(i) higher bank overdraft interest by RM0.1 million due to additional bank overdraft being utilised for our working capital purposes;

(ii) higher bank charges by RM0.3 million due to additional bank guarantees for our tenders and projects; and

(iii) higher interest on term loans by RM0.2 million, mainly due to finance costs incurred on term loans utilised to part-finance the acquisition of a semi-detached factory in Johor Bahru in 2018, which is occupied by our subsidiaries, ETSB and TWTSSB, as their principal place of business.

Comparison between FYE 2019 and FYE 2020

Our finance costs remained relatively consistent for the FYE 2020 as compared to the FYE 2019. We recorded higher interest expenses on bank overdraft of RM0.6 million for the FYE 2020 (FYE 2019: RM0.3 million) mainly due to higher utilisation of bank overdraft facility for working capital purposes.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our finance costs increased by RM0.3 million to RM2.8 million (FYE 2020: RM2.5 million) mainly due to the following reasons:

(i) higher bank charges by RM0.4 million due to additional fee charges in relation to bank guarantees for our tenders and projects; and

(ii) higher interest expenses on bank overdraft by RM0.1 million mainly due to higher utilisation of bank overdraft facility for working capital purposes.

However, it was partly offset by the decrease in interest expenses on the bankers' acceptances by RM0.2 million which was attributed to lower interest rate in the FYE 2021.

(viii) Net impairment loss on financial assets

This relates to impairment losses on trade receivables.

Commentaries on net impairment losses on financial assets

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, we recorded net impairment loss on financial assets of RM2.4 million (FYE 2018: RM0.4 million) mainly due to general allowance for impairment loss of RM0.1 million and specific allowance made for a customer amounting to approximately RM2.3 million following the suspension of site clearing and earthworks for a biomass power plant in Kluang at the request of our customer. 90% of the site clearing and earthworks were completed at the point the project was suspended. The project was subsequently terminated by the customer in January 2022.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, we recorded a reversal of impairment loss on financial assets of RM1.5 million. This was mainly due to the reversal of the specific allowance made for a customer in FYE 2019 as explained in this section following partial collection of the outstanding receivables during the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, we recorded a reversal of impairment loss on financial assets of RM0.7 million (FYE 2020: RM1.5 million). This was mainly due to the reversal of a specific allowance made for a customer in FYE 2019 as explained in this section which the outstanding receivables was subsequently collected during the FYE 2021.

(ix) Taxation

Our tax expenses together with the comparison between our effective and statutory tax rates for the Financial Years Under Review are set out below:

	<------------------------Audited---------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Income tax				
- current year provision	2,977	4,157	1,918	2,234
- under/ provision in prior year	17	380	387	(45)
Deferred tax liabilities				
- origination and reversal of temporary differences	(536)	51	(273)	788
- under/(over) provision in prior year	229	28	(33)	28
Overall tax expenses	**2,687**	**4,616**	**1,999**	**3,005**
Effective tax rate (%)	25.8	27.0	23.5	27.1
Statutory tax rate (%)	24.0	24.0	24.0	24.0

For the Financial Years Under Review, we do not have any outstanding or provision for withholding tax.

Commentaries on taxation

Our subsidiary in Singapore, namely AEPL, was subject to statutory tax rate of 17.0% on its chargeable income throughout the Financial Years Under Review.

Our effective tax rate for FYE 2018 of 25.8% was higher than the statutory tax rate mainly due to the following factors:

(i) certain expenditures were not tax deductible. These included, among others, depreciation of property, plant and equipment, entertainment fees, travelling expenses, legal and professional fees, bad debts written off, impairment loss on investment in an associate and interest restriction;

(ii) deferred tax assets not recognised during the FYE 2018 due to uncertainty of their realisation; and

(iii) under provision of deferred tax mainly due to under-estimation of capital allowances on our qualifying fixed assets in the previous financial years.

However, the above was partly offset by the effects of lower tax rate for chargeable income applicable to our subsidiary in Singapore, AEPL and reduction in tax rates for incremental taxable income for our subsidiaries in Malaysia.

<u>Comparison between FYE 2018 and FYE 2019</u>

Our effective tax rate for FYE 2019 of 27.0% was higher than the statutory tax rate mainly due to the following factors:

(i) certain expenditures were not tax deductible, including among others, depreciation of property, plant and equipment, entertainment fees, legal and professional fees, impairment on trade receivables, bank charges and imputed interest expense;

(ii) deferred tax assets not recognised during the FYE 2019 due to uncertainty of their realisation; and

(iii) under provision of income tax in the previous financial years.

However, the above was partly offset with the effects of lower tax rate for chargeable income applicable to AEPL.

Our effective tax rate for the FYE 2019 was higher as compared to the FYE 2018 which was mainly caused by the higher effective tax rate of AEPL due to under provision of tax expense in the prior year.

Comparison between FYE 2019 and FYE 2020

Our effective tax rate for the FYE 2020 of 23.5% was lower than the statutory tax rate mainly due to the following factors:

(i) effects of lower tax rate for chargeable income applicable to AEPL; and

(ii) non-taxable income arising from the reversal of impairment losses;

However, the above was partly offset by under provision of income tax in the previous financial years and deferred tax assets not recognised during the financial year due to uncertainty of their realisation.

Our effective tax rate for the FYE 2020 was lower as compared to the FYE 2019 mainly due to higher non-taxable income for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our effective tax rate for the FYE 2021 of 27.1% was higher than the statutory tax rate mainly due to certain expenditures that were not tax deductible, including among others, depreciation of property, plant and equipment, entertainment fees, legal and professional fees, bank charges and interest restriction. However, this was partly offset by the effects of lower tax rate for chargeable income application to AEPL.

Our effective tax rate for the FYE 2021 was higher as compared to FYE 2020 which was mainly caused by higher non-deductible expenses incurred during the FYE 2021.

(x) PBT, PBT margin, PAT and PAT margin

Our PBT, PBT margin, PAT and PAT margin for the Financial Years Under Review are set out below:

	<--------------------------Audited----------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
PBT	10,423	17,098	8,519	11,075
PBT margin (%)	9.2	10.0	5.5	7.2
PAT	7,736	12,482	6,520	8,070
PAT margin (%)	6.8	7.3	4.2	5.3

Commentaries on PBT, PBT margin, PAT and PAT margin

Comparison between FYE 2018 and FYE 2019

For the FYE 2019, our PBT increased by RM6.7 million to RM17.1 million (FYE 2018: RM10.4 million) mainly due to higher GP by RM10.0 million as explained in Section 12.3.1(iii). This was partly offset by an increase in the following:

(i) higher impairment loss by RM2.0 million as explained in Section 12.3.1(viii); and

(ii) higher finance costs by RM0.5 million as explained in Section 12.3.1(vii).

For the FYE 2019, our PBT margin increased to 10.0% (FYE 2018: 9.2%) despite a lower GP margin of 22.0% (FYE 2018: 24.3%) mainly due to the increase in our GP by RM10.0 million as compared to the marginal increase in the administrative expenses by RM0.2 million, other operating expenses by RM0.6 million and finance cost by RM0.5 million.

Correspondingly, we recorded higher PAT and PAT margin for the FYE 2019 as compared to the FYE 2018 mainly due to the reasons set out above in Section 12.3.1(ix) of this Prospectus.

Comparison between FYE 2019 and FYE 2020

For the FYE 2019, our PBT decreased by RM8.6 million to RM8.5 million (FYE 2019: RM17.1 million) mainly due to lower GP by RM16.1 million as explained in Section 12.3.1(iii). This was partly offset by the following:

(i) higher other income by RM0.9 million as explained in Section 12.3.1(iv); and

(ii) reversal of impairment losses on financial assets of RM1.5 million as compared to a net impairment loss on financial assets of RM2.4 million recorded in the FYE 2019 as explained in Section 12.3.1(viii).

For the FYE 2020, our PBT margin decreased to 5.5% (FYE 2019: 10.0%) for the FYE 2020 mainly due to lower GP margin of 14.0% (FYE 2019: 22.0%).

Correspondingly, we recorded lower PAT and PAT margin for the FYE 2020 as compared to the FYE 2019 mainly due to the reasons set out above and 12.3.1(ix) of this Prospectus.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our PBT increased by RM2.6 million to RM11.1 million (FYE 2020: RM8.5 million) mainly due to higher GP by RM5.7 million as explained in Section 12.3.1(iii). This was partly offset by the following:

(i) lower other income by RM0.7 million as explained in Section 12.3.1(iv);

(ii) higher administrative expenses by RM1.0 million as explained in Section12.3.1(v);

(iii) higher finance cost by RM0.3 million as explained in Section 12.3.1(vii); and

(iv) lower reversal of impairment loss on financial assets by RM0.8 million as explained in Section 12.3.1(viii).

For the FYE 2021, our PBT margin increased to 7.2% (FYE 2020: 5.5%) mainly due to higher GP margin of 17.8% (FYE 2020:14.0%).

Correspondingly, we recorded a higher PAT and PAT margin of RM8.1 million and 5.3% for the FYE 2021 as compared to a PAT of RM6.5 million and 4.2% for the FYE 2020.

12.3.2 Significant factors affecting our financial condition and results of operations

Our financial position and results of operations have been, and are expected to be, affected by the following significant factors:

(i) Fluctuation in prices of materials

The materials which we use for construction of plants and facilities and fabrication of palm oil equipment for our customers mainly comprised:

(a) steel products and pipes, which include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structure;

(b) building materials, which include cement, concrete, gravel, bricks, sands, soil, wood, timber, plywood, cables and wires, electrical distribution, protection and control devices such as switchboards and switches, and plumbing systems; and

(c) fuel, such as diesel and petrol.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, the purchases of cement, concrete, hardware and piping materials represented approximately 42.8%, 41.7%, 40.8% and 26.8% of our total cost of sales respectively. Hence, any fluctuation in the prices of steel products and pipes, building materials and fuel which are affected by global market demand and supply conditions would affect our cost of sales as well as our financial performance.

(ii) Performance of the palm oil industry

Our Group provides total solutions for the construction and fabrication of plants and facilities mainly for the palm oil industry such as palm oil mills, palm oil refineries, and biodiesel and biogas plants. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, approximately 72.3%, 85.6%, 86.9% and 71.1% of our total revenue respectively was contributed by palm oil related business segments. Hence, our operations and financial results are driven by the performance and prospects of the palm oil industry in the countries where we operate, namely, Gabon, Indonesia and Malaysia.

Increases in CPO prices would encourage investments in the upstream palm oil industry while sustained low prices would make the production of low yielding plantations commercially uneconomical. Any decline in the investment in upstream activities would affect supporting service providers including our Group *(Source: IMR report)*.

The performance and prospects of the palm oil industry is driven by, among others, the demand and supply conditions which affect the global market prices of the CPO and PKO, trade barriers and restrictions, relevant regulatory policies of major palm oil producing countries, actions by the pressure groups on environmental issues, climatic change that would affect the oil palm cultivation and crop production. As such, any slowdown or adverse development in the palm oil industry will limit our business opportunities and growth, and thus adversely affecting our financial performance.

Given our experience and technical know-how in the purpose-built plants and machineries in different countries and various sectors such as rubber industry and paper milling industry, we will continue to look out for more business opportunities globally and not just limiting to palm oil industry. Nevertheless, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Section 7 of this Prospectus for further details on the palm oil milling industry.

(iii) Dependency on major customers

We do not have any long-term contracts with our customers. We are dependent on the Olam Group, which contributed approximately 78.7%, 79.7%, 68.5% and 38.2% respectively to our revenue for the Financial Years Under Review. Any loss of business from the Olam Group may adversely affect our business and operating results.

Despite the lack of formal long-term contracts with our customers, we have established business relationship with the Olam Group for more than 8 years as at the LPD. With our proven capability and track record in the construction of plants and facilities as well as fabrication of equipment for the palm oil and rubber industries in Gabon, we have continued to secure projects from the Olam Group. However, in the event of any delay in securing new contracts from the Olam Group, or in the event we lose Olam Group as a customer, our financial performance and operating results could be materially and adversely affected.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Notwithstanding the above, we will continue to participate actively in tendering for new projects with both our existing customers (including the Olam Group) and prospective new customers.

(iv) Continuity of our order book

Due to the nature of our business which is project based, our customers typically do not enter into long-term contracts with us, but would instead engage us on a fixed lump-sum or fixed lump sum plus scheduled rates contract basis for a specific project. Generally, our engagement on a particular contract or project would come to an end between 12 and 24 months upon handing over of completed plants and facilities or fabricated equipment to our customers. There is no assurance of continuity of our order book from a financial year to the next financial year.

In the event we are unable to secure new projects and/or contracts to replenish our order book, our operations and operating results, long-term sustainability and business growth will be adversely affected. Please refer to Section 12.5 of this Prospectus for further details of our order book.

(v) Unanticipated increase in project cost and delay in the completion

Due to the nature of our business, we are subject to project management risks such as cost risk, schedule risk, performance and operational risk, which would give rise to unanticipated increase in project cost/ cost overrun and delay in completion of projects. Such risks can be due to poor project cost estimation and budgeting, change of scope of work and design, poor project administration in terms of procurement of materials and communication, delay in obtaining relevant permits and/or approvals, poor project site management in terms of logistics, construction and coordination works, as well as factors beyond our control such as weather, pandemic, fluctuation in price of materials and equipment, delay or disruption in the supply of materials and contracting services from third parties, disruption in power and water supply at project sites, availability of financing and accessibility to project sites.

Our revenue and operating results are subject to our ability to complete and deliver our projects in accordance with the project timeline as stated in the contracts and within our project budget. Any adverse development and management of our projects will result in delay in revenue recognition, project cost overrun and may also expose us to liquidated damages claim by our customers, which will adversely affect our financial performance.

(vi) Impact of foreign exchange fluctuation

We are exposed to foreign exchange fluctuation risk as between 45.7% and 85.1% of our revenue for the Financial Years Under Review are denominated in EUR and USD, while our purchases are mainly transacted in RM. As such, we are unable to naturally hedge all our exposure to foreign exchange fluctuation, and we may not pass on any cost increases arising from adverse fluctuations in foreign exchange to our customers once we are contracted for a project.

Any significant fluctuations in foreign exchange between USD, EUR and RM may have an impact on our reported income as they are required to be stated in RM in our financial statements. Any unfavourable movement in the USD, EUR and SGD against the RM may adversely affect our profitability.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review, which arose due to timing differences between our billings and actual receipts of payments from our customers, are as follow:

	<------------------------Audited----------------------->			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
Net gain/(loss) on foreign exchange (RM'000)	(241)	(316)	213	(328)
As a percentage of PBT (%)	(2.3)	(1.8)	2.5	3.0

We closely monitor the movement of the EUR and USD against RM to manage our foreign exchange currency risks and if the need arises depending on the prevailing market conditions and size of foreign contracts secured, we may enter into hedging arrangement such as forward contracts to minimise the impact of such risk. Our exposure to foreign exchange currency movement is reduced to a certain extent as foreign currency proceeds from our construction operations in Gabon are used to pay for local suppliers and/or contractors in the same foreign currency. We maintain a foreign currency accounts, namely EUR, USD and SGD for payments of our foreign purchases.

We have not incurred any material losses arising from foreign currency translation for the Financial Years Under Review.

(vii) Impact of interest rate fluctuations

As at 31 December 2021, our total borrowings of RM39.1 million consist of term loans, lease liabilities, bank overdrafts, bankers' acceptances, revolving credit and invoice financing, with interest rates ranging from 1.58% to 9.40% per annum.

Save for the lease liabilities, which are charged on a fixed rate, the interest rates for our term loans, bank overdrafts, bankers' acceptances, revolving credit and invoice financing are based on the prevailing bank's base lending rate or base financing rate plus or minus a margin agreed with the financial institutions when the respective loans and financings were granted.

In this respect, any increase in interest rates would raise the cost of borrowings which may have an adverse effect on our financial performance. The sensitivity analysis for interest rate risk is set out in the Accountants' Report under Section 13 of this Prospectus.

(viii) Impact of inflation

The business, financial condition or results of our operations for the Financial Years Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(ix) Government/Economic/Fiscal/Monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies. Any unfavourable change in these policies may materially affect our business operations and financial performance. Our business is also subject to Bank Negara Malaysia's Foreign Exchange Notices that govern, among others, investment abroad and export of goods. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies.

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

Please refer to Section 7.23 of this Prospectus for further details of the effects of the COVID-19 pandemic on our business operations. As at the LPD, we do not foresee any material adverse effect on our financial position or business arising from the MCO and the COVID-19 pandemic in view of our overall healthy financial position. Further, our Directors consider that the disruption caused by and the impact of the COVID-19 pandemic is temporary and is not expected to be long-lasting. Therefore, it is expected that the overall impact caused by the COVID-19 pandemic on our business, results of operations and/or financial performance will not be material, and that we will be able to discharge our obligations under all on-going projects.

As at the LPD, we have not encountered any cancellation of orders from our customers, as well as disruption in supply by our suppliers. However, there can be no assurance that there will be no cancellation of orders or interruptions to our business operations.

12.3.3 Significant changes on the financial position

There are no significant changes that have occurred, which may have a material effect on our financial position and results since the FYE 2021, being our most recent annual financial statements.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

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

As at 31 December 2021, we have:

(i) cash and bank balances and fixed deposits with licensed banks of RM20.0 million;

(ii) working capital of RM43.8 million, being the difference between current assets of RM101.5 million and current liabilities of RM57.7 million; and

(iii) banking facilities, which consist of term loans, bank overdraft, revolving credit and trade lines (comprising letter of credit, trust receipt, bankers' acceptance, invoice financing and bank guarantee), with a total limit of RM96.6 million, of which RM46.0 million (including RM13.8 million set aside as bank guarantees) has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flow summary

The table below sets out the summary of our combined statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020, as well as our consolidated statements of cash flow for the FYE 2021 and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	<------------------------Audited------------------------>			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	4,434	12,717	1,420	1,853
Net cash (for)/from investing activities	(7,352)	(187)	(681)	42
Net cash from/(for) financing activities	2,081	(6,978)	(5,656)	(6,706)
Net (decrease)/increase in cash and cash equivalents	(837)	5,552	(4,917)	(4,811)
Cash and cash equivalents at beginning of the financial year	6	(952)	4,337	320
Effect of translation reserve	(121)	(263)	900	(760)
Cash and cash equivalents at end of the financial year	(952)	4,337	320	(5,251)

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

For the purpose of this cash flow analysis, bankers' acceptance comprises both bankers' acceptance and invoice financing.

Commentaries on cash flow

FYE 2018

Net cash from operating activities

For the FYE 2018, our operating cash flows before working capital changes were RM14.3 million. After adjusting for the following key items, our net cash from our operating activities was RM4.4 million:

(i) decrease in contract assets by RM6.3 million which was mainly due to subsequent progress billings for our work performed in accordance with the contract billing milestones achieved;

(ii) increase in trade and other payables by RM0.4 million which was mainly due to higher purchases of materials towards the end of the year for our projects;

(iii) decrease in contract liabilities by RM0.8 million mainly arising from the progressive work performed after the collection of project advances;

(iv) increase in inventories by RM2.1 million which was in line with the increase in purchases of materials towards the end of the year;

(v) increase in trade and other receivables by RM13.2 million which was mainly due to higher progress billings to our customers in line with the decrease in contract assets coupled with slower collection from one of our major customers; and

(vi) net payment of income taxes of RM2.2 million.

Net cash for investing activities

For the FYE 2018, we recorded net cash used in investing activities of RM7.4 million, which was mainly attributed to:

(i) payment of RM3.7 million for the acquisition of 1 unit of motor vehicle, 1 unit of backhoe loader, machineries and equipment such as the concrete mixer, block making machine, welding and drilling machine, and a semi-detached factory in Johor Bahru which is occupied by our subsidiary, ETSB, as its principal place of business; and

(ii) advances of RM5.3 million to EECG to support our operations in Gabon;

However, the above cash outflows were partly offset by proceeds from the withdrawal of fixed deposits from licensed financial institutions amounting to RM1.1 million.

Net cash from financing activities

For the FYE 2018, we recorded net cash from financing activities of RM2.0 million. During the financial year, we drew down credit facilities comprising bankers' acceptance amounting to RM58.8 million for our working capital purposes and term loans amounting to RM3.9 million for the acquisition of a semi-detached factory from Eco Business Park 1 Development Sdn Bhd (details of which are set out in item 3 of Section 7.19.1) and office lot in Singapore (details of which are set out in item 4 of Section 7.19.1).

However, the above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM57.8 million;

(ii) payment of interests amounting to RM1.7 million; and

(iii) payment of dividend amounting to RM0.9 million.

FYE 2019

Net cash from operating activities

For the FYE 2019, our operating cash flows before working capital changes were RM23.7 million. After adjusting for the following key items, our net cash from our operating activities was RM12.7 million:

(i) decrease in inventories by approximately RM39,000;

(ii) increase in contract liabilities by RM1.9 million due to collection in advance for the construction of workers' quarters and fabrication of bulking tanks projects in Gabon;

(iii) increase in trade and other receivables by RM1.3 million which was in line with higher revenue recorded during the financial year;

(iv) increase in contract assets by RM5.9 million which was mainly due to work done which has yet to be billed as the progress billings were based on the billing milestones stated in the contracts;

(v) decrease in trade and other payables by RM1.3 million which was mainly due to repayment to our suppliers and subcontractors; and

(vi) net payment of income taxes of RM4.3 million.

Net cash for investing activities

For the FYE 2019, we recorded net cash for investing activities of RM0.2 million. Our cash inflows comprised mainly repayment of advances from EECG amounting to RM7.5 million. The advance was extended for project expenses in Gabon.

The above cash inflow was partly offset by the following payments during the financial year:

(i) payment for purchase of life insurance and key man insurance amounting to RM2.2 million, which was a condition by one of the financial institutions in granting banking facilities to our Group. EMESB, as the beneficiary, will be receiving the payout of the investment upon the maturity of the insurance. The investments have maturity periods ranging from 1 to 5 years; and

(ii) placement of RM5.2 million in fixed deposits with licensed financial institutions for additional returns on surplus cash.

Net cash for financing activities

For the FYE 2019, we recorded net cash used in financing activities of RM7.0 million. During the financial year, we drew down credit facilities comprising bankers' acceptance and term loans amounting to RM74.9 million for our working capital purposes and to pay for the property asset which we acquired during the FYE 2018.

However, the above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM80.1 million; and

(ii) payment of interest amounting to RM2.0 million.

FYE 2020

Net cash from operating activities

For the FYE 2020, our operating cash flows before working capital changes were RM11.1 million. After adjusting for the following key items, our net cash from our operating activities was RM1.4 million:

(i) increase in trade and other payables by RM19.3 million which was mainly due to higher purchases of materials towards the end of the year for our existing and newly secured projects;

(ii) increase in inventories by RM4.1 million which was in line with the increase in purchases of materials towards the end of the year;

(iii) increase in contract costs assets by RM2.7 million due to the costs incurred for the construction of kernel crushing plant and fabrication of bulking tanks projects awarded to our Group for the construction of the Mouila Lot 3 palm oil mill in Gabon commenced in FYE 2019. The progress billings for the projects were not due and revenue have not been recognised as the construction of the palm oil mill has not been completed. Our Group did not recognise the revenue as it did not satisfy the condition in accordance with MFRS 15 to recognise the revenue over time in FYE 2020;

(iv) increase in trade and other receivables by RM8.1 million which was mainly due to higher progress billings towards the end of the year;

(v) increase in contract assets by RM9.1 million which was mainly due to work done which has yet to be billed as the progress billings were based on the billing milestones stated in the contracts;

(vi) decrease in contract liabilities by RM0.8 million mainly due to progressive work performed subsequent to the collection in advance for project in Gabon; and

(vii) net payment of income taxes of RM4.2 million.

Net cash for investing activities

For the FYE 2020, we recorded net cash used in investing activities of RM0.7 million, which was mainly attributed to placement of RM0.9 million in fixed deposits with licensed financial institutions for additional returns on surplus cash.

Net cash for financing activities

For the FYE 2020, we recorded net cash used in financing activities of RM5.7 million. During the financial year we drew down credit facilities comprising bankers' acceptance and term loans amounting to RM53.6 million for our working capital purposes.

However, the above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM50.1 million;

(ii) payment of interest amounting to RM2.2 million; and

(iii) payment of dividend amounting to RM7.1 million.

FYE 2021

Net cash from operating activities

For the FYE 2021, our operating cash flows before working capital changes were RM13.2 million. After adjusting the following items, our net cash from our operating activities was RM1.9 million:

(i) decrease in contract assets by RM0.6 million which was mainly due to subsequent progress billings for our work performed in accordance with the contract billing milestones achieved;

(ii) decrease in trade and other receivables by RM14.4 million which was mainly due to better collection from our customers;

(iii) decrease in contract cost asset by RM2.7 million which were charged out to cost of sales due to subsequent issuance of progress billings for our work performed;

(iv) decrease in contract liabilities by RM1.9 million due to progressive work performed after the collection of project advances;

(v) increase in inventories by RM6.6 million which was in line with the increase in purchase of materials for our fabrication of equipment;

(vi) decrease in trade and other payables by RM16.3 million which was mainly due to repayment to our suppliers for the purchases of raw materials in FYE 2020; and

(vii) net payment of the income taxes of RM4.3 million.

Net cash for investing activities

For the FYE 2021, we recorded net cash from investing activities of approximately RM42,000, which was mainly attributed to:

(i) withdrawal of approximately RM256,000 of fixed deposits pledged for bank guarantees following the completion of the projects in Gabon;

(ii) interest received amounting to approximately RM194,000; and

(iii) proceeds from disposal of ring rolling machine amounting to approximately RM60,000.

However, the above cash inflows were partly offset by the payment of approximately RM468,000 for the acquisition of machineries and equipment such as lathe machine, slotting machine, welding machine, cutting machine and drilling machine as well as the purchase of non-chemical water treatment equipment.

Net cash for financing activities

For the FYE 2021, we recorded net cash used in financing activities of RM6.7 million. During the financial year, we drew down credit facilities comprising bankers' acceptance amounting to RM73.1 million for our working capital purposes.

However, the above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of credit facilities comprising bankers' acceptance, term loans and lease liabilities amounting to RM77.5 million; and

(ii) payment of interests amounting to RM2.1 million.

12.4.3 Borrowings

Our total outstanding bank borrowings as at 31 December 2021 stood at RM39.1 million as follows:

				As at 31 December 2021		
Type of borrowings	**Purpose**	**Tenure**	**Interest rate per annum**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**
Term loans	Purchases of properties(1)(2)	5 to 20 years	1.58% to 3.73%	1,033	8,688	9,721
Lease liabilities	Finance purchase of motor vehicles, and plant and machinery	1 to 5 years	3.78% to 6.65%	443	485	928
Bankers' acceptances	Working capital	Up to 150 days	2.58% to 4.03%	6,646	-	6,646
Invoice financing	Working capital	Up to 150 days	3.95% to 5.41%	9,528	-	9,528
Revolving credits	Working capital	Up to 120 days	4.95%	500	-	500
Bank overdrafts	Working capital	Payable on demand	6.45% to 9.40%	11,758	-	11,758
Total				**29,908**	**9,173**	**39,081**

Note:

(1) Include borrowing by AEPL denominated in SGD amounting to RM2.6 million, translated based on the exchange rate of SGD1.00 to RM3.0822.

(2) The purchase of properties comprised:

(a) an office lot in Singapore as the office for AEPL;
(b) a freehold land and building in Johor for the office of ETSB and TWTSSB;
(c) a double-storey house in Johor rented out to a key management personnel;
(d) a shop lot in Batu Pahat rented out to a third party; and
(e) a service apartment in Selangor for the staff accommodation.

As at 31 December 2021, our floating and fixed rate borrowings are as set out below:

	Floating rate RM'000	Fixed rate RM'000	Total RM'000
Term loans	9,721	-	9,721
Lease liabilities	-	928	928
Bankers' acceptances	6,646	-	6,646
Invoice financing	9,528	-	9,528
Revolving credits	500	-	500
Bank overdrafts	11,758	-	11,758
Total	**38,153**	**928**	**39,081**

Our borrowings are predominantly denominated in RM, secured and interest-bearing. Our credit facilities are secured by charge over our leasehold lands and buildings and joint and several guarantee by Wong Choi Ong and Pan Kum Wan. We have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. As at the LPD, we have received approvals (subject to the Listing) for the substitution of the said personal guarantees, with a corporate guarantee from our Company.

We have not defaulted on payments of either interest or principal sums in respect of any borrowings throughout the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Group.

12.4.4 Financial instruments, treasury policies and objectives

As at the LPD, save for the bank borrowings as disclosed in Section 12.4.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, our financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, short-term marketable securities, trade and other receivables, as well as financial liabilities such as borrowings and trade and other payables. As at the LPD, we have not used any financial instruments for hedging purpose.

We have been funding our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit extended by our suppliers and various credit facilities extended by licensed financial institutions. The primary objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions. In our ordinary course of business, we deal with customers and suppliers from both the domestic market and foreign market, where transactions are denominated in both local currency as well as foreign currencies. We maintain bank accounts mainly in RM, EUR and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

12.4.5 Material capital commitment

We do not have any other material capital commitment as at the LPD.

12.4.6 Material litigation or claims

Neither we nor our subsidiaries are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.4.7 Contingent liabilities

As at the LPD, save for the performance guarantees extended to third parties amounting to RM4.3 million in respect of contract works carried out by our Group, we do not have any other material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.4.8 Key financial ratios

Our key financial ratios for the Financial Years Under Review are as follows:

	<------------------------Audited------------------------>			
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**
Trade receivables turnover period[(1)] (days)	40	45	63	51
Trade payables turnover period[(2)] (days)	60	45	72	74
Inventories turnover period[(3)] (days)	15	13	18	35
Current ratio[(4)] (times)	1.4	1.6	1.5	1.8
Gearing ratio[(5)] (times)	0.9	0.8	0.7	0.7

Notes:

(1) Computed based on the average trade receivables over our revenue for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

(2) Computed based on the average trade payables over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

(3) Computed based on the average inventories over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

(4) Computed as current assets divided by current liabilities.

(5) Computed as total borrowings divided by shareholders' equity.

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(i) Trade receivables turnover period

A summary of our average trade receivables for the Financial Years Under Review is set out below:

	<------------------------Audited------------------------>			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Average trade receivables(1)	12,547	21,014	26,260	21,597
Revenue	113,627	170,928	153,693	153,163
Trade receivables turnover period(2) (days)	40	45	63	51

Notes:

(1) Computed as follows:

	<------------------------Audited------------------------>			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Opening trade receivables	4,993	20,101	21,926	30,593
Closing trade receivables	20,101	21,926	30,593	12,600
Average trade receivables	**12,547**	**21,014**	**26,260**	**21,597**

The average trade receivables do not include the retention sums.

(2) Computed based on the average trade receivables over our revenue for the respective financial years multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

The normal credit term granted to our customers ranges from 30 to 60 days. Our credit terms to customers are determined on a case-by-case basis, taking into consideration factors such as our business relationship with our customer, customer creditworthiness, historical payment trend as well as transaction volume and value. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, 65.9%, 35.5%, 35.4% and 36.2% of our trade receivables exceeded the credit terms granted to them respectively. Save for the sum of RM105,900 which has been provided for in year 2021, all outstanding receivables have subsequently been collected.

Our trade receivables turnover period for the FYE 2018 and FYE 2019 stood at 40 days and 45 days respectively, and were within the normal credit period granted. For the FYE 2020, our trade receivables turnover period increased to 63 days mainly due to higher progress billings towards the end of the year and slower collection from 2 of our new customers amid the COVID-19 pandemic. For the FYE 2021, our trade receivables turnover period decreased to 51 days, which was within the normal credit period granted, as we have collected the outstanding trade receivables from these 2 customers. Our total outstanding progress billings for the month of December 2018, December 2019, December 2020 and December 2021 were RM10.7 million, RM14.1 million, RM21.3 million and RM5.9 million respectively.

We have not experienced any significant bad debts for the Financial Years Under Review. We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables as follows:

(i) allowance for impairment loss based on lifetime expected credit loss in accordance with MFRS 9; and

(ii) specific allowance for impairment on balances overdue for more than 180 days or where recoverability is uncertain based on our dealings with the customer.

Ageing analysis of trade receivables as at 31 December 2021

		Exceeding credit period				
	Within credit period	Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
Trade receivables (RM'000)	8,038	3,783	699	115	121	12,756
Less: impairment[1]	-	-	(35)	-	(121)	(156)
	8,038	3,783	664	115	-	12,600
% of trade receivables	63.8	30.0	5.3	0.9	-	100.0
Subsequent collections as at the LPD (RM'000)	7,967	3,371	63	68	-	11,469
Outstanding trade receivables as at the LPD (RM'000)	71	412	601	47	-	1,131
% of trade receivables net of subsequent collections	6.3	36.4	53.1	4.2	-	100.0

Our total trade receivables stood at RM12.6 million as at 31 December 2021, out of which RM4.6 million or approximately 36.5% exceeded the normal credit term mainly due to slower collection amid the COVID-19 pandemic.

As at the LPD, we have collected RM11.5 million or approximately 91.3% of our total trade receivables which were outstanding as at 31 December 2021. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration their historical payment trend, customers' credentials and the fact that these customers have never defaulted on payment throughout the Financial Years Under Review and up to the LPD.

Note:

(1) Impairment was provided due to the uncertainty on the collectability of the amount following the suspension of site clearing and earthworks for a biomass power plant in Kluang. The project was subsequently terminated by the customer in January 2022.

(ii) Trade payables turnover period

A summary of our average trade payables for the Financial Years Under Review is set out below:

	<------------------------Audited----------------------->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Average trade payables[1]	14,123	16,351	26,116	25,662
Cost of sales	86,062	133,369	132,220	125,939
Trade payables turnover period[2] (days)	60	45	72	74

Notes:

(1) Computed as follows:

	<--------------------------Audited---------------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Opening trade payables	12,557	15,689	17,012	35,220
Closing trade payables	15,689	17,012	35,220	16,103
Average trade payables	**14,123**	**16,351**	**26,116**	**25,662**

(2) Computed based on the average trade payables over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

The normal credit period extended by our suppliers to us ranges from 30 to 60 days.

Our average trade payables turnover period for the FYE 2018 and FYE 2019 stood at 60 days and 45 days respectively, which were within the normal credit period granted. For the FYE 2020, the trade payables turnover period increased to 72 days mainly due to higher purchases towards the end of the year as well as more prudent cash management and planning during the COVID-19 pandemic period. For the FYE 2021, our average trade payables turnover period increased to 74 days mainly due to longer credit period granted by certain suppliers during the COVID-19 pandemic period as well as higher opening trade payables for the financial year.

Ageing analysis of trade payables as at 31 December 2021

		Exceeding credit period				
	Within credit period	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Total**
Trade payables (RM'000)	10,287	5,471	173	172	-	16,103
% of trade payables	63.9	34.0	1.1	1.0	-	100.0
Subsequent payments as at the LPD (RM'000)	8,039	5,033	147	1	-	13,220
Outstanding trade payables as at the LPD (RM'000)	2,248	438	26	171	-	2,883
% of trade payables net of subsequent payments	78.0	15.2	0.9	5.9	-	100.0

Our total trade payables stood at RM16.1 million as at 31 December 2021, of which RM5.8 million or approximately 36.1% exceeded the normal credit period as we adopted a prudent cash management approach in view of the COVID-19 impact. As at the LPD, we have made payment of RM13.2 million or approximately 82.0% of our total trade payables which were outstanding as at 31 December 2021.

As at the LPD, there has been no dispute in respect of our trade payables and no legal action has been initiated by our suppliers and/or subcontractors to demand for payment from us during the Financial Years Under Review.

(iii) Inventories turnover period

A summary of our average inventories for the Financial Years Under Review is set out below:

	<------------------------Audited---------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Average inventories[(1)]	3,581	4,591	6,610	11,931
Cost of sales	86,062	133,369	132,220	125,939
Inventories turnover period[(2)] (days)	15	13	18	35

Notes:

(1) Computed as follows:

	<--------------------------Audited-------------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Opening inventories	2,552	4,610	4,571	8,648
Closing inventories	4,610	4,571	8,648	15,213
Average inventories	**3,581**	**4,591**	**6,610**	**11,931**

(2) Computed based on the average inventories over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

Due to the nature of our business, where we commence our production upon securing confirmed contracts and orders from our customers and we fabricate in accordance with our customer's specifications and requirements, we do not maintain a high level of raw materials as we have reliable access to ready supply of raw materials.

Our average inventories turnover period stood at 15 days, 13 days, 18 days and 35 days respectively for the Financial Years Under Review. The higher inventories turnover period for the FYE 2021 is owing to higher input materials as well as fabricated materials which has yet to be delivered and installed at the customers' project sites due to the delay in the progress of the customers' project and unexpected delay in the custom clearance.

We are of the opinion that there are no material slow-moving/obsolete inventories as at the LPD.

(iv) Current ratio

A summary of our current ratio for the Financial Years Under Review is set out below:

	<------------------------Audited---------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Current assets	75,774	88,903	111,271	101,480
Current liabilities	52,370	56,450	74,016	57,654
Current ratio[(1)] (times)	1.4	1.6	1.5	1.8

Note:

(1) Computed as current assets divided by current liabilities.

Our current ratio as at 31 December 2018 stood at 1.4 times. It increased to 1.6 times as at 31 December 2019 mainly due to improvement in our current assets position comprising mainly trade receivables, contract assets and cash and bank balances due to business and profit growth in the FYE 2019.

Our current ratio decreased slightly from 1.6 times as at 31 December 2019 to 1.5 times as at 31 December 2020 mainly due to dividend payout and increase in borrowings which were used for our working capital purposes during the FYE 2020.

Our current ratio increased from 1.5 times as at 31 December 2020 to 1.8 times as at 31 December 2021 mainly due to improvement in current liabilities position as lower trade payables and contract liabilities were recorded in the FYE 2021.

(v) Gearing ratio

Our Group does not have any board policy for gearing ratio. A summary of our gearing ratio for the Financial Years Under Review is set out below:

	<------------------------Audited---------------------->			
	FYE 2018 RM'000	**FYE 2019 RM'000**	**FYE 2020 RM'000**	**FYE 2021 RM'000**
Total borrowings	35,321	36,006	38,493	39,081
Shareholders' equity	39,010	47,474	52,012	59,165
Gearing ratio[(1)] (times)	0.9	0.8	0.7	0.7

Note:

(1) Computed as total borrowings divided by shareholders' equity.

Our gearing ratio decreased from 0.9 times as at 31 December 2018 to 0.8 times as at 31 December 2019 mainly due to the increase in our shareholders' equity arising from increase in retained profits for the FYE 2019. Our gearing ratio decreased from 0.8 times as at 31 December 2019 to 0.7 times as at 31 December 2020 mainly due to the increase in retained profits for the FYE 2020 and foreign exchange translation reserve as a result of the weakened RM. Our gearing ratio is constant at 0.7 times as at 31 December 2021.

12.5 ORDER BOOK

Our business is principally in the construction of plants and facilities. We do not have any long-term contracts with our customers as our sales are recognised based on the stage of completion method. As at the LPD, our order book stood at approximately RM107.0 million as set out below:

	Unrecognised contract value as at the LPD		Contract value expected to be recognised		
	(RM'000)	**%**	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FYE 2024 (RM'000)**
<u>Construction segment</u>					
- plants	10,700	10.0	10,700	-	-
- facilities	77,393	72.3	40,574	29,452	7,367
Fabrication segment	2,748	2.6	2,748	-	-
Supply of materials and equipment	14,560	13.6	14,560	-	-
Other activities	1,557	1.5	1,557	-	-
Total	**106,958**	**100.0**	**70,139**	**29,452**	**7,367**

There may be variations from the amount awarded as compared to the final works to be performed resulting from, among others, changes in project requirements, which may take place during the implementation of the project.

As at the LPD, we have tendered for 17 projects from Malaysia and Gabon. Out of which, 6 with an estimated aggregate value of RM543.1 million are in advanced stage of negotiation which outcome we expect to know between third and fourth quarter of 2022, and the remaining 11 with an estimated aggregate value of RM237.9 million are currently pending interview or negotiation and we expect to know the outcome by the fourth quarter of 2022.

4 of the 17 projects tendered were overseas projects and based on our past records, our gross profit margins from foreign countries were ranging from 19.2% to 26.1% for the Financial Year Under Review. We are confident of being awarded the contracts where the negotiation is already in the advance stage but are unable to determine whether and when we will be awarded with the projects which are still pending outcome. There can be no assurance that our tenders will be successful or that we will be able to continue securing new projects. In the event of any delay in securing new contracts from these tenders or any decline in our future GP margin, our financial performance and operating results could be materially and adversely affected.

Our financial performance depends on our ability to secure new projects to sustain our order book. There can be no assurance that we will continue to be invited to tender and that such tenders will be successful resulting in securing new contracts. If we are unable to do so, our order book may decline and this would adversely affect our revenue moving forward, sustainability and future business performance.

There can be no assurance that any new contracts that we may secure in the future:

- will not be suspended or terminated before completion;
- will not be late in completion resulting in LAD or other penalties for late delivery;
- will not be subjected to increases in costs that we are unable to pass on to our customers; and/or
- will not be subjected to late or non-payment by the customer.

The occurrence of one or more of the above may adversely affect our revenue and/or profitability moving forward, sustainability and future business performance.

12.6 TREND INFORMATION

As at the LPD, 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 and operations, save as set out in Sections 8 and 9 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 12.4.5 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;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 7.23 of this Prospectus, and our business strategies and plans as set out in Section 7.16 of this Prospectus;

(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; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources.

12.7 DIVIDEND POLICY

Our ability to pay dividends is dependent upon various factors including but not limited to our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute a dividend of at least 20% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.
When recommending the final dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, among others:

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

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

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. There is no dividend restriction being imposed on our Group currently.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

In respect of the Financial Years Under Review, dividends declared and paid by our subsidiaries were as follows:

	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Dividends declared	901	4,061	3,049	-
Dividends paid	901	-	7,110	-

Subsequent to the FYE 2021 and up to the LPD, there is no dividend declared, made or paid by us or our subsidiaries to shareholders.

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