7. BUSINESS OVERVIEW *(cont'd)*

Project Name	Description	Project Location	Customer Name	Our role	Start Date[(1)] / Completion Date[(2)]	Contract Value (RM million)
Three33 Residence Project	Construction of serviced apartments and related facilities	Kuala Lumpur	TSI Domain Sdn Bhd	Main contractor	February 2018 / September 2020	70.01[(3)]
BSP21 Condominium Project	Construction of serviced apartments and related facilities	Kuala Langat, Selangor	MITC Engineering Sdn Bhd	Subcontractor	December 2016 / March 2019	60.85[(3)]
Zenopy Residences Project	Construction of shop units and carparks	Seri Kembangan, Selangor	MITC Engineering Sdn Bhd	Subcontractor	March 2016 / January 2019	47.44[(3)]
CPL Aromas Pulau Indah Project	Construction of a detached industrial building and related facilities	Klang, Selangor	Sg. Besi Construction Sdn Bhd	TPC	April 2021 / August 2022	36.82
Malaysian Armed Forces (Package 3) Project	Fit-out works and supply of loose furniture	Kuala Lumpur	Perbadanan Perwira Harta Malaysia	Subcontractor	June 2021 / October 2021	7.85
Putrajaya Hotel Project	Demolition, renovation and fit-out works	Putrajaya	VA Majestic Sdn Bhd	Main contractor	December 2018 / May 2019	1.22[(3)]
Themepark Project	Interior fit-out works	Petaling Jaya, Selangor	Next Gen Themepak (1U) Sdn Bhd	Main contractor	November 2020 / March 2022	2.10
Entertainment Studio Project	Renovation and fit-out works	Kuala Lumpur	Crave Alive Sdn Bhd	Main contractor	April 2019 / June 2019	2.09[(3)]
Habu Project	Construction of workers' quarters	Cameron Highlands, Pahang	Menjal Builders Sdn bhd	Subcontractor	November 2018 / June 2019	0.38

Notes:

(1) Start date is based on the date of letter of award of the respective projects with the exception of Habu Project and Sg. Long Show Unit Project which are based on work order or purchase order.

(2) Completion date is based on the CPC for the respective projects with the exception of Entertainment Studio Project, Habu Project and Sg. Long Show Unit Project which were based on mutual agreement with the customer.

(3) Total contract value includes additional or variation order.

(4) The project was awarded by Pembinaan Perwira Harta Sdn Bhd which was a subsidiary of Perbadanan Perwira Harta Malaysia.

(b) On-going build projects

As at the LPD, our on-going build projects are as follows:

Project Name	Description	Project Location	Customer Name	Our Role	Start Date[(1)] / Expected Completion Date[(2)]	Approximate Percentage of Completion as at LPD (%)	Contract Value (RM million)
Non-residential							
D'vine Residences Project	Construction of affordable serviced apartments and related facilities	Sungai Buloh, Selangor	Binastra Construction (M) Sdn Bhd	TPC	July 2021 / December 2024	9.47	216.62
KKB Academic Building and Student Accommodation Project	Construction of an academic building and hostels	Kuala Kubu Bahru, Selangor	Kelola Handal Sdn Bhd	TPC	March 2021 / May 2024	33.37	28.38
Permas City Project	Completion of the remaining works for a hotel, shop offices, M&E services and external works	Plentong, Johor	Tafi Home & Office Sdn Bhd	Subcontractor	January 2022 / January 2023	78.89	21.50

Notes:

(1) Start date is based on the date of the letter of award of the respective projects.

(2) Expected completion date is based on the letters of award of the respective projects or revised completion date based on the EOT granted by our customers as at the LPD. The details of on-going build projects that have been granted EOT by our customers are as follows:

Project Name	***Expected completion date***	
	Contracted completion date	***Revised completion date***
KKB Academic Building and Student Accommodation Project	*March 2024*	*May 2024*
Permas City Project	*November 2022*	*January 2023*

7.4.2 Design and build segment

Our responsibilities under the design and build projects are similar to the scope of work in build projects with additional responsibilities in the planning and coordinating the design of the building. We are responsible for the project management including coordinating, managing and supervising the design and build process from the initial conceptual design, project implementation, up to the project completion and handover.

(a) Building design

The design of building takes into consideration factors such as the functions of the building, aesthetic aspect of the building, zoning, space area, ventilation, floor plan, number of carparks and traffic flow within the project area. Our involvement under building design scope of work includes the following:

- early involvement in the planning and conceptual design for the development of the overall master plan, general floor plan and zoning plan of the building;

- planning and coordinating the schematic and detailed design which factor in the architectural, civil and structural, mechanical and electrical, utility, security and fire protection aspects of the building; and

- planning and coordinating with the architects and relevant professionals, which may be appointed by our customers or directly by us, on a case-to-case basis, for the submission of the design to the authorities taking into consideration the relevant legislation to comply with the requirements of the building in accordance with its function.

The professionals involved in the design phase include the following:

- town planner to prepare the development plans according to the government legislation, land title and use of building;

- traffic consultant to carry out the traffic impact assessment and advise on the design of the access route to the project site including the placement of traffic lights, roundabout and number of lanes required taking into consideration the surrounding vehicle and pedestrian traffic;

- environment impact assessment (EIA) consultants to carry out the environmental impact assessment and social impact assessment depending on the land size of the project;

- geotechnical consultants to carry out the assessment on the earth slopes, soil conditions and retaining structures for the project site;

- quantity surveyor to provide estimates on the total construction cost of the project taking into consideration, among others, the building material costs, labour and construction related cost;

- land surveyors to carry out land boundary survey, building as-built survey and strata title survey;

- engineers including civil and structural engineers, mechanical and electrical engineers to develop the engineering plans to ensure the planned building is functional and safe to use; and

- architects to coordinate with the town planner, traffic consultant and engineers to develop the design of the buildings including the external design, building plan, floor plan and gross floor area according to the customer's requirement. The architect for the project may be appointed by our customers or directly by our Group depending on a case-to-case basis.

We will engage external professionals (which may be appointed by our customers or directly by our Group), to cover the various aspects of the building design under our supervision. For projects where we are responsible for the appointment of architects and/or other relevant professionals, we will appoint them based on our evaluation criteria which takes into consideration the price quotation, timeliness, reputation, reliability and quality. Our role during the design phase mainly involves overall management, supervision and coordination while the design of the building and submission to the authorities will be carried out by external professionals.

(b) Project planning, construction, completion and handover

Upon receiving the approval from the customer as well as all the relevant authorities, we will proceed with the project planning phase followed by the construction of the building. Similar to other build projects, our scope of work covers up to the completion and handover of the project. Please refer to Section 7.4.1 for further details of activities undertaken in our build projects.

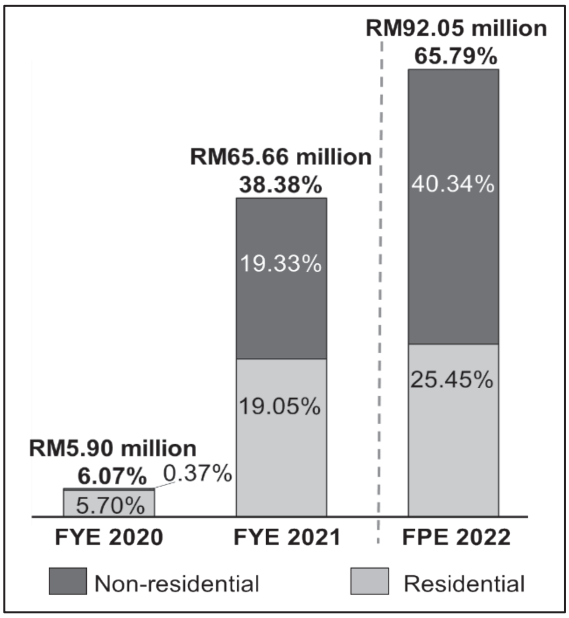
7.4.2.1 Types of design and build projects

In 2020, we expanded our capabilities to provide design and build services. We are currently undertaking design and build projects for residential and non-residential buildings.

For the FYE 2020, FYE 2021 and FPE 2022, revenue derived from design and build projects for residential buildings accounted for 5.70% (RM5.54 million), 19.05% (RM32.59 million) and 25.45% (RM35.61 million) of our total revenue respectively.

For the FYE 2020, FYE 2021 and FPE 2022, our revenue derived from the design and build projects for non-residential buildings accounted for 0.37% (RM0.36 million), 19.33% (RM33.07 million) and 40.35% (RM56.44 million) of our total revenue respectively.

Revenue of design and build segment by type of building



Note: Percentages are in proportion to our total revenue.

(a) Residential buildings

For the Financial Years and Period Under Review, our design and build of residential buildings are for high-rise properties as follows:

- **Apartments**

Residensi Armani Bukit Lanjan Project

Residensi Armani Petaling (Cheras) Project

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(b) Non-residential buildings

For the Financial Years and Period Under Review, our design and build of non-residential buildings are as follows:

Non - residential

Commercial buildings
- SOHO

Government buildings
- Army camp and facilities

- **Commercial building**

Armani Subang SOHO Project

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7.4.2.2 Our design and build projects

(a) On-going design and build projects

As we expanded our capabilities into design and build projects in 2020, all of our design and build projects are on-going as at LPD. The following are our on-going design and build projects:

Project Name	Description	Project Location	Customer Name	Our Role	Start Date[(1)] / Expected Completion Date[(2)]	Approximate Percentage of Completion as at LPD (%)	Contract Value (RM million)
Residential							
Selangor Cyber Valley (Phase 1) Project	Design and build of an affordable apartment and related facilities	Cyberjaya, Selangor	Splendid Forte Development Sdn Bhd	Main contractor	29 April 2022 / December 2026	*	234.86
Residensi Armani Petaling (Cheras) Project	Design and build of an apartment, affordable apartment and related facilities	Cheras, Kuala Lumpur	Mercu Majuniaga Sdn Bhd	TPC	August 2020 / December 2022[(2)]	98.31	58.00
Residensi Armani Bukit Lanjan Project	Design and build of an apartment, affordable apartment and related facilities	Segambut, Kuala Lumpur	Mercu Majuniaga Sdn Bhd	TPC	December 2020 / March 2023[(2)]	98.34	35.50
Non–residential							
Beluran Police Camp Project	Design and build of housing complexes, administration buildings and related facilities for PGA Malaysia	Beluran, Sabah	Hawa Teknik Sdn Bhd	TPC	February 2021 / February 2025[(2)]	27.50	332.82
Raja Uda Project	Design and build of a serviced apartment and related facilities	Kuala Lumpur	Mercu Majuniaga Sdn Bhd	TPC	January 2022 /May 2025	0.03	80.00
KKIP Warehouse Project	Design and build of semi-detached warehouses	Kota Kinabalu, Sabah	Armani KPF2 Development Sdn Bhd	Main contractor	October 2022 / March 2024	5.75	59.50
Armani Subang SOHO Project	Design and build of a SOHO and related facilities	Subang Jaya, Selangor	Mercu Majuniaga Sdn Bhd	TPC	October 2020 / March 2023[(2)]	96.56	43.00
Tanah Rata Cameron Project	Design and build of serviced apartments and related facilities	Cameron Highlands, Pahang	Mercu Majuniaga Sdn Bhd	TPC	January 2022 / January 2025	4.15	40.00

Notes:

* *As at the LPD, we have yet to commence construction as it is presently in the design phase and in the midst of preparing for application to the relevant authorities and hence there is no percentage of completion recorded for this project.*

(1) Start date is based on the date of the letter of award of the respective projects.

(2) Expected completion date is based on the letter of award of the respective projects or revised completion date based on the EOT granted by our customers as at the LPD. The on-going design and build projects that have been granted EOT by our customers are as follows:

	Expected completion date	
Project Name	***Contracted completion date***	***Revised completion date***
Residensi Armani Bukit Lanjan Project	*December 2022*	*March 2023*
Residensi Armani Petaling (Cheras) Project	*September 2022*	*December 2022*
Armani Subang SOHO Project	*January 2023*	*March 2023*
Beluran Police Camp Project	*December 2024*	*February 2025*

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7.4.3 Civil engineering works

Generally, our civil engineering works as at LPD include the following:

- **Earthworks** mainly includes site clearance, excavation and backfilling, as well as levelling, compacting the earth and rock hacking works.

- **Slope stabilisation works** refer to works that will enhance the strength of the slope to prevent slope failures. Depending on the site conditions, slopes can be stabilised by adding a surface cover to the slope, adding support structures to reinforce the slope excavation and changing the slope geometry or using drainage to control the groundwater underneath the slope.

  We will rent the relevant machinery and equipment and engage subcontractors to carry out all the above civil engineering works under our management and supervision.

For the FYE 2021 and FPE 2022, civil engineering works accounted for 1.36% (RM2.33 million) and 1.70% (RM2.39 million) of our total revenue and this was mainly for earthworks and rock hacking works.

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7.4.3.1 Civil engineering works

(a) Completed civil engineering works

We started to generate revenue under the civil engineering works segment in FYE 2021. As at the LPD, our completed projects in civil engineering works is as follow:

Project Name	Description	Project Location	Customer Name	Our Role	Start Date[(1)] / Completion Date[(2)]	Contract Value (RM million)
Plot 3	Construction and completion of earthworks and rock hacking works	Sungai Buloh, Selangor	Total Package Work Sdn Bhd	Subcontractor	August 2021 / January 2022	2.80
Plot 9C	Construction and completion of earthworks and related works	Sungai Buloh, Selangor	Binastra Construction (M) Sdn Bhd	Subcontractor	December 2021 / July 2022	2.63[(3)]
Plot 9B	Construction and completion of earthworks and related works	Sungai Buloh, Selangor	Binastra Construction (M) Sdn Bhd	Subcontractor	December 2021 / March 2022	0.48

Notes:

(1) *Start date is based on the date of letter of award of the respective projects.*

(2) *Completion date is based on the CPC of the respective projects.*

(3) Total contract value includes variation order.

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(b) On-going civil engineering works

As at the LPD, our on-going projects in civil engineering works are as follow:

Project Name	Description	Project Location	Customer Name	Our Role	Start Date(1) / Expected Completion Date(2)	Approximate Percentage of Completion as at LPD (%)	Contract Value (RM million)
Plot 10	Slope stabilisation works	Sungai Buloh, Selangor	Binastra Construction (M) Sdn Bhd	Subcontractor	January 2022 / September 2024(4)	2.27	56.00
Habu Cameron Infrastructure Project	Construction and completion of earthworks and infrastructure works	Cameron Highlands, Pahang	Tafi Development Sdn Bhd	Main contractor	January 2022 / March 2024	1.86	14.50
Plot 9D	Construction and completion of site preparation and earthworks	Sungai Buloh, Selangor	Binastra Construction (M) Sdn Bhd	Subcontractor	January 2022 / July 2023(3)	0.19	5.31

Notes:

(1) Start date is based on the date of the letter of award of the respective projects.

(2) Expected completion date is based on the letter of award of the respective projects.

*(3) Based on the terms of the letter of award dated 5 January 2022, the commencement of site works for Plot 9D is subject to the handover of the site possession and such handover shall not exceed 15 months from the date of the letter of award ("**Site Possession**"). The expected completion date shall be 9 months commencing from Site Possession. We have obtained the Site Possession in October 2022 and the expected completion date is July 2023.*

(4) Being the revised expected completion date based on the EOT granted by our customer as at the LPD.

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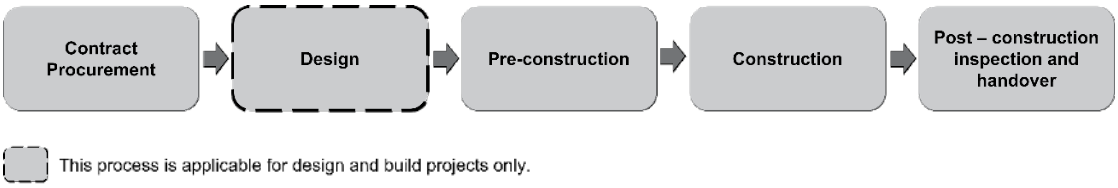
7.5 PROCESS FLOW

7.5.1 Building construction projects

The general process flow of our building construction projects are depicted in the diagram below:



Contract procurement

The contracts for our construction projects are secured through tenders, referrals or invitations from existing or new prospective customers. We will conduct a preliminary assessment on the contract terms, the creditworthiness of the prospective customer as well as the feasibility of the project before participating in the tender or providing a quotation.

Once the evaluation criteria of such assessment are fulfilled, our contracts department will commence preparing the tender documents or the proposal for the project. Generally, the preparation of tender documents or quotation proposals which involves site assessment, costing, budgeting, identification of statutory and regulatory requirements, evaluation of pre-determined design and specification, project scheduling as well as resource planning including manpower and supply of materials. Our purchasing department will provide the input pertaining to the estimated cost for the sourcing of relevant materials and services to the contracts department for the preparation of tender documents or quotation proposals. For projects covering design aspects, we will engage external architects and engineers to prepare the conceptual design which includes the preliminary structural and architectural design, general floor plan, zoning and space planning.

Once the tendering documents or quotation proposals are prepared, we will submit the relevant documents together with information pertaining to our prior experience to demonstrate our capabilities to the prospective customers. Following the submission of the tender, we may be invited to attend a tender interview by the prospective customer to review and negotiate the terms of the proposal. We will enter into a contract with the customer once the terms and conditions are negotiated and agreed upon by both parties. Generally, some of the terms stipulated in the contract include, among others, our scope of work, contract value, date of commencement and completion of work, DLP, payment term and terms on liquidated ascertained damages.

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Design

The following process is only applicable for design and build construction projects.

Upon receiving the letter of award from the customer, we will commence on planning and coordinating with the professionals for developing the conceptual design, schematic and detailed design as well as submitting the design to the authorities according to the purpose of the building.

Our responsibilities on the design aspects of the project are mainly planning, coordinating and participating in the early development of conceptual design up to the detailed design covering various areas including among others, architectural, civil engineering, mechanical and electrical, plumbing, firefighting and other elements of the building. We will engage with external professionals (which may be appointed directly by our customers or by our Group), to cover the various aspects of the building design under our supervision.

We will facilitate the submission of the drawings developed from the design phase to the customer for finalisation. Generally, the design drawings for a building construction project include the following:

(i) Architectural drawings which include, among others, the site plan, floor plan, cross section drawings, elevation and landscape plan as well as finishing drawings stipulating the specification of construction materials such as colour of paint, materials of the facade and type of flooring;

(ii) Structural drawings which include among others, the column and beam layout drawings stipulating the position, design, length and sectional design of columns and beams of the building, engineering layout drawings, and foundation plan drawings;

(iii) Air conditioning and mechanical ventilation (ACMV) drawings provide information pertaining to the design and layout of the heating and ventilation systems within the building;

(iv) Electrical (including extra low to high voltage), plumbing and sewerage drawings stipulating the layout of electrical and piping system of a building;

(v) Firefighter drawings stipulating the fire protection plan and safety systems such as the placement of fire hoses, points and water outlets;

(vi) Others such as submission drawings will be submitted to the respective authorities for their approval; and

(vii) Landscape drawings provide information on the landscape design of the building and the open areas of the project site.

For other non-design and build projects where the design is pre-determined by the customer, the authority submissions pertaining to the designs will be fulfilled by the customer or by the professionals appointed by the customer. We will obtain the designs from the customer and plan our construction works according to the approved design.

Pre-construction

Once the contract is secured or the design of the buildings is finalised, we will assemble a project team and proceed to the pre-construction phase which involves the following stages:

(i) Project planning and authority approvals

The planning involves project scheduling in terms of milestone and timeline, workflow, the planning of project costing and financial resources as well as consideration on other matters such as waste removal, logistics arrangement, worker's health and safety practices and quality assurance programme.

As a main contractor, our project team will ensure all the relevant regulatory permits and approvals required for the commencement of the building construction projects are in place such as the construction permit from the local councils for each project site and a valid certificate of fitness for the construction equipment to be used at the site.

(ii) Procurement of materials and services

Our scope of work also involves the procurement of construction materials, rental of machinery and equipment and appointment of services from our pool of approved suppliers and subcontractors. Generally, our procurement of construction materials and rental of machinery and equipment are based on purchase order basis and the selection of suppliers are based on their price quotation, timeliness of delivery, reputation, reliability and quality.

As for related specialised services such as engineering services, fire protection system, painting and ceiling works, we will engage external subcontractors to perform the relevant works under our supervision. Our contracts department will identify potential subcontractors and request for quotation. The identification of potential subcontractors is mainly through their application to our procurement department or referrals and recommendation from the customer.

Once we received the quotation from the subcontractors, we will review the proposed quotation and conduct a background check on the subcontractors. The appointment of subcontractor will be based on the result of their performance evaluation conducted by our contracts department based on criteria such as quality of work, experience, past record on timely completion of work, responsiveness to instruction, their resources including manpower, plant and materials, financial performance as well as their Quality, Safety and Health (QSH) compliance. Our contracts department will prepare a letter of award based on the contract value and terms negotiated and agreed between us and the appointed subcontractors. Some of the information stipulated in the letter of agreement include the contract value, scope of work, timeline for the commencement and completion of the work, and payment terms.

(iii) Site preparation and earthworks

Site preparation mainly involves setting up of temporary facilities and utilities. We either engage subcontractors for site preparation and earthworks to prepare the site suitable for construction under our supervision or it will be carried out by our in-house personnel. Some of the works include clearing of vegetation, overgrown shrubs and trees, removal of boulders, tree stumps and roots, excavation, backfilling and transportation of soil to and from the site as well as levelling and compacting the earth. Temporary facilities and utilities such as staging areas for machinery, equipment and materials, scaffolding, site office, worker amenities and power and water supply will also be set up at the construction site prior to the commencement of construction works.

(iv) Foundation works

Foundation works are for high-rise buildings which require substructures such as piling foundation works to support the load of the entire building and retaining walls to stabilise the structures to hold back the pressure of soil and/or water for the basement walls. We will engage external subcontractors to carry out foundation works under our management and supervision.

Construction

Our building construction projects consist of both high-rise buildings as well as landed buildings for residential and non-residential buildings. Generally, our scope of work are as follows:

(i) Substructure construction

Substructure construction mainly covers works below ground level as well as basement construction which are mainly for underground carpark are also considered substructure works. Substructure construction works are carried out by our in-house personnel. We also engage subcontractors to carry out certain portions of the structural works such as concreting, bar bending and carpentry works under our management and supervision where our role is mainly project management, coordinating workflow, supervision of construction work, quality assurance as well as workers' health and safety.

(ii) Superstructure construction

Superstructure construction refers to construction works that are above the ground. We have our in-house personnel headed by our site supervisor to carry out the superstructure works such as structural and wet works incorporating erection of walls, floors, beams, columns and roofs. We mainly employ aluminium, steel and timber formwork system for the construction of superstructures.

Depending on the requirement of the project, the construction of superstructures are carried out by our in-house personnel. We also engage subcontractors to carry out certain portions of the structural works such as concreting, bar bending and carpentry works under our management and supervision. As for specialised works such as painting, tiling and landscaping, these will be carried out by external subcontractors under our management and supervision.

In some cases, we may also be responsible for the internal fit-out of the buildings where we will engage subcontractors to conduct the works under our supervision.

(iii) External construction works

The external construction works including infrastructure works such as access roads and interconnection of utilities, as well as landscaping and installation of fixtures and features. We engage subcontractors to perform external construction works under our supervision.

(iv) Utility fitting works

The utility fitting works refer to the mechanical, electrical, communications and plumbing system installation. The M&E works and other specialised works such as installation of lifts, air conditioning and ventilation equipment, installation of fire protection system and security system are carried out by subcontractors under our supervision.

All the on-site construction works are monitored by our project team to ensure compliance with the design and technical specification, quality, safety as well as timely completion of works.

Post construction inspection and project handover

Upon the completion of construction works, we will carry out inspection and test together with the relevant subcontractors including architects and engineers to ensure that the relevant works fulfilled the scope stipulated in the contract. The post inspection is carried out to, inter-alia, ensure compliance with the relevant building requirements and other relevant laws and regulations prior to the issuance of the CCC. The main areas where inspection and test are carried out are as below:

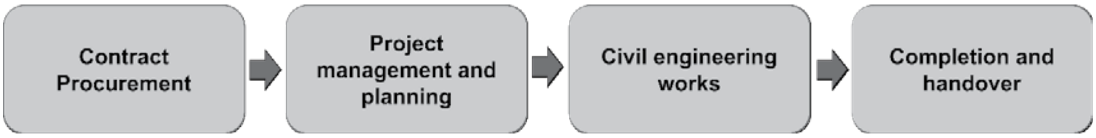
- structure works;
- architecture works;
- M&E works; and
- other relevant works as stipulated in the contract.

Any defects identified during the inspection will be rectified by the respective party in a prompt manner and the cost of these said works will be borne by the respective subcontractors. At the same time, we will also demobilise resources and construction materials from the site before handover and the as-built drawings, operations and maintenance manual as well as warranty certificates will be prepared by the respective subcontractors. Generally, each contract will have a differing timeline of handover from post construction stage as it is very much dependent on, inter-alia, whether there is any post construction rectification works to be undertaken. The project is deemed to be completed upon receiving CPC issued by the project architect.

Depending on the project, we are liable for the rectification of defects during the DLP, which ranges from 12 months up to 30 months. Upon the expiration of the DLP, we will receive the CMGD for the project where we will be able to claim the final retention sum.

7.5.2 Civil engineering works

The general process flow of our civil engineering projects is depicted in the diagram below:



(a) Contract procurement

The contracts for our civil engineering projects are secured through tenders, referrals or invitation from existing and new prospective customers. The process for contract procurement for our civil engineering works are similar to the building construction projects. Please refer to Section 7.5.1 of this Prospectus for further details.

(b) Project management and planning

We carry out civil engineering works based on the specifications provided by the customer. Similar to build projects, we are responsible for the overall project management and planning. Our role includes timeline planning and procurement of materials and services as well as to coordinate, manage and supervise the process from initial planning, project implementation up to the completion and handover.

We are also responsible in ensuring that the civil engineering works are completed based on the agreed timeline and budget. As a subcontractor for civil engineering works, we report directly to the main contractor.

(c) Civil engineering works

Generally, our civil engineering works constitute the first portion of the overall construction works which will commence prior to other construction works such as substructure and superstructure construction. Civil engineering works mainly involve the preparation of the project site suitable for the construction of building, structures and infrastructures. Depending on the customer's requirement, our civil engineering scope of work may include among others, earthworks, hacking works and slope stabilisation.

We will rent the relevant machinery and equipment and engage external subcontractors to carry out all the above civil engineering works under our management and supervision.

(d) Completion and handover

Upon completion of the civil engineering works, we will conduct the final inspection and if necessary, carry out any rectification works before handing it over to the customer. The project is deemed to be completed upon the issuance of CPC or letter of confirmation of handover from the customer.

7.6 RESEARCH AND DEVELOPMENT

Due to the nature of our Group's business, we are not involved in any research and development activities and we have not recognised any research and development expenditure during the Financial Years and Period Under Review.

7.7 MARKETING ACTIVITIES

Our sales and marketing activities are focused on the following:

- Continue to position and market ourselves as a main contractor or TPC with G7 capabilities in managing sizeable building construction projects.

- Continue to leverage from our established relationships as well as strengths and track record in carrying out various types of building construction projects including design and build projects. In this regard, our Group Managing Director and Executive Director are generally responsible for liaising and maintaining relationships with existing and potential customers as well as keeping abreast of market developments to secure any future construction opportunities.

- Actively bid for both private and government building projects to increase our presence as a contractor. As at the LPD, we have a balanced mix of private and government building projects of 47.75% and 52.25% respectively, based on outstanding order book.

- Proactively follow up on customer referrals to prospective customers as well as maintain business relationships with existing customers as part of our continuing business development.

- As part of our marketing strategy, we will continue to enhance our corporate website with a view of using it as a reference site for prospective customers.

- We will continue to showcase our ability to manage projects not only in Selangor and Klang Valley but in other states and this is supported by the fact that as at the LPD, we have 5 on-going projects namely Beluran Police Camp Project and KKIP Warehouse Project in Sabah, Permas City Project in Johor as well as Tanah Rata Cameron Project and Habu Cameron Infrastructure Project in Pahang.

7.8 TECHNOLOGY

We do not employ any special technology in our business operations. However, we rely on the technologies embedded in the construction machinery and equipment to carry out our business operations. The list of our key machinery and equipment is set out in Section 7.9 of this Prospectus. In addition, we utilise IBS for all of our building construction projects involving superstructure construction works during the Financial Years and Period Under Review and up to the LPD. We mainly utilise 4 types of IBS namely aluminium formwork, steel formwork, timber formwork and precast concrete components for our superstructure construction works. Please refer to Section 7.4.1.1(c)(iii) of this Prospectus for further details on the utilisation of IBS.

7.9 KEY MACHINERY AND EQUIPMENT

The key machinery and equipment for our Group's business operations are as follows:

Main machinery and equipment	Number of units / sq. m	Net book value as at 30 June 2022 RM'000
Tower cranes	2 units	506
Formwork systems	4,367 sq m	68
Other machinery and equipment (1)	24 units	215
	TOTAL	**789**

Note:

(1) Machinery and equipment include geodetic measurement station, weighbridge system, mechanical distributor, concrete grinder, passenger hoist and others.

In addition to the main machinery and equipment tabulated above, we also rent machinery and equipment such as excavators, backhoe and cranes from other parties for our construction projects. For the Financial Years and Period Under Review, our rental charges incurred accounted for 5.95% (RM4.79 million), 3.70% (RM2.87 million), 4.52% (RM6.42 million) and 6.79% (RM7.86 million) of our total purchases of input materials and services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Please refer to Section 7.13 of this Prospectus for further information on the type, sources and availability of our purchases.

7.10 CAPACITY AND UTILISATION

Measurements of capacity and utilisation do not apply to our business operations as our business activities are service based and we carry out most of our work at project sites.

7.11 SEASONALITY

We do not experience any material seasonality in our business as the nature of our business operations is project based and are not subject to seasonal fluctuations.

7.12 MATERIAL INTERRUPTIONS TO OUR BUSINESS

7.12.1 MCO 1.0

On 16 March 2020, the Government had announced the MCO 1.0 to curb the spread of COVID-19 in Malaysia. The MCO 1.0 was implemented from 18 March 2020 and was extended into several phases up to 3 May 2020. Under MCO 1.0, economic activities were halted including, among others, the closure of all businesses except those classified under "essential services" or business that have received written approval to operate from MITI, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia.

As a result, we temporarily suspended our operations at both our project sites and at our head office, with our personnel from head office working remotely. We had also notified our customers on the suspension of work at the project site due to MCO 1.0 restrictions. Our Directors noted that this was a temporary situation and we took steps to submit our applications to the MITI.

We subsequently resumed operations at our head office (but limited to only up to 50% of our workforce) on 20 April 2020 pursuant to the approval received from the MITI. We had also received approvals from the MITI to resume our operations at some of our ongoing project sites, but limited to only up to 50% of workforce.

Prior to resumption of operations, we were required to perform COVID-19 testing on all our construction site workers (including our subcontractors' site construction workers) to ensure that they are not infected with the COVID-19 virus. Arising therefrom, we gradually resumed works at our project sites, starting with Glenz Mixed Commercial Development Project and Three33 Residence Project on 21 April 2020, PPA1M Houses Project on 18 May 2020 and Semi-D and Bungalow Houses (Pujaan) Project on 14 May 2020.

7.12.2 MCO 2.0

Towards the end of 2020, the country saw COVID-19 infections increased and subsequently on January 2021, a second MCO (MCO 2.0) was imposed on selected states including Melaka, Johor, Penang, Selangor, Sabah and the Federal Territories of Kuala Lumpur, Putrajaya and Labuan. Subsequently, MCO 2.0 transitioned to CMCO or RMCO depending on the state. Companies that have previously obtained approval from the MITI during MCO 1.0 were allowed to continue to operate while adhering to SOP. During MCO 2.0, we were allowed to operate at both our head office and site operations, subject to compliance with the respective SOPs.

7.12.3 MCO 3.0, FMCO and NRP

Subsequently, following the increasing trend of daily COVID-19 cases, the third MCO (MCO 3.0) was reimposed in several states from April 2021 onwards, which subsequently culminated into a nationwide reimposition of MCO 3.0 starting from May 2021 to June 2021. The measures imposed under the MCO 3.0 included among others, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia, the closure of all businesses except those classified under "essential economic sector" or have received written approval to operate from the MITI and only 30% of employees in the top management group were allowed to be in the office. During MCO 3.0, we were allowed to continue to operate at our head office while adhering to SOPs. During MCO 3.0, we temporarily suspended our operations at our project sites.

The Government imposed FMCO from 1 June 2021, where only essential economic and service sectors are allowed to continue operating. As for construction activities, these are limited to works such as repair and maintenance as well as construction of public infrastructures such as tunnels, slopes, bridges and viaducts, highways (those which are at least 80.00% completed), Mass Rapid Transit, Light Rail Transit, The East Coast Rail Link, hospitals, and workers' residence at construction sites during the FMCO period. Accordingly, all our project sites were not allowed to operate during FMCO, pending the approval from the MITI.

On 15 June 2021, the Government announced the NRP, which is a 4-phase strategy based on, inter-alia, key health and vaccination rate indicators. The NRP phases are summarised as follows:-

- NRP Phase 1: The first phase of the NRP commenced with the implementation of the FMCO.

- NRP Phase 2: The second phase were to be implemented only if the number of daily COVID-19 cases reduces to below 4,000 where the reopening of selected economic sectors in stages were permitted.

  Under NRP Phase 2, construction activities were allowed to resume operations while complying to latest SOPs and strict operating capacity requirements imposed by the Government.

- NRP Phase 3: Involves allowing nearly all economic sectors to operate, subject to SOPs and restrictions on the number of people allowed to be present at workplaces.

- NRP Phase 4: Full reopening of the economy, with resumption of interstate travel and domestic tourism.

We took steps to submit our applications to the MITI and had subsequently received our approvals from the MITI on 8 June 2021 which allowed us to operate at 60% capacity at our head office according to NRP Phase 1 guidelines. During the NRP period, we were also affected by the imposition of the Enhanced MCO ("**EMCO**") in a large part of Selangor from 3 July 2021 to 16 July 2021, where control measures were stricter and tighter in EMCO areas. This had resulted in temporary suspension of operations at our head office and all our management and administrative staff worked from home during this period.

As for our major on-going project sites as detailed below, we had halted work on our sites commencing 1 June 2021 and had recommenced operations upon receiving approvals from the MITI (at 60% and 80% capacity of our workforce) during Phase 1 and Phase 2 of the NRP respectively, as follows:-

Projects (located within Kuala Lumpur / Selangor unless stated otherwise)	Approval Date	Resumption of Operations
Residensi Armani Petaling (Cheras) Project	25 August 2021	26 August 2021
Armani Subang SOHO Project	23 July 2021	24 July 2021
KKB Academic Building and Student Accommodation Project	27 July 2021	28 July 2021
Beluran Police Camp Project	4 August 2021	5 August 2021
CPL Aromas Pulau Indah Project	8 July 2021	17 July 2021
Residensi Armani Bukit Lanjan Project	22 July 2021	23 July 2021
Glenz Mixed Commercial Development Project	8 July 2021	17 July 2021
PPA1M Houses Project	30 July 2021	31 July 2021
Semi-D and Bungalow House (Pujaan) Project	15 August 2021	15 August 2021

Subsequently on 15 August 2021, the Government allowed non-essential activities in the manufacturing, mining and quarrying sectors for all states under NRP Phase 1, NRP Phase 2 and NRP Phase 3 to operate effective from 16 August 2021 with the capacity depending on the rate of vaccination of workers. Kuala Lumpur and Selangor transitioned into NRP Phase 2 on 10 September 2021, where selected activities including construction were allowed to resume operations while complying to latest SOPs and strict operating capacity requirements imposed by the Government. We had been operating at 100% capacity at our head office since October 2021, when our Company achieved 95% vaccination rate as Klang Valley transitioned into Phase 3 of the NRP. As at October 2021, all our site workers had been fully vaccinated and we have since then operate at 100% capacity for all our project sites.

7.12.4 Measures and steps taken in our business operations in response to COVID-19 pandemic

To curb the spread of COVID-19, we implemented the following SOPs for our business operations:

(i) compulsory scanning on MySejahtera apps for contact tracing purposes and contact details of visitors, subcontractors and employees must be recorded before they enter into the office and project sites;

(ii) practising social distancing in the office and project sites;

(iii) requiring all visitors, subcontractors and employees to wear face masks at all times in the company's premises or project sites;

(iv) providing hand sanitisers at the main entrance of company's premises and all common areas;

(v) implementation of preventive response procedure in managing and ensuring shortest possible time in resuming business when infection in the workplace is reported; and

(vi) regular sanitising of our office, project sites and staff accommodation.

In the event of an infection, we would isolate the affected employee and our employees and/or our subcontractors' workers would have to undergo COVID-19 testing. In the event of an infected case at the project site, as the employer, we would bear the swab test and quarantine cost of our employees.

7.12.5 Impact of COVID-19 on our financial performance, financial position and liquidity

We experienced disruptions to our business operations and at the project sites due to the imposition of various phases of MCO 1.0 commencing from 18 March 2020. As a result of the interruptions to our operations at the head office and the project sites, our construction activities were delayed and this affected our revenue recognition of approximately RM4.32 million during FYE 2020 for Semi-D and Bungalow Houses (Pujaan) Project, Three33 Residence Project, PPA1M Houses Project and Glenz Mixed Commercial Development Project. However, we did not experience any material impact on our financial performance as our total revenue only declined by 1.61% from RM98.71 million in FYE 2019 to RM97.12 million in FYE 2020 and we had fully recognised the aforementioned revenue of RM4.32 million in FYE 2021.

During FMCO and various stages of the NRP, we have also experienced temporary suspension of our operations as well as the imposition of workforce capacity limit at all our project sites that had contributed to the potential delay in our revenue recognition from all projects. Some of our projects which experienced delays include Semi-D and Bungalow Houses (Pujaan) Project, PPA1M Houses Project, KKB Academic Building and Student Accommodation Project, CPL Aromas Pulau Indah Project, Glenz Mixed Commercial Development Project, Residensi Armani Bukit Lanjan Project, Residensi Armani Petaling (Cheras) Project, Armani Subang SOHO Project and Beluran Police Camp Project. As a result of the interruptions at our project sites, our construction activities were delayed and this affected our revenue recognition of approximately RM28.15 million for FYE 2021. However, our financial performance was not materially affected by the disruptions as our revenue increased by 76.15% from RM97.12 million for the FYE 2020 to RM171.08 million for the FYE 2021 and we had fully recognised the aforementioned revenue of RM28.15 million as at the LPD.

Between MCO 1.0 and up to the LPD, our additional medical and related cost incurred to implement precautionary measures and to comply with SOP amounted to approximately RM0.66 million.

Our Board of Directors is of the view that the above delay in our projects and revenue recognition will not have a material impact on our financial performance as we have resumed operations on our project sites and we had not received any cancellation or suspension of contracts nor did we experience any reduction in our scope of work due to the pandemic. This view also takes into consideration the gradual recovery of Malaysia's economy supported by the various economic stimulus packages provided by the Government. According to Bank Negara Malaysia, Malaysia's economy is projected to grow within a range of 5.3% to 6.3% by 2022.

In addition, we did not experience any claims for LADs or penalties on delays in project completion for the Financial Years and Period Under Review and up to the LPD. Due to MCO, we managed to obtain an extension of time for all our on-going projects that have been affected by MCO and NRP of which the details are set out in Section 7.12.6 of this Prospectus.

Based on our statements of our financial position as at 31 December 2021, we have total fixed deposits as well as cash and bank balances of RM14.74 million (including RM10.85 million of fixed deposits and bank balances pledged as security for banking facilities granted to our Group) and total borrowings of RM28.25 million. As at the LPD, we have available banking facilities amounting to RM118.60 million, of which RM84.39 million are yet to be utilised.

Our Directors are of the opinion that, after taking into consideration our fixed deposits, cash and bank balances, cash generated from our business operations, the amount of unutilised banking facilities and proceeds to be raised from the Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for at least 12 months from the date of this Prospectus.

7.12.6 Impact of COVID-19 on our business operations

Our business and onsite operations were affected by the various phases of MCOs and NRP which has resulted in the temporary suspension and slowdown of work during these respective periods. In light of this, we have sought an EOT from our customers for the following projects:

Project Name	Contractual completion date [(1)]	Extended completion date
Semi D and Bungalow House (Pujaan) Project	August 2020	October 2021 [(2)] [(3)]
PPA1M House Project	April 2020	March 2022 [(2)] [(3)]
KKB Academic Building and Student Accommodation Project	March 2024	May 2024
Residensi Armani Bukit Lanjan Project	December 2022	March 2023
CPL Aromas Pulau Indah Project	March 2022	August 2022
Armani Subang SOHO Project	January 2023	March 2023
Residensi Armani Petaling (Cheras) Project	September 2022	December 2022
Three33 Residence Project	October 2019	September 2020 [(2)] [(3)]
Glenz Mixed Commercial Development Project	June 2021	March 2022 [(2)] [(3)]

Project Name	Contractual completion date (1)	Extended completion date
Beluran Police Camp Project	December 2024	February 2025
Themepark Project	December 2021	April 2022(4)

Notes:

(1) Based on letters of award of the respective projects.

(2) In addition to the delays caused by the MCO and NRP phases, the EOT for the projects above was also to cater for, inter-alia, request for extension by contract awarders and variation in scope of work for the projects.

(3) The project had since been completed during the extended completion date.

(4) The project was completed in March 2022, which is earlier than the extended completion date.

The EOT obtained are based on provision for force majeure events in our contracts with our customers, as a result of various phases of MCOs and NRP which caused temporary suspension of works as well as additional time required to recommence work sites, i.e. remobilising construction workers, equipment and supply of materials as well as the time taken to establish the required SOPs at the construction sites. For the Financial Years and Period Under Review and up to the LPD, we have not encountered any situation where our customers had imposed LADs on us due to delays caused by the pandemic.

7.12.7 Impact of COVID-19 on our supply chain

During the MCO, FMCO, EMCO and NRP periods, our supply chain was to a certain extent affected as our suppliers and subcontractors were equally impacted by the temporary suspension of business operations arising from the various lockdowns and containment measures imposed by the authorities.

During MCO 1.0, both our operations and our suppliers and subcontractors' operations were also suspended temporarily. Prior to the resumption of our operations, we worked closely with them to ensure timely delivery of required construction materials and resources, no shortages in the supply of construction materials and the continuation of services by our subcontractors once we resume operations at our project sites.

During MCO 2.0 and 3.0, economic sectors were allowed to operate and thus, we did not experience material disruption to our supply chain and provisions of services by our subcontractors.

However, during the FMCO period which began on 1 June 2021, limited construction activities were allowed to operate with operations being limited to amongst others, critical construction and repair and maintenance of public infrastructure projects. Nonetheless, during the FMCO and various phases of the NRP, our construction projects were not materially impacted by the suspension of our suppliers' operations as some of our construction projects were also temporarily suspended pending the approval of the MITI to resume. Further, some of our project sites were operating at lower capacity in order to comply with the SOP and operating capacity requirements imposed by the Government under the NRP, thus, resulted in slower progress and utilisation of materials and resources.

7.13 TYPE, SOURCES AND AVAILABILITY OF PURCHASES

The following are the major types of input materials and services that we purchased for our business operations for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022.

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractor services	**49,217**	**61.06**	**48,706**	**62.56**	**85,884**	**60.42**	**65,823**	**56.90**
Architecture works	21,164	26.26	17,954	23.06	29,983	21.09	16,062	13.88
M&E works	17,024	21.12	14,607	18.76	27,029	19.01	22,932	19.82
Structural works	6,502	8.07	12,086	15.52	17,438	12.28	16,966	14.67
Others (1)	4,527	5.62	4,059	5.21	11,434	8.04	9,863	8.53
Construction materials	**21,879**	**27.15**	**21,955**	**28.20**	**43,118**	**30.33**	**35,393**	**30.59**
Steel materials	7,671	9.52	8,178	10.50	17,985	12.65	15,329	13.25
Concrete and cement materials	6,850	8.50	7,300	9.38	13,952	9.81	9,934	8.58
Other materials (2)	7,358	9.13	6,477	8.32	11,181	7.87	10,130	8.76
Rental charges (3)	**4,794**	**5.95**	**2,873**	**3.70**	**6,422**	**4.52**	**7,855**	**6.79**
Project overhead and other related costs (4)	**4,708**	**5.84**	**4,322**	**5.55**	**6,728**	**4.73**	**6,618**	**5.72**
Total purchases	**80,598**	**100.00**	**77,856**	**100.00**	**142,152**	**100.00**	**115,689**	**100.00**

Notes:

(1) *Other subcontracted services include landscaping works, infrastructure works, foundation works, piling works and earthworks.*

(2) *Other materials include tiles, sanitary wares, brickwork materials, doors and windows, hardware and consumables, aggregates, plywood and timber, and scaffoldings.*

(3) *Rental charges include mainly rental of machines and equipment such as excavators, backhoe and cranes for our construction projects.*

(4) *Project overhead and other related costs includes application fees for authority submission, administrative expenses, site workers expenses, site utility expenses and others.*

Purchases of subcontractor services and construction materials constitute our major input materials and services for our construction operations.

Purchases of subcontractor services alone accounted for 61.06% (RM49.22 million), 62.56% (RM48.71 million), 60.42% (RM85.88 million) and 56.90% (RM65.82 million) of our total purchases of input materials and services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Notwithstanding the total subcontractor costs in terms of percentage had decreased in FYE 2021, nonetheless the overall subcontractor costs had increased from RM48.71 million to RM85.88 million.

The following are some of the subcontractor services where we engage external parties to carry out the works:

- Architecture works such as building design and preparation of drawings and documents for authority submissions, bricklaying and concreting, wood and metal joining, glazing, flooring, tiling, ceiling works, painting, water proofing, and other finishing works.

- M&E works including supply and installation of mechanical and electrical systems such as lifts, fire protection system, security system, air conditioning system, as well as water supply and plumbing system.

- Structural works such as concreting, bar bending works and carpentry works.

- Other subcontracted services include landscaping works, infrastructure works, foundation works, piling works and earthworks.

Purchases of construction materials accounted for 27.15% (RM21.88 million), 28.20% (RM21.96 million), 30.33% (RM43.12 million) and 30.59% (RM35.39 million) of our total purchases of input materials and services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

For the Financial Years and Period Under Review, steel bars constitute one of the main steel materials purchased by our Group and are subject to price fluctuations. The average purchase price of steel bars purchased by our Group increased by 1.15%, 43.27% and 4.52% for FYE 2020, FYE 2021 and FPE 2022 respectively. As steel bars are one of the main materials used in our construction operations, the fluctuations in price will affect our margins. For the Financial Years and Period Under Review, our financial performance was not materially impacted by the increases in the price of steel materials as the price fluctuation to-date is still within our project contingency budgeting which takes into consideration the fluctuations in the prices of construction materials including steel bars.

Concrete materials also constitute one of the main construction materials purchased by our Group. For the Financial Years and Period Under Review, the average prices of concrete materials purchased by our Group fluctuated within a narrower range compared to steel bars.

Generally, the unit price of construction materials is budgeted into our cost of construction where we have factored in the price fluctuations of construction materials over the duration of the project period. In the event of any unfavourable fluctuations in the cost of these materials during the project period, it may increase our overall project costs. Please refer to Section 9.1.3 of this Prospectus for further details on the risks relating to price fluctuations of our construction materials.

Our other purchases include rental of machinery and equipment and others services which collectively accounted for the remaining 11.79% (RM9.50 million), 9.25% (RM7.20 million), 9.25% (RM13.15 million) and 12.51% (RM14.47 million) of our total input materials for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

For the Financial Year and Period Under Review, all of our major input materials and services were sourced from local suppliers.

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7.14 MAJOR CUSTOMERS

Our top 5 major customers for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 are as follows:

FYE 2019

Major customers	Principal activities of major customers(2)	Projects	RM'000	% of total revenue	Length of business relationship (Year)(1)
TSI Domain Sdn Bhd(3)	Property development and general construction	• Three33 Residence Project	43,626	44.20	1
Sg. Besi Construction Sdn Bhd(4)	Property development and building construction	• Glenz Mixed Commercial Development Project	22,557	22.85	less than 1 year
Perbadanan Perwira Harta Malaysia	Property development and construction	• TUDM Army Camp Package 2 Project(5) • TUDM Army Camp Package 3 Project	8,544	8.66	3
Ascendvest Sdn Bhd(3)	Property development	• Cameron Fair Project	6,555	6.64	4
Aikbee Timbers Sdn Bhd(6)	Property development and hotel operations	• Pearl Suria Residence Project	4,289	4.35	5
Total of top 5 major customers			**85,571**	**86.70**	
Group's revenue			**98,707**		

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7. BUSINESS OVERVIEW *(cont'd)*

FYE 2020

Major customers	Principal activities of major customers[2]	Projects	RM'000	% of total revenue	Length of business relationship (Year)[1]
Sg. Besi Construction Sdn Bhd[4]	Property development and building construction	• Glenz Mixed Commercial Development Project	57,116	58.81	1
Perbadanan Perwira Harta Malaysia	Property development and construction	• TUDM Army Camp Package 2 Project[5] • TUDM Army Camp Package 3 Project	11,411	11.75	4
TSI Domain Sdn Bhd	Property development and general construction	• Three33 Residence Project	9,448	9.73	2
Mercu Majuniaga Sdn Bhd[4]	Building construction	• Residensi Armani Petaling (Cheras) Project • Armani Subang SOHO Project	5,742	5.91	less than 1 year
Pujaan Harmoni Sdn Bhd	Property development	• Semi D and Bungalow House Project	5,486	5.65	1
Total of top 5 major customers			**89,203**	**91.85**	
Group's revenue			**97,124**		

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7. BUSINESS OVERVIEW *(cont'd)*

FYE 2021

Major customers	Principal activities of major customers[2]	Projects	RM'000	% of total revenue	Length of business relationship (Year)[1]
Sg. Besi Construction Sdn Bhd[4]	Property development and building construction	• Glenz Mixed Commercial Development Project • CPL Aromas Pulau Indah Project	72,224	42.22	2
Mercu Majuniaga Sdn Bhd[4]	Building construction	• Residensi Armani Petaling (Cheras) Project • Armani Subang SOHO Project • Residensi Armani Bukit Lanjan Project	52,343	30.60	1
Hawa Teknik Sdn Bhd	General construction, repair and maintenance works	• Beluran Police Camp Project	13,247	7.74	less than 1 year
Perbadanan Perwira Harta Malaysia	Property development and construction	• TUDM Army Camp Package 2 Project[5] • TUDM Army Camp Package 3 Project • Malaysian Armed Forces (Package 3) Project	12,834	7.50	5
Cherane Lalie Sdn Bhd	Property development, building construction and transportation	• PPA1M Houses Project	8,246	4.82	2
Total of top 5 major customers			**158,894**	**92.88**	
Group's revenue			**171,081**		

FPE 2022

Major customers	Principal activities of major customers[2]	Projects	RM'000	% of total revenue	Length of business relationship (Year)[1]
Mercu Majuniaga Sdn Bhd[4]	Building construction	• Residensi Armani Petaling (Cheras) Project • Armani Subang SOHO Project • Residensi Armani Bukit Lanjan Project	51,048	36.49	2
Hawa Teknik Sdn Bhd	General construction, repair and maintenance works	• Beluran Police Camp Project	40,888	29.22	1
Sg. Besi Construction Sdn Bhd[4]	Property development and building construction	• Glenz Mixed Commercial Development Project • CPL Aromas Pulau Indah Project	26,108	18.66	3
Binastra Construction (M) Sdn Bhd	Building construction and transportation	• D'vine Residences Project • Plot 3 • Plot 9B • Plot 9C • Plot 9D • Plot 10	8,169	5.84	1
Tafi Industries Berhad[4][7]	General construction works, manufacturing of furniture and trading of building materials	• Permas City Project • Habu Cameron Infrastructure Project	6,724	4.81	less than 1 year
Total of top 5 major customers			**132,937**	**95.02**	
Group's revenue			**139,914**		

Notes:

(1) *Length of relationship is determined as at the respective FYEs or FPE.*

(2) *Source: Companies Commission of Malaysia.*

(3) *TSI Domain Sdn Bhd and Ascendvest Sdn Bhd have common shareholders. For information purposes, the aggregate revenue contribution from TSI Domain Sdn Bhd and Ascendvest Sdn Bhd collectively accounted for 50.84% (RM50.18 million), 9.75% (RM9.47 million), 0.59% (RM1.01 million) and 0.02% (RM0.02 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.*

*(4) Sg. Besi Construction Sdn Bhd ("**Sg. Besi Construction**"), Mercu Majuniaga Sdn Bhd ("**Mercu Majuniaga**") and Tafi Industries Berhad have a common shareholder. For information purposes, the aggregate revenue contribution from Sg. Besi Construction, Mercu Majuniaga and Tafi Industries Berhad collectively accounted for 22.85% (RM22.56 million), 64.72% (RM62.86 million), 72.82% (RM124.57 million) and 59.96% (RM83.88 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Notwithstanding the significant aggregate revenue contribution from Sg. Besi Construction, Mercu Majuniaga and TAFI Industries Berhad, our Group is not dependent on them as our customers as the projects awarded by Sg. Besi Construction, Mercu Majuniaga and Tafi Industries Berhad represent approximately 14.79% of the Group's outstanding order book as at the LPD and the Glenz Mixed Commercial Development Project and CPL Aromas Pulau Indah Project which are awarded by Sg. Besi Construction have been completed in March 2022 and August 2022 respectively.*

(5) The project was awarded by Pembinaan Perwira Harta Sdn Bhd which was a subsidiary of Perbadanan Perwira Harta Malaysia. The ultimate holding company of Pembinaan Perwira Harta Sdn Bhd and Perbadanan Perwira Harta Malaysia is Lembaga Tabung Angkatan Tentera.

(6) The ultimate holding company of Aikbee Timbers Sdn Bhd is Sitt Seng & Sons Realty Sdn Bhd.

(7) Tafi Industries Berhad, which is a company listed on the Main Market of Bursa Securities, is the holding company of Tafi Home & Office Sdn Bhd and Tafi Development Sdn Bhd.

Notwithstanding that certain major customer of our Group had contributed substantially to our revenue during the Financial Years and Period Under Review, our Group is not dependent on any customer. This is due to the nature of our business which is project based where our Group's revenue contribution from major customers varies from year to year given the nature of our business being conducted on a contract basis, which typically range from 2 to 3 years. Furthermore, our Group has been able to successfully secure contracts from new customers which are of relatively sizeable value during the Financial Years and Period Under Review and subsequent thereto, such as the Beluran Police Camp Project, D'vine Residences Project as well as the Selangor Cyber Valley Project and Sierra Alam Project. However, we are exposed to customer concentration risk of which the details are set out in Section 9.1.14 of this Prospectus.

For information purposes, for the Financial Years and Period Under Review, Perbadanan Perwira Harta Malaysia, Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd, Binastra Construction (M) Sdn Bhd and Tafi Industries Berhad are recurrent customers where we secured more than 1 construction project from the same customer.

Please refer to Sections 7.4.1.3 and 7.4.2.2 of this Prospectus for further details on our on-going projects.

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7.15 MAJOR SUPPLIERS

Our top 5 major suppliers for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 are as follows:

FYE 2019

Major suppliers	Principal activities of major suppliers[(2)]	Main materials / services purchased	RM'000	% of total purchases	Length of business relationship (Year)[(1)]
Makin Juta Sdn Bhd	Manufacturing and trading of steel products and construction materials and transport services	Steel bars	4,680	5.81	8
Triplekon Construction Sdn Bhd	Construction of buildings	Subcontracted marbling and aluminium works	3,289	4. 08	4
Kuasamas Letrik Sdn Bhd	Electrical engineering services	Subcontracted electrical and telephone installation works	3,270	4.06	1
MK Fong Plumbing[(3)]	Plumbing works	Subcontracted plumbing works	2,351	2.92	2
Yee Lee Glass Sdn Bhd	Glass and aluminium works	Subcontracted glass and aluminium works	1,936	2.40	less than 1 year
Total of top 5 major suppliers			**15,525**	**19.27**	
Group's purchases			**80,598**		

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7. BUSINESS OVERVIEW *(cont'd)*

FYE 2020

Major suppliers	Principal activities of major suppliers[(2)]	Main materials / services purchased	RM'000	% of total purchases	Length of business relationship (Year)[(1)]
Visibina Sdn Bhd[(8)]	General trading, building cleaning and laundry services and general contractor	Subcontracted main building works	4,814	6.18	Less than 1
Makin Juta Sdn Bhd	Manufacturing and trading of steel products and construction materials and transport services	Steel bars	4,568	5.87	9
Skypark Machineries Sdn Bhd[(4)] ("**Skypark Machineries**")	Rental of mobile crane and hardware supplier	Rental and repair of cranes and construction equipment	2,473	3.18	7
Jun Tractor Sdn Bhd[(5)] ("**Jun Tractor**")	Rental of heavy machinery	Rental of excavators	2,275	2.92	5
Toshiba Elevator (Malaysia) Sdn Bhd *(formerly known as MS Elevators Engineering Sdn Bhd)*	Supply and installation of elevators and escalators as well as related maintenance services	Subcontracted mechanical and electrical works	2,260	2.90	4
Total of top 5 major suppliers			**16,390**	**21.05**	
Group's purchases			**77,856**		

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7. BUSINESS OVERVIEW *(cont'd)*

FYE 2021

Major suppliers	Principal activities of major suppliers[(2)]	Main materials / services purchased	RM'000	% of total purchases	Length of business relationship (Year)[(1)]
Fastcoll Corporation Sdn Bhd	Air-conditioner supplier and contractor	Subcontracted air conditioning, mechanical ventilation and electrical services	11,028	7.76	2
Makin Juta Sdn Bhd	Manufacturing and trading of steel products and construction materials and transport services	Steel bars	10,802	7.60	10
Visibina Sdn Bhd[(8)]	General trading, building cleaning and laundry services and general contractor	Subcontracted main building works	6,443	4.53	1
T.A. Furniture & Projects Sdn Bhd *(formerly known as T.A. Furniture Industries Sdn Bhd)*[(6)]	Manufacture and marketing of furniture products	Built-in and loose furnitures	5,472	3.85	less than 1 year
Buildcon Concrete Sdn Bhd[(7)]	Manufacture and sale of ready-mixed-concrete and related services	Concrete	3,267	2.30	6
Total of top 5 major suppliers			**37,012**	**26.04**	
Group's purchases			**142,152**		

FPE 2022

Major suppliers	Principal activities of major suppliers[(2)]	Main materials / services purchased	RM'000	% of total purchases	Length of business relationship (Year)[(1)]
Makin Juta Sdn Bhd	Manufacturing and trading of steel products and construction materials and transport services	Steel bars	8,869	7.67	11
Wee Li Construction (M) Sdn Bhd	Construction of foundation, including pile driving and other specialised construction activities	Subcontracted building works	6,128	5.30	3
Pancaran Bumimas Sdn Bhd	Construction and development	Project management consultancy services	5,651	4.88	1
CK Building Solutions Sdn Bhd	Design, supply and installation of steel structure and roofing walling	Subcontracted steel structure works	3,629	3.14	1
Buildcon Concrete Sdn Bhd	Manufacture and sale of ready-mixed-concrete and related services	Concrete	3,563	3.08	7
Total of top 5 major suppliers			**27,840**	**24.07**	
Group's purchases			**115,689**		

Notes:

(1) Length of relationship is determined as at the respective FYEs or FPE.

(2) Source: Companies Commission of Malaysia.

(3) Includes MK Fong Plumbing Work Sdn Bhd and MK Fong Plumbing & Construction Work, a sole proprietorship owned by the major shareholder of MK Fong Plumbing Work Sdn Bhd.

(4) Skypark Machineries is a related party of our Group. Datuk Liew's brother, Liew Chun Heen and Datuk Liew's brother-in-law, See Chee Kian are the directors and major shareholders of Skypark Machineries holding 80% and 20% equity interest in Skypark Machineries respectively.

(5) Jun Tractor is a related party of our Group. Datuk Liew's brother, Liew Chun Heen and Datuk Liew's sister-in-law, Toh Tze Wooi, are the directors and major shareholders of Jun Tractor, each holding 50% equity interest in Jun Tractor respectively.

(6) The ultimate holding company of T.A. Furniture & Projects Sdn Bhd is Tafi Industries Berhad, which is a company listed on the Main Market of Bursa Securities.

(7) The ultimate holding company of Buildcon Concrete Sdn Bhd is Malayan Cement Berhad, which is a company listed on the Main Market of Bursa Securities.

(8) Visibina Sdn Bhd is not a related party to our Group and its shareholders are third parties who are not related to any of our Directors, Substantial Shareholders or Key Senior Management.

For the Financial Years and Period Under Review, we were not dependent on any suppliers as the subcontracted services and materials are widely available and can be sourced from other suppliers. Our Group does not enter into any long-term agreements with our subcontractors and suppliers as our subcontractors' and suppliers' contracts are usually on contract-to-contract basis which is based on the requirements of the relevant construction contracts.

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7.16 KEY ACHIEVEMENTS AND AWARDS

For the Financial Years and Period Under Review and up to LPD, we obtained the following awards and recognitions:

Year	Key awards and recognition
2019	• Certificate of appreciation awarded by CIDB for being awarded the contract to construct a commercial centre and hotel for Sg. Besi Construction Sdn Bhd.
2020	• Achieved 77% QLASSIC [(1)] score for the Three33 Residence Project for TSI Domain Sdn Bhd. • Certificate of appreciation awarded by TSI Domain Sdn Bhd in recognition of the contribution to one million safe manhours worked without lost time injury for the Three33 Residence Project. • Certificate of appreciation awarded by Perbadanan Perwira Harta Malaysia in recognition of the contribution to over one million safe manhours worked without lost time injury for the TUDM Army Camp Package 2 Project.
2021	• Certificate of achievement awarded by SME Corp Malaysia and CIDB for achieving 3-star rating [(2)]. The certificate is valid until 22 July 2023. • Certificate of achievement awarded by SME Corp Malaysia and CIDB for achieving 4-star rating [(3)]. The certificate is valid until 30 November 2023. • Certificate of appreciation awarded by Pujaan Harmoni Sdn Bhd in recognition of excellent construction performance.

Notes:

(1) *QLASSIC is a system introduced by CIDB to measure and evaluate the quality of workmanship of building construction work based on the Construction Industry Standard from CIDB. QLASSIC serves as a benchmark for the quality of construction works against industry standards based on a scoring system.*

(2) *Criteria for achieving 3-star rating include good management and technical capabilities, compliance to best practices and good project management.*

(3) *Criteria for achieving 4-star rating include possessing visionary leadership, efficient management and technical capabilities, compliance to best practices, innovation, good integrated system and management, as well as able to export services to international market.*

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7.17 OPERATIONAL FACILITIES

We operate from the following facilities:

Company	Main Functions	Approximate Built-up Area (sq. ft.)	Location of Facilities
Vestland Resources	Head office and operational office	7,834	D-07-02, D-07-03, D-08-03 to D-08-07, Menara Mitraland, No. 13A, Jalan PJU 5/1, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan
Vestland Resources	Storage facility	4,107	Geran Mukim 5952, Lot 994, Pekan Kuang, Daerah Gombak, Selangor Darul Ehsan
Vestland Resources	Operational office	1,441	E-30-3, Lot 30, 3rd Floor, Block E, Kota Kinabalu Times Square, Jalan Coastal, 88000 Kota Kinabalu, Sabah

7.18 STRATEGIES AND PLANS

Moving forward, we will continue to strengthen and leverage from our core competency in building construction as well as continue our expansion into design and build projects to support our business growth. Our strategies and plans are as set out below:

Our Future Strategies and Plans

Continue to strengthen our core competency in construction services

- Continue to expand on our order book.
- Expand on our design and build capabilities.
- Expand on our civil engineering capabilities.

Operational facility expansion

- Acquisition of New Head Office

7.18.1 Continue to strengthen our core competency in construction services

(i) Continue to expand on our order book

Our overall business strategy is to continue to build on our prospects and strengthen our position in the market by leveraging on our strengths in building construction. We believe the experience and expertise we have gained from our past projects coupled with our competitive advantages will provide us with the platform to continue to address business opportunities.

As at the LPD, we have a total outstanding order book of RM947.43 million including RM653.62 million from our on-going design and build projects and RM219.54 million from build projects as well as RM74.27 million from civil engineering projects. The order book is expected to be recognised progressively over the next 4 financial years. For further information on our outstanding order book, please refer to Section 12.7 of this Prospectus.

In this respect, our business sustainability and growth are dependent on our ability to secure new contracts to expand on our order book. As at the LPD, we have also participated in tenders and/or submitted proposals for various building construction projects. Additionally, these projects, if awarded, will replenish and enlarge our order book.

In addition, Vestland Resources had on 18 March 2022 entered into a conditional Master Construction Agreement with Splendid Forte Development Sdn Bhd ("**SFD**") to undertake a design and build project in Mukim of Dengkil, District of Sepang, Selangor ("**Selangor Cyber Valley Project**") and Mukim of Bukit Raja, District of Petaling, Selangor ("**Sierra Alam Project**") for an aggregate contract value of up to approximately RM550.69 million. Both the Selangor Cyber Valley Project and Sierra Alam Project involves residential development together with all necessary infrastructures and landscaping, under the state government's affordable housing scheme.

The Selangor Cyber Valley Project involves two phases, namely Selangor Cyber Valley (Phase 1) Project (to be further segregated into Selangor Cyber Valley Phase IA and Selangor Cyber Valley Phase IB) and Selangor Cyber Valley Phase II Project with contract value of RM234.86 million and RM198.50 million respectively. The Sierra Alam Project has a contract value of up to RM117.33 million.

As at the LPD, the Master Construction Agreement remains conditional upon the fulfillment of certain conditions precedent ("**CP**") contained therein, including the execution of the respective joint venture agreements ("**JVAs**") between SFD and the landowner and thereafter the fulfillment of the respective CPs contained in the JVAs by the landowner or SFD. On 28 April 2022, the JVAs have been executed.

The Selangor Cyber Valley (Phase 1) Project, Selangor Cyber Valley Phase II and Sierra Alam Project are not inter-conditional with/upon each other.

As at the LPD, the CPs of the Selangor Cyber Valley (Phase 1) Project has been fulfilled whereas the Selangor Cyber Valley Phase II Project and the Sierra Alam Project are pending fulfillment of the relevant CPs. In this respect, SFD has issued the letter of award for the Selangor Cyber Valley (Phase 1) Project with a contract value of RM234.86 million. The commencement date of our Selangor Cyber Valley (Phase 1) Project is in May 2022. SFD had also issued letter of awards for the Selangor Cyber Valley Phase II Project with a contract value of RM198.50 million and the Sierra Alam Project with a contract value of RM117.33 million, both of which remain conditional upon the fulfillment of the relevant CPs under the JVAs.

Barring any unforeseen circumstances and in accordance with the terms of the JVAs, the respective CPs are expected to be fulfilled within 12 months for the Sierra Alam Project and 18 months for the Selangor Cyber Valley Phase II Project from the date of the respective JVAs. However, there can be no assurance that the CPs can be fulfilled in such time and manner prescribed in the Master Construction Agreement, failing which may result in the termination of the Sierra Alam Project or the Selangor Cyber Valley Phase II Project (as the case may be).

(ii) Growing our business by tapping on our design and build capabilities

Part of our strategy is to grow our business by tapping on our design and build segment to address opportunities in both the residential and non-residential building sector by focusing our efforts to market our design and build capabilities to prospective customers as well as continue to proactively follow up on submitted tenders. In addition, we will leverage on our business relationships with our existing customers as a platform to explore opportunities in design and build projects.

As at LPD, we have 8 on-going design and build projects with an aggregated contract value of RM883.68 million and these projects are expected to be completed progressively from 2022 and up to 2026. With the completion of these projects, it will serve as a reference site for prospective customers.

As at the LPD, we have submitted tenders for building construction projects consisting of residential building projects and these projects will potentially contribute to our future order book.

(iii) Expand order book by applying our civil engineering capabilities

Part of our strategy is to expand our civil engineering services by focusing our marketing efforts and demonstrating our capabilities in this area with existing and potential customers. In addition, we will use our completed civil engineering works as a reference site to pursue opportunities. In FYE 2021 and FPE 2022, civil engineering services contributed 1.36% (RM2.33 million) and 1.70% (RM2.38 million) of our revenue for the FYE 2021 and FPE 2022 respectively. In 2021, the value of construction work done amounted to approximately RM112.0 billion in Malaysia. In 2021, civil engineering subsector continued to remain as one of the main contributors at 39.1% or RM43.8 billion of the total construction works completed in Malaysia. This was followed by residential buildings, non-residential buildings and specialised construction which accounted for 24.0% (RM26.8 billion), 28.0% (RM31.4 billion) and 8.9% (RM10.0 billion) respectively of the total construction works completed in Malaysia. *(Source: IMR report)*

For the Financial Years and Period Under Review and up to the LPD, we have completed 3 projects in civil engineering works with a total contract value of RM5.91 million. As at the LPD, we have 3 on-going projects in civil engineering works. For further information on our completed and on-going projects in civil engineering works, please refer to Section 7.4.3.1 of this Prospectus.

For information purposes, our current future strategies and plans as disclosed above does not involve acquisition of any companies.

7.18.2 Operational facility expansion

Our existing head office is on rented premises in Petaling Jaya, Selangor. In line with our business expansion, we had on 23 September 2021 and 19 January 2022 entered into sale and purchase agreements with Sg. Besi Construction Sdn Bhd (being the developer and our customer) to acquire a New Head Office at The Glenz Mixed Commercial Development Project located at No. 6, Jalan Juruanalisis U1/35, Seksyen U1, 40150 Shah Alam, Selangor, for a total consideration of RM9.38 million. The construction of the New Head Office has been completed in March 2022.

The New Head Office will comprise 12 office suites with an aggregated built-up area of 10,803 sq. ft. compared to our current rented premises with an aggregated built-up area of 7,834 sq.ft. The number of employees who are based at our Rented Office has increased from 25 as at 31 December 2019 to 51 as at the LPD. The New Head Office is also designed to accommodate a larger number of workstations for our expanded workforce as well as additional meeting rooms. For further information on the New Head Office and method of financing, please refer to Section 4.5.1 of this Prospectus.

The CCC for the New Head Office has been obtained in November 2022 and as at the LPD, we have submitted the renovation layout plan to Majlis Bandaraya Shah Alam for approval. The indicative timeline for the relocation to the New Head Office is as follow:

Timeline	Details
December 2022	Receipt of renovation layout plan approval Commencement of renovation and furnishing works
First quarter of 2023	Completion of renovation and furnishing works Commencement of relocation from Rented Office Commencement of operations at New Head Office

7.19 ADDITIONAL DISCLOSURE

On 14 April 2021, the IRB (Klang Investigation Branch) initiated a tax investigation on Vestland Resources for the years of assessment ("**YA**") 2018, 2019 and 2020 ("**Tax Investigation**") by a notice issued to Vestland Resources pursuant to Section 80 of the Income Tax Act, 1967 ("**ITA**").

On 16 April 2021, Vestland Resources had appointed a tax consultant from Imran Teh and Associates PLT ("**Tax Consultant**") as its representative to liaise with the IRB on all matters in relation to the Tax Investigation.

During the course of the Tax Investigation, Vestland Resources had via the Tax Consultant, provided all supporting documents requested by the IRB, including amongst others, listings for professional fees and travelling expenses and breakdown of project expenses as well as explanations and replies to queries raised by the IRB in respect of the deductibility of certain expenses for YA 2018 to YA 2020 via email correspondences to facilitate the Tax Investigation. Upon completion of the Tax Investigation by the IRB, the IRB disagreed on certain deduction of expenses for tax computation purposes such as contingency expenses for the potential delay in construction work due to COVID-19 and legal fees incurred for bank borrowings made previously by Vestland Resources which resulted in an understatement of tax payable amounting to approximately RM1.05 million for YA 2018 to YA 2020.

On 30 April 2021, Vestland Resources entered into an agreement with the IRB (which was duly executed by the directors of Vestland Resources on 30 April 2021 and by the representative of the IRB on 6 May 2021) pursuant to Section 96A(1) of the ITA ("**IRB Agreement**"). Pursuant to the IRB Agreement, Vestland Resources and the IRB have agreed that for the purpose of Section 96A of the ITA, Vestland Resources shall pay, in full settlement of a total sum of RM1.52 million ("**Additional Income Tax and Penalties**") comprising the following:

(i) RM1,048,238.64, being the tax, which has not been charged or has been undercharged on Vestland Resources for YA 2018 to YA 2020 in consequence of understatement of income; and

(ii) RM471,761.36, being the tax penalties, which Vestland Resources is required to pay for YA 2018 to YA 2020 pursuant to Section 113(2) of the ITA.

It was agreed under the terms of the IRB Agreement that the Additional Income Tax and Penalties shall be paid by Vestland Resources in accordance with the following payment schedule:

(a) an initial payment of RM440,000.00 on or before 1 May 2021 ("**Initial Sum**"); and

(b) 36 monthly instalments of RM30,000.00 payable on the 1st day of each month commencing from June 2021 ("**Remaining Sum**")

(collectively, the "**Payment Schedule**").

Vestland Resources also provided to the IRB a cheque dated 1 May 2021 for the amount of RM440,000.00 (being the payment of the Initial Sum) and 36 post-dated cheques for the amount of RM30,000.00 each (being the payment of the Remaining Sum) in accordance with the Payment Schedule.

Subsequently, the IRB had on 7 May 2021 issued a notice of composite assessment pursuant to Section 96A of the ITA ("**Notice of Composite Assessment**") to Vestland Resources for YA 2018 to YA 2020. For information purposes, a composite assessment made under Section 96A(6) of the ITA is a final and conclusive assessment by the IRB for purposes of the ITA.

On 10 May 2021, the IRB issued a settlement letter to Vestland Resources, setting out amongst others, the Payment Schedule.

As at the LPD, Vestland Resources has not dishonoured any of the post-dated cheques provided to the IRB. Pursuant to the Notice of Composite Assessment, in the event of any default or late payment of the Remaining Sum, the Remaining Sum which is unpaid will be increased by ten percent of the unpaid amount and the full unpaid amount will become immediately payable.

Our Board is of the view that the Additional Income Tax and Penalties do not have a material financial impact to our Group as our Group has sufficient cash generated from operations to repay the Additional Income Tax and Penalties, and the Remaining Sum of RM1.08 million will be paid in 36 monthly instalments. Therefore, such non-compliances do not have any material adverse impact on the business operations or the financial condition of our Group.

Having said that, our Board recognises the need to ensure full compliance at all times with prevailing tax laws, regulations and rulings (including tax practices and requirements relating to permissible deductible expenses) and accordingly after consideration, the following measures will be adopted and adhered to going forward to prevent/mitigate any recurrence of such incident:

(aa) greater detail will be recorded in the accounting ledger description for each of our Group's transactions, particularly for purposes of identifying tax deductible and non-deductible expenses;

(bb) to engage external tax consultants to review tax computations whenever any uncertainty arises with regards to the tax deductibility of expenses as well as to advise on all tax-related matters that are subject to any doubt or ambiguity, as and when required; and

(cc) the Audit and Risk Management Committee to monitor and ensure continued compliance with relevant tax laws, regulations and rulings by our Group.

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VITAL FACTOR CONSULTING
Creating Winning Business Solutions ®

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46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 7931-3188
Fax: (603) 7931-2188
Website: www.vitalfactor.com

29 November 2022

The Board of Directors
Vestland Berhad
D-08-03, Menara Mitraland
13A, Jalan PJU 5/1
Kota Damansara
47810 Petaling Jaya

Dear Sirs and Madam

Independent Assessment of the Construction Industry in Malaysia

We 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, including initial public offerings 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 for inclusion into the prospectus of Vestland Berhad concerning 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, availability of up-to-date information, secondary 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 responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject 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.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including initial public offerings for companies seeking listings on Bursa Securities.

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Date of Report: 29 November 2022

INDEPENDENT ASSESSMENT OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

1. INTRODUCTION

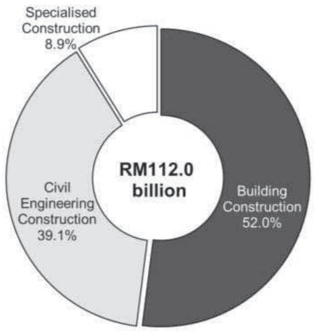
- Vestland Berhad, together with its subsidiary, (herein referred to as Vestland Group) is mainly involved in the construction of residential and non-residential buildings focusing in Selangor and Kuala Lumpur in Malaysia, which will form the focus of this report. Residential buildings include apartments and landed residential buildings, while non-residential buildings include mixed-use commercial buildings, purpose-built offices, industrial buildings, serviced apartments, hostels and hotels. Vestland Group is involved in the construction of both private and public sector projects. As part of Vestland Group's strategies to be involved in the civil engineering sector, this report will also provide some coverage of the sector.

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

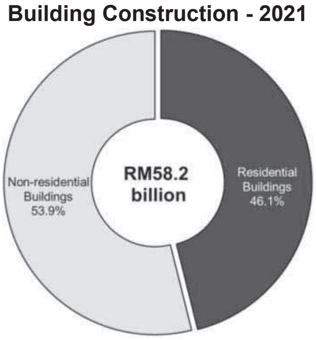
2.1 Structure of the Construction Industry

- Generally, the construction industry in Malaysia can be segmented into the following sectors:
  - **Building construction** comprises the construction of residential and non-residential buildings including new works, repairs, additions, alterations and erection of prefabricated buildings and structures.
  - **Civil engineering construction** refers to the construction of infrastructure for public use including roads, railways, bridges, seaports, airports and utility projects such as power plants, pipelines, power lines, communications lines, reservoirs and sewerage systems.
  - **Specialised construction** encompasses the construction of parts of buildings and civil engineering works without the responsibility of the entire project. It is usually specialised in one aspect common to different structures which require specialised skills or equipment. Some of the examples of specialised construction activities include demolition, piling and foundation works, concrete works, bricklaying, scaffolding, installation of utilities, and building completion such as plastering, glazing, wall and floor tiling, painting and carpentry.

Construction Industry - 2021



Building Construction - 2021



(Source: Department of Statistics (DOSM))

- Industrialised building system (IBS) such as precast concrete system and formwork system are used for the production of building components such as columns, beams, slabs, walls and roof trusses which require little additional site work once installed. This means faster completion times, greater productivity, reduced wastage, fewer accidents and overall lower construction costs. In an effort to increase the adoption of IBS, the Government mandated the use of IBS in government projects valued at RM10 million and above, and private sector projects valued at RM50 million and above, with a minimum IBS score of 70% and 50% respectively.

- Vestland Group mainly operates in the building construction segment and uses formwork system, while a small proportion of their business is in civil engineering works including earthworks.

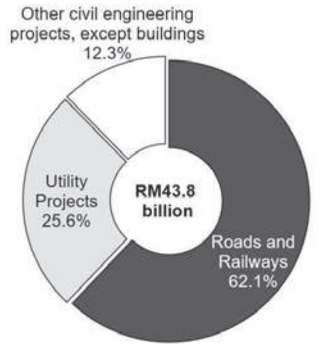
2.2 Building Construction and Civil Engineering Construction Segmentation

- The building construction sector is segmented as follows:
  - **Residential buildings**, which are used for dwelling purposes and include landed, low-rise and high-rise residential buildings.

- **Non-residential buildings**, which mainly comprise commercial, industrial, leisure and institutional buildings such as government, educational and healthcare facilities.

- The civil engineering construction sector is segmented as follows:
  - **Roads and railways**, which mainly comprise motorways, streets, roads, other vehicle and pedestrian ways, bridges, tunnels, railways and subways, as well as airfield/airport runways.
  - **Utility projects**, which mainly include pipelines, communication and power lines, reservoirs, irrigation systems, sewer systems and sewage disposal plants, power plants as well as water main and line construction.
  - **Other civil engineering projects, except buildings**, mainly comprised refineries, waterways, harbour and river works, pleasure ports, locks, dams and dykes, dredging of waterways, outdoor sports facilities and land subdivision with land improvement.

Civil Engineering Construction - 2021

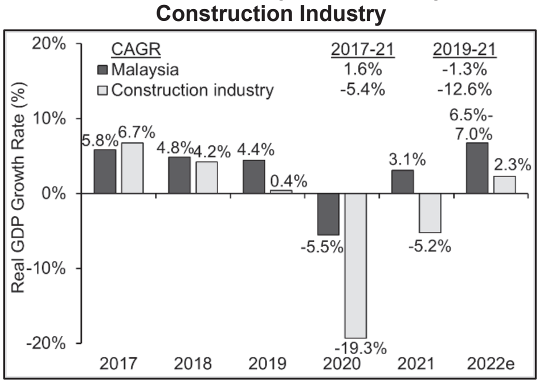


(Source: DOSM)

3. PERFORMANCE OF THE CONSTRUCTION INDUSTRY

3.1 Real Gross Domestic Product (GDP) of Malaysia's Economy and the Construction Industry

Real GDP Growth of Malaysia's Economy and the Construction Industry



(Source: DOSM)

- Real GDP is a measurement of the gross value added in the output of goods and services indicating its overall size in monetary terms without the effects of inflation or deflation. In 2020, the real GDP of the construction industry and Malaysia's economy declined by 19.3% and 5.5% respectively as a result of containment measures following the COVID-19 pandemic.

- In 2021, Malaysia's economy recovered to grow by 3.1% despite the reimposition of containment measures as more essential economic sectors were allowed to operate. For the first 9 months of 2022, real GDP of Malaysia grew by 9.3% compared to the corresponding period in 2021 *(Source: DOSM)*. The real GDP of Malaysia's economy is estimated to grow between 6.5% and 7.0% in 2022, underpinned by growth in the domestic economy, steady expansion in the external sector and continued improvement in labour market conditions. In 2023, real GDP of Malaysia is forecasted to grow between 4.0% and 5.0%. *(Source: Ministry of Finance (MoF))*

- In 2021, the construction industry declined by 5.2% as the industry faced limitations on operating capacity due to movement restrictions and foreign labour shortages which was exacerbated by the closure of international borders arising from the COVID-19 pandemic *(Source: Bank Negara Malaysia (BNM))*. For the first 9 months of 2022, real GDP of the construction industry grew by 3.3% compared to the corresponding period in 2021 *(Source: DOSM)*. The real GDP of the construction industry is estimated to grow by 2.3% in 2022 and forecasted to grow by 4.7% in 2023 following a better performance in all subsectors, supported by the implementation and acceleration of infrastructure projects, approved investment projects in the manufacturing sector, construction of affordable houses and Government incentives that encourage homeownership. *(Source: MoF)*

3.2 Construction Work

- The value of construction work completed indicates the overall performance of the construction industry including the residential, non-residential and civil engineering segments.

Value of Construction Work Completed by Sectors

	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
			RM million					
Malaysia[1]	**138,452**	**145,547**	**146,372**	**117,918**	**111,982**	**-5.0%**	**-5.2%**	**-12.5%**
Residential	39,317	36,592	35,752	29,609	26,845	-9.3%	-9.1%	-13.3%
Non-residential	41,552	41,201	37,558	31,127	31,391	0.8%	-6.8%	-8.6%
Civil engineering	51,087	60,593	65,599	49,878	43,830	-12.1%	-3.8%	-18.3%
Federal Territories[1,2]	**27,836**	**29,433**	**33,701**	**27,154**	**22,022**	**-18.9%**	**-5.7%**	**-19.2%**
Residential	10,582	9,985	9,675	7,998	6,993	-12.6%	-9.8%	-15.0%
Non-residential	8,648	9,376	10,161	8,072	7,748	-4.0%	-2.7%	-12.7%
Civil engineering	7,155	8,548	12,453	9,932	5,471	-44.9%	-6.5%	-33.7%
Selangor [1]	**31,511**	**31,965**	**36,753**	**31,098**	**27,827**	**-10.5%**	**-3.1%**	**-13.0%**
Residential	11,548	10,028	9,388	8,484	8,468	-0.2%	-7.5%	-5.0%
Non-residential	9,962	8,481	9,047	7,879	7,182	-8.9%	-7.9%	-10.9%
Civil engineering	8,966	11,820	16,708	12,864	10,028	-22.0%	2.8%	-22.5%
Total [1]	**138,452**	**145,547**	**146,372**	**117,918**	**111,982**	**-5.0%**	**-5.2%**	**-12.5%**

Notes: CAGR = Compound annual growth rate; (1) Total comprises residential, non-residential, civil engineering and specialised construction (not separately presented in the table); (2) Includes Kuala Lumpur, Putrajaya and Labuan. Notes: (a) All units in RM million except percentages; (b) Total may not add up due to rounding; (c) All construction work completed referred to in this section covers all main contractors with project value of RM500,000 and above, and are registered with CIDB (Source: DOSM).

- In 2021, the residential and non-residential sectors collectively accounted for 52.0% of the construction work completed in Malaysia. In 2021, the value of construction work completed in Malaysia for the residential segment declined by 9.3%, while the non-residential segment grew by 0.8% compared to 2020. In the Federal Territories and Selangor, the value of construction work completed declined by 18.9% and 10.5% respectively in 2021 compared to the previous year. The decline in the construction work completed in 2021 was mainly due to the COVID-19 containment measures including limitations on operating capacity.

- In 2021, the value of civil engineering construction work completed in Malaysia decreased by 12.1% compared to the previous year. Roads and railways represented 62.1% of the total value of civil engineering construction work completed in 2021, followed by utility and other civil engineering projects at 25.6% and 12.3% respectively in Malaysia *(Source: DOSM).* Government spending will continue to be a major driver of growth for the civil engineering sector. For further information on major infrastructure projects under Budget 2022, please refer to Section 8 of this report. For the first 9 months of 2022, the value of construction work completed in Malaysia for the residential and non-residential segments grew by 2.8% and 18.6% respectively compared to the corresponding period in 2021. Civil engineering construction work completed in Malaysia for the first 9 months of 2022 declined by 2.7% compared to the corresponding period in 2021. In Federal Territories and Selangor, the value of construction work completed declined by 4.7% and 1.0% respectively for the first 9 months of 2022 compared to the corresponding period in 2021 mainly contributed by the decline in the residential and civil engineering segments. *(Source: DOSM)*

3.3 Construction Work Completed by Public and Private Sector

- Public sector projects include those that are undertaken by the government or public corporations. Public corporations consist of statutory bodies and non-statutory bodies which can operate and manage government projects more independently.

Value of Construction Work Completed by Project Owner

	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
			RM million					
Private sector [1]	**87,625**	**83,067**	**81,071**	**65,115**	**62,364**	**-4.2%**	**-8.2%**	**-12.3%**
Residential	37,425	34,395	32,777	27,258	25,224	-7.5%	-9.4%	-12.3%
Non-residential	32,118	29,414	27,988	23,808	23,622	-0.8%	-7.4%	-8.1%
Civil engineering	14,123	14,956	15,676	9,855	7,566	-23.2%	-14.4%	-30.5%
Public sector [1, 2]	**50,827**	**62,480**	**65,301**	**52,803**	**49,619**	**-6.0%**	**-0.6%**	**-12.8%**
Residential	1,892	2,197	2,975	2,351	1,621	-31.0%	-3.8%	-26.2%

	2017	2018	2019 RM million	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Non-residential	9,434	11,787	9,570	7,318	7,769	6.2%	-4.7%	-9.9%
Civil engineering	36,964	45,636	49,923	40,023	36,264	-9.4%	-0.5%	-14.8%
Total (1)	**138,452**	**145,547**	**146,372**	**117,918**	**111,982**	**-5.0%**	**-5.2%**	**-12.5%**

Notes: CAGR = Compound annual growth rate; (1) Total comprises residential, non-residential, civil engineering and specialised construction (not separately presented in the table); (2) Public sector includes Government and public corporations. Note: (a) All construction works completed cover all main contractors with project value of RM500,000 and above, and are registered with CIDB (Source: DOSM).

- In 2021, private sector projects accounted for 55.7% of the total value of construction work completed in Malaysia. The value of construction work completed by the private and public sectors continued to decline by 4.2% and 6.0% respectively.

- In 2021, public sector projects represented 82.7% of the total value of civil engineering construction work completed in Malaysia. The civil engineering sector was largely driven by Government spending, supported by major infrastructure projects under the Budget 2021 including, among others, the construction of the Pan Borneo highway, Gemas-Johor Bahru Electrified Double-Tracking project and Klang Valley Double Tracking Project Phase 1 as well as the continuation of the Rapid Transit System (RTS) Link from Johor Bahru to Woodlands, Singapore and Mass Rapid Transit 3 (MRT3) in Klang Valley, all of which amounted to a collective value of RM15.0 billion. For the first 9 months of 2022, the value of construction work completed by the private sector grew by 15.5% while the public sector declined by 4.2% compared to the corresponding period in 2021 *(Source: DOSM)*.

4. PERFORMANCE OF THE PROPERTY DEVELOPMENT INDUSTRY

- The building construction industry is also dependent on the performance of the property development industry. The following section assesses the performance of the said industry.

4.1 Residential Property Transactions

Residential Property Transactions*

	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Malaysia								
Volume (Units)	194,684	197,385	209,295	191,354	198,812	3.9%	0.5%	-2.5%
Value (RM mil)	68,463	68,748	72,407	65,874	76,902	16.7%	2.9%	3.1%
Kuala Lumpur								
Volume (Units)	10,856	10,983	11,100	10,606	11,129	4.9%	0.6%	0.1%
Value (RM mil)	9,693	9,259	8,339	8,238	9,692	17.6%	0.0%	7.8%
Selangor								
Volume (Units)	47,551	47,715	51,981	44,034	48,755	10.7%	0.6%	-3.2%
Value (RM mil)	22,584	22,983	25,432	21,722	26,491	22.0%	4.1%	2.1%

** Includes sales of new and sub-sale properties. (Source: National Property Information Centre, NAPIC)*

- In 2020, the volume of residential property transactions (including new and secondary properties) in Malaysia declined by 8.6% due to the adverse impact of the COVID-19 pandemic. In 2021, the volume of residential properties transacted in Malaysia recovered to grow by 3.9%, mainly supported by the uptrend in the volume of transactions recorded in, among others, Kuala Lumpur and Selangor *(Source: NAPIC)*. Selangor contributed the highest volume at 24.5% or 48,755 transactions of the total number of residential property transactions. In 2021, the growth in the residential sector in Malaysia was supported by the extended homeownership campaign to encourage first home buyers.

- In 2021, the increase in the volume of residential properties transacted in Kuala Lumpur by 4.9% was mainly contributed by properties priced above RM1.0 million. Meanwhile, the increase in the volume of residential properties transacted in Selangor by 10.7% was mainly contributed by properties priced between RM300,001 and RM500,000. In 2021, residential properties priced at RM300,000 and below were the highest contributor which represented 29.3% and 36.9% of the total volume of residential properties transacted in Kuala Lumpur and Selangor respectively. For the first 9 months of 2022, the volume of residential properties transacted in Malaysia, Kuala Lumpur and Selangor grew by 34.6%, 23.1% and 28.9% respectively compared to the corresponding period in 2021. *(Source: NAPIC)*

4.2 Commercial Properties Transactions

Commercial Properties Transactions *

	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Malaysia								
Volume (Units)	22,162	23,936	25,654	20,255	22,428	10.7%	0.3%	-6.5%
Value (RM mil)	25,439	29,514	28,985	19,530	27,941	43.1%	2.4%	-1.8%
Kuala Lumpur								
Volume (Units)	3,238	4,079	3,974	3,072	3,251	5.8%	0.1%	-9.6%
Value (RM mil)	8,468	11,692	8,562	4,785	8,945	86.9%	1.4%	2.2%
Selangor								
Volume (Units)	5,154	5,431	6,394	4,779	6,021	26.0%	4.0%	-3.0%
Value (RM mil)	6,612	7,058	9,014	5,420	7,056	30.2%	1.6%	-11.5%

**include sales of new and sub-sale properties. (Source: NAPIC)*

- In 2021, commercial properties (including new and secondary properties) in Malaysia registered an increase of 10.7% in volume mainly due to an increase in transactions involving shop lots and serviced apartments. Kuala Lumpur and Selangor collectively contributed 41.3% to the total volume of commercial properties transacted in Malaysia. In 2021, the volume of commercial properties transacted in Kuala Lumpur and Selangor grew by 5.8% and 26.0% respectively mainly due to transactions involving serviced apartments. For the first 9 months of 2022, the volume of commercial properties transacted in Malaysia, Kuala Lumpur and Selangor grew by 54.2%, 56.6% and 60.1% respectively compared to the corresponding period in 2021 *(Source: NAPIC).*

4.3 Future Supply

- Information on the future supply of properties can be used to indicate the demand for building construction work. The future supply consists of planned properties with building plan approvals and incoming supply comprising buildings where construction has started but has not yet been completed. Generally, the main contractor for a construction project will be appointed after the submission and approval of building plans.

Future Supply of Residential and Commercial Properties

	Residential Supply (units)			Commercial Supply (units)		
	Incoming	Planned	Future	Incoming	Planned	Future
Malaysia						
2019	443,161	441,309	884,470	147,405	198,724	346,129
2020	434,807	429,985	864,792	164,871	182,242	347,113
2021	418,501	423,296	841,797	193,319	178,469	371,788
Change (2020-21)	-3.8%	-1.6%	-2.7%	17.3%	-2.1%	7.1%
CAGR (2019-21)	-2.8%	-2.1%	-2.4%	14.5%	-5.2%	3.6%
Kuala Lumpur						
2019	46,384	62,665	109,049	45,617	88,900	134,517
2020	53,274	59,798	113,072	55,934	75,652	131,586
2021	43,119	64,117	107,236	74,268	65,961	140,229
Change (2020-21)	-19.1%	7.2%	-5.2%	32.8%	-12.8%	6.6%
CAGR (2019-21)	-3.6%	1.2%	-0.8%	27.6%	-13.9%	2.1%
Selangor						
2019	103,286	79,836	183,122	56,923	21,792	78,715
2020	102,919	84,531	187,450	63,093	23,978	87,071
2021	106,173	79,995	186,168	72,645	29,023	101,668
Change (2020-21)	3.2%	-5.4%	-0.7%	15.1%	21.0%	16.8%
CAGR (2019-21)	1.4%	0.1%	0.8%	13.0%	15.4%	13.6%

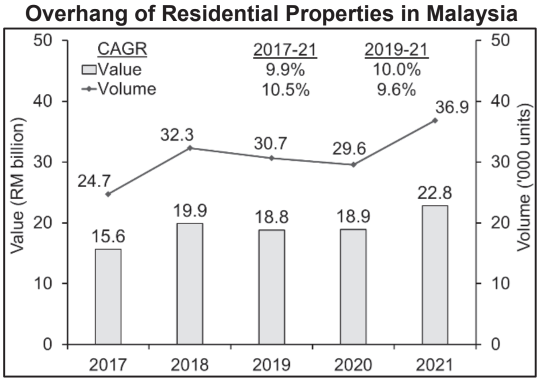
Commercial units include serviced apartments, small office home office (SOHO) and purpose-built offices, which are mainly high-rise buildings; Future supply = incoming supply + planned supply. (Source: NAPIC)

- In 2021, future supply of residential properties in Malaysia declined by 2.7%, while commercial properties increased by 7.1%. In Kuala Lumpur and Selangor, future supply of residential properties declined by 5.2% and 0.7%, while commercial properties increased by 6.6% and 16.8% respectively. Future supply of residential properties declined across Malaysia, Kuala Lumpur and Selangor by 8.6%, 22.1% and 12.7% respectively in third quarter (Q3) of 2022 compared to Q3 2021. Meanwhile for commercial properties, future supply in Malaysia and Kuala Lumpur declined by 3.0% and 10.7% respectively while Selangor grew by 3.0% in Q3 2022 compared to Q3 2021. *(Source: NAPIC)*

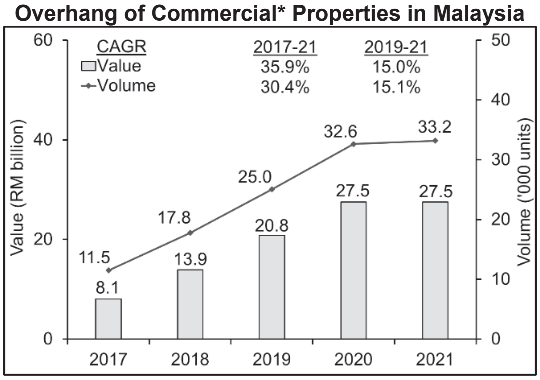
4.4 Overhang Properties

- Overhang properties are defined as properties that have been completed yet remained unsold for more than nine months after they were launched. A high level of overhang properties is likely to dampen activities in building construction as developers may be discouraged from developing new properties until such a time the overhang situation improves.

Overhang of Residential Properties in Malaysia



Overhang of Commercial* Properties in Malaysia



** Include shops, SoHo and serviced apartment. (Source: NAPIC)*

- In Malaysia, the volume of residential property overhang increased by 24.7% in 2021. This is despite various government initiatives such as Home Ownership Campaign (HOC) which was insufficient to counter the impact of the disruptions from the COVID-19 pandemic as well as a reflection of pre-existing affordability issues in the housing market which have since worsened as consumer incomes were affected by the pandemic *(Source: BNM)*. High-rise properties represented 60.8% of the total volume of residential property overhang in 2021. Meanwhile, in 2021, the volume of commercial property overhang increased at a lower rate of 1.8%. In 2021, serviced apartments accounted for 73.2% of the total volume of commercial property overhang in Malaysia.

- In 2021, the volume of residential property overhang in Kuala Lumpur and Selangor increased in tandem with Malaysia by 29.3% and 24.7% respectively. High-rise buildings accounted for 98.8% and 68.0% of the total overhang residential units in Kuala Lumpur and Selangor respectively in 2021. Within high-rise, residential properties, properties priced between RM500,001 and RM1.0 million accounted for 44.9% of the total high-rise residential property overhang in Kuala Lumpur while properties priced at RM300,000 and below accounted for 38.1% of the total high-rise residential property overhang in Selangor. As for the volume of commercial property overhang, Kuala Lumpur recorded a lower increase of 7.9%, while Selangor registered a slight improvement in overhang with a decline of 0.3% in 2021. *(Source: NAPIC)*

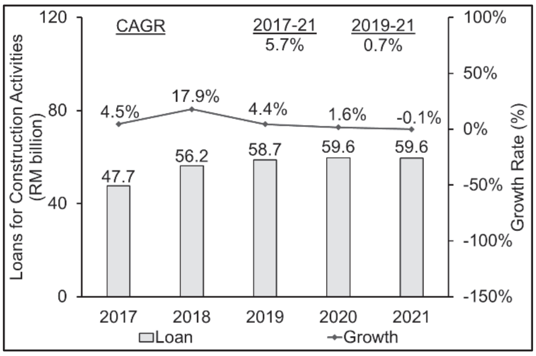
- Various government initiatives have been implemented to address the property overhang and some of these include HOC which was initially launched in 2019 and reintroduced in 2020 before it was extended to end of 2021. The benefits include among others, a 10% discount by property developers and stamp duty exemptions for residential properties priced between RM300,000 to RM2.5 million. The stamp duty exemption on the instrument of transfer was limited to the first RM1 million of the property price while the remaining balance was charged at 3%. Meanwhile, full stamp duty exemption was given on the loan agreement. The volume of residential property overhang in Malaysia and Kuala Lumpur declined by 2.7% and 13.0% respectively while Selangor increased by 29.9% in Q3 2022 compared to Q3 2021. As for commercial property overhang in Q3 2022, the volume in Malaysia and Selangor declined by 2.4% and 7.4% respectively while the volume in Kuala Lumpur increased by 20.0% compared to Q3 2021. *(Source: DOSM)*

5. DEMAND DEPENDENCIES

5.1 Availability of Loans for Construction

- The performance of the construction industry is dependent on the availability of loans to fund construction activities, while the availability of loans is dependent on factors such as liquidity in the market, financial institutions' internal lending policies, the Government and BNM's policies and guidelines. Between 2019 and 2021, loans for construction activities grew marginally at a CAGR of 0.7%. As at September 2022, loans for construction activities fell by 3.0% compared to September 2021 mainly contributed by the decline in loans to the residential and civil engineering segments.

Loans for Construction Activities



(Source: BNM)

5.2 Monetary and fiscal policies

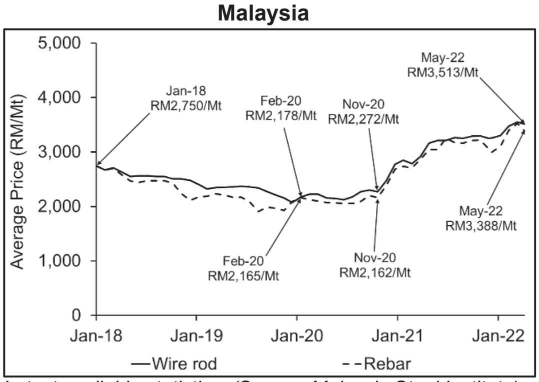
- Monetary and fiscal policies include interest rates, money supply, lending policies, balance of payments, and consumer price index, where low-interest rates and favourable lending policies will stimulate the development and purchases of properties. In 2020, BNM had reduced the Overnight Policy Rate (OPR) by a total of 125 basis points (bps) to 1.75% and has kept the rate unchanged since to support the domestic economic recovery. Subsequently, BNM raised the OPR to 2.75% as of 3 November 2022. The higher OPR translates to higher borrowing cost for buyers of properties.

6. SUPPLY DEPENDENCIES

6.1 Building Materials

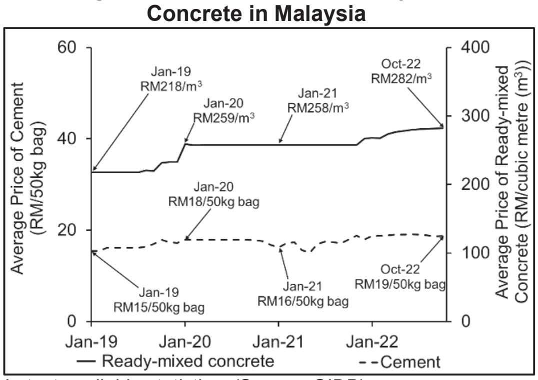
- The cost of building materials may affect companies in the construction industry as building materials represent a significant proportion of the overall construction cost.

Average Price of Wire Rods and Rebars in Malaysia



Latest available statistics. (Source: Malaysia Steel Institute)

Average Price of Cement and Ready-mixed Concrete in Malaysia



Latest available statistics. (Source: CIDB)

- Long steel products including bars, wire rods and sections are commonly used in the construction industry. Between January 2018 and November 2020, the average price of wire rods and rebars fluctuated around the average price of RM2,378/Mt and RM2,240/Mt respectively, before experiencing an uptrend thereafter. The surge in the average price of wire rods and rebars was mainly contributed by the demand arising from the global economic recovery, increase in the prices of raw materials such as iron ore and steel scrap, rising energy costs and extended lead time due to logistics disruptions. Overall, the average price of wire rods and rebars increased by 61.3% and 56.5% respectively in May 2022 as compared to February 2020 prior to the COVID-19 pandemic. The higher prices of wire rods and rebars may lead to an increase in overall construction cost.

- Meanwhile, the average price of cement remained relatively stable with minimal fluctuations as cement is listed as part of controlled goods. As cement serves as an input for the production of ready-mixed concrete, the average price movement of ready-mixed concrete is largely aligned with that of cement. As of October 2022, the average price of cement was RM19/50kg bag, while the average price of ready-mixed concrete was RM282/m^3.

6.2 Labour supply

- The construction industry is one of the major employers of foreign workers. The retrenchment of foreign workers during the lockdowns and initiatives to send foreign workers back to their home country, coupled with the hiring freeze of foreign labour to create employment opportunities for local workers, have contributed to a shortage of labour across various sectors including plantation and agriculture, construction and manufacturing. Since 15 February 2022, the recruitment of foreign workers is permitted in selected sectors including among others, manufacturing, construction and agriculture.

7. COMPETITIVE ANALYSIS

7.1 Factors of competition

- The construction industry operates within a free enterprise environment where supply, demand and pricing of products and services are mainly determined by market forces rather than Government's intervention. Some of the factors that impact on the intensity of competition are as follows:
  - **Number of operators in the industry:** The number of operators affects the intensity of competition. Operators are required to register with CIDB under a grading system ranging from Grade 1 to Grade 7. Each grade has pre-qualifying conditions and the maximum value of projects that operators in that grade are allowed to carry out. Grade 7 is the highest grade under the CIDB Contractor Grade, which enables a company to undertake construction projects of any size and value. As of 29 November 2022, there were 125,403 local building contractors registered with CIDB, of which 8,856 were Grade 7 building contractors. Out of the 8,856 G7 building contractors, 3,066 and 1,646 of them are based in Selangor and Kuala Lumpur respectively. Vestland Group is a CIDB Grade 7 building contractor.
  - **Number and value of construction projects available:** The size of the construction market in terms of the number and value of projects, relative to the number of operators in the market has a bearing on competitive intensity. In 2021, the value of construction work completed was RM112.0 billion. Building construction represented 52.0% market share by value, while civil engineering and specialised construction sectors made up 39.1% and 8.9% of the total value of construction work completed respectively.

7.2 Industry Players

The following is a selection of the public listed companies involved in the construction industry in Malaysia and Vestland Group, sorted in descending order of revenue.

	Project Location									
Company Name	KL	Sel	Other States	FYE(1)	Group Rev(2) (RM mil)	Segment Rev(3) (RM mil)	Group GP(2) (RM mil)	Group NP(2) (RM mil)	GP Margin (%)	NP Margin (%)
Sunway Const. Group Bhd	√	√	√	Dec'21	1,729.2	1,606.2	357.6	110.8	20.7	6.4
Kerjaya Prospek Group Bhd	√	√	√	Dec'21	977.0	976.6	157.2	96.9	16.1	9.9
GDB Holdings Bhd*	√	√	√	Dec'21	424.9	424.9	47.4	27.8	11.1	6.5
Inta Bina Group Bhd	√	√	√	Dec'21	336.0	336.0	31.5	11.7	9.4	3.5
Vizione Holdings Bhd	√	√	√	Nov'21	286.0	219.8	42.6	-82.7	14.9	-28.9
Tuju Setia Bhd*	√	√	√	Dec'21	245.8	245.8	17.7	8.3	7.2	3.4
TCS Group Holdings Bhd*	√	√	√	Dec'21	204.0	199.2	19.7	2.5	9.7	1.2

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Company Name	Project Location: KL	Project Location: Sel	Project Location: Other States	FYE(1)	Group Rev(2) (RM mil)	Segment Rev(3) (RM mil)	Group GP(2) (RM mil)	Group NP(2) (RM mil)	GP Margin (%)	NP Margin (%)
Gagasan Nadi Cergas Bhd*	√	√	√	Dec'21	199.3	125.3	16.9	7.3	8.5	3.7
Vestland Group	**√**	**√**	**√**	**Dec'21**	**171.1**	**171.1**	**23.5**	**10.6**	**13.8**	**6.2**
Siab Holdings Bhd*	√	√	√	Dec'21	166.0	165.0	15.4	5.4	9.3	3.2

*KL= Kuala Lumpur; Sel= Selangor; FYE= Financial Year Ended; Rev= Revenue; GP= Gross Profit; NP= Net Profit; Bhd= Berhad; Const. = Construction *Listed on Bursa Malaysia Securities Berhad (Bursa Securities) between 2018 and 2022.*
Notes: *(1) Latest available financial information from annual reports and audited financial information of Vestland Group. (2) Derived from construction activities and may include other business activities. (3) Segment revenue derived from construction activities.*

The selection criteria for the above list include public listed companies that are involved in building construction of residential and/or non-residential projects in Kuala Lumpur and/or Selangor with revenue exceeding RM100 million. The information above was compiled from secondary market research, annual reports, company websites and Bursa Securities. The above is not an exhaustive list and serves to indicate the performance of companies that carry out construction activities similar to Vestland Group.

7.3 Market Size and Share

- The market size of the building construction industry and share of Vestland Group are estimated as follows:

Building Construction	Malaysia: 2021 Market Size (1) (RM million)	Vestland Group: FYE 2021 Revenue in Malaysia (RM million)	Vestland Group: 2021 Market share in Malaysia (2)
Non-residential	31,391	125.8	Less than 1%
Residential	26,845	42.9	Less than 1%

(1) Based on the value of building construction work completed (Source: DOSM).
(2) Vestland Group's revenue divided by the market size. (Source: Vestland Group and Vital Factor analysis)

8. INDUSTRY CONSIDERATION FACTORS

- The construction industry is dependent upon, among others, the recovery of Malaysia's economy from the on-going COVID-19 pandemic, and other local and global factors. Considerations also include the performance of the Malaysian property market predicated by supply, demand and overhang conditions, and socio-economic factors such as interest rates, unemployment rates, lending policies, business confidence and consumer sentiments. In addition to the eight economic stimulus packages worth RM530 billion provided by the Malaysian government, a further RM332.1 billion has been allocated to drive the recovery of the economy as indicated in the Budget 2022. Any resurgence of COVID-19 cases and reimposition of containment measures will weigh on the growth of the economy. For the first 9 months of 2022, the real GDP of Malaysia grew by 9.3% compared to the corresponding period in 2021 *(Source: DOSM)*. Overall, the Malaysian economy is estimated to achieve real GDP growth between 6.5% and 7.0% in 2022 and forecasted growth between 4.0% and 5.0% in 2023 *(Source: MoF)*.

- For the first 9 months of 2022, the real GDP of the construction industry grew by 3.3% compared to the corresponding period in 2021 *(Source: DOSM)*. According to MoF, the real GDP of the construction industry is estimated to grow by 2.3% in 2022 with forecasted growth of 4.7% in 2023. The civil engineering sector is anticipated to rebound through the implementation and acceleration of projects such as the MRT3 Circle Line, RTS Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3). In addition, the approved investment projects in the manufacturing sector are anticipated to increase the demand for industrial buildings, while growth in the residential sector is expected to be supported by the construction of affordable houses and government initiatives such as the Keluarga Malaysia Ownership Initiative (i-MILIKI) and Malaysia Housing Finance initiative (i-Biaya) under the Home Ownership Programme (HOPE). HOPE was introduced by the Ministry of Housing and Local Government alongside the MoF in 2022 to increase homeownership among the B40 and M40 groups through i-Biaya, provision of housing, programmes and promotions as well as policies. i-Biaya initiative was launched on 14 April 2022, offering three initiatives which are an improvement to the existing schemes, namely the Housing Credit Guarantee Scheme, My First Home Scheme and Rent-to-Own scheme, with the support of financial institutions. Additionally, i-MILIKI initiative was introduced on 15 July 2022 to provide full stamp duty exemption for first-time homeowners of properties priced RM500,000 and below, and 50% stamp duty exemption for properties priced above RM500,000 to RM1 million from 1 June 2022 to the end of 2023.

- The Malaysian government has implemented various affordable housing schemes that will benefit the construction industry. In the Budget 2022, the following were also announced:
  - Waiver of real property gains tax for disposal of properties made from the sixth year onwards;
  - RM1.5 billion provision for housing projects targeted towards low-income groups. This includes the construction of affordable housing under the People's Housing Program (PPR), People's Friendly Home (RMR) and Malaysia Civil Servants Housing (PPAM) programmes, as well as repair and maintenance of low-cost housing; and
  - RM2.0 billion of housing credit guarantees for those without a steady income to buy homes.

- Apart from homeownership initiatives, the following were also outlined in the Budget 2022 to promote infrastructure development. These initiatives are expected to benefit the operators that are involved in construction works especially civil engineering works.
  - RM3.53 billion for the continuation and implementation of various infrastructure projects, which include, among others, Sarawak and Sabah Pan Borneo Highway, Central Spine Road project at the Paloh 2 alignment to Gua Musang, Jeniang Transfer project in Kedah, Rantau Panjang floodwall, the building of highway packages from Kok Lanas to Bukit Tiu, Kota Bharu Highway to Kuala Krai, Kelantan as well as slope and road improvements (Section 2) in Jerantut, Pahang;
  - RM0.2 billion for the creation of the Infrastructure Facilitation Fund 3.0 to boost high-impact infrastructure development activities through public-private partnerships; and
  - RM2.9 billion for the implementation of small-scale projects, which include, among others, road maintenance projects, repair of infrastructure and upkeep of schools and universities as well as other projects involving rural social amenities.

- In addition, the Government has provided various incentives/programmes through the 12MP which is expected to facilitate growth in the construction industry through the following:
  - Increasing the supply of affordable housing in strategic locations and a total of 500,000 affordable homes will be built and to be supported by various affordable housing schemes;
  - the rent-to-own programme will be expanded to cover houses priced up to RM500,000 with the option to purchase the property within five years of renting to assist the B40 and M40 households to promote ownership of houses;
  - the Fund for Affordable Homes and Youth Housing Scheme where the financing will be provided by BNM and Bank Simpanan Nasional for the purchase of a first home;
  - development of new housing redevelopment guidelines using the public-private partnership model to rebuild public housing to facilitate the redevelopment of low-cost housing areas to increase the supply of better quality houses;
  - the Skim Pinjaman Perumahan will be strengthened to assist households that own the land to build affordable houses through the introduction of more attractive loan packages;
  - a model for affordable housing development based on a cost-sharing mechanism will be introduced through a collaboration between the Federal Government, state governments and private developers to manage housing construction costs; and
  - the existing IBS incentives will be reviewed to encourage developers to use IBS technology to manage costs and improve efficiency.

- Effective from 1 May 2022, the Ministry of Human Resources (MOHR) increased the monthly minimum wage from RM1,200 to RM1,500. This may increase the overall cost of construction as the construction industry is labour-intensive. In view of rising building material costs, the Government implemented the variation of price (VOP) clause for government projects which included 15 building materials as of 14 July 2022. This allows payments to building construction contractors to be pegged to the respective building material cost indices to reflect any upwards or downwards price adjustments to help cushion increases in building material costs. The selected building materials included among others, steel, cement, glass as well as steel and metal sections.

9. RISK FACTORS

9.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

9.1.1 Our business and financial performance is dependent on our ability to secure new projects to ensure the continuity of our order book to sustain our business

The nature of our business is based on projects and our revenue is derived from the execution and completion of construction projects. Our construction projects typically range between 2 years up to approximately 3 years to complete, depending on the customers' requirements and works to be performed. For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue contribution from construction services including build projects and design and build projects collectively accounted for 100.00% (RM98.71 million), 100.00% (RM97.12 million), 98.64% (RM168.75 million) and 98.30% (RM137.53 million) of our total revenue respectively.

In this respect, our business and financial performance are dependent on our ability to continually secure new projects to ensure the continuity of our order book to sustain our business. We have to continue to submit bids and tenders for proposals and compete against our peers to continuously secure new projects. As at the LPD, we have 14 on-going projects including projects for building construction and civil engineering works with a total outstanding order book of RM947.43 million, the details of which are set out in Section 12.7 of this Prospectus. Although, as at the LPD, we have an order book which will be recognised progressively over the next 4 financial years, there is no assurance that we will be able to continue to secure new projects and to sustain or grow our business. In the event that we are unable to secure any new projects, our order book will decline over time and this would adversely affect our sustainability and financial performance in the future.

Additionally, we have also entered into the Master Construction Agreement for the Selangor Cyber Valley Project and Sierra Alam Project for an aggregated contract value of up to approximately RM550.69 million. As at the date of this Prospectus, the conditions precedent of the Selangor Cyber Valley (Phase 1) Project (contract value of approximately RM234.86 million) has been fulfilled whilst the Selangor Cyber Valley Phase II Project (contract value of approximately RM198.50 million) and Sierra Alam Project (contract value of approximately RM117.33 million) are pending fulfilment of the conditions precedent. There can be no assurance that the conditions precedent can be fulfilled in such time and manner prescribed in the Master Construction Agreement, failing which it will affect the replenishment of our order book.

Further details of the Master Construction Agreement is set out in Section 7.18.1 of this Prospectus.

Our order book is also subject to unexpected adjustments on the scope of works which may occur across the project period. In addition, there can be no assurance that our current order book can be continually maintained at such a level in the future. Generally, any reductions in the contract value or scope of work for the projects secured in our order book will reduce the value of our order book and revenue to be generated thereafter, which in turn may affect our long-term sustainability and business growth as well as the future financial performance of our Group.

9.1.2 Our business and financial performance may be affected if there are delays or cancellations of our projects

We have to adhere to an agreed timeline that is stipulated in the contracts for our construction projects. Although we may continue to monitor and manage the projects closely and adhere to our project execution schedule and milestones, there is a risk that we may not be able to complete our project in time due to external factors that are beyond our control. In the event of any delays in the completion of our projects, we will be liable for LAD claims and/or penalties from customers which may adversely affect our financial performance and reputation. Some of the possible delays in the completion of our projects which may cause us to incur LAD claims include inter-alia, inability of the subcontractors appointed by us to fulfil their scope of work on time or delay/shortages by our suppliers in providing construction materials and adverse weather conditions, which are beyond our control, and/or delays caused by events within our supervision such as accidents on the construction site as well as the underestimation by our Group of the complexities involved in the construction job. In addition, if we are unable to complete our construction projects due to unforeseen circumstances, this would adversely impact on our reputation and our customers may not pay us in full for the project.

The timely completion of a project is dependent on various factors including delays in the site possession, obtaining permits or approvals from regulatory authorities, delays in the delivery of equipment and materials, workplace hazards and accidents, weather conditions and outbreaks, epidemics or pandemics that may interrupt our on-site operations. Any project delays may also lead to cost overruns which would further affect our financial performance for a project. Under such circumstances, we would usually seek an EOT from the customer if we are unable to meet the expected timing of completion. As an EOT is still subject to the approval of the customer, there is no assurance that we would not experience any claims for LAD or penalties on delays in the completion of projects. For the Financial Years Under Review and up to the LPD, we have not encountered any situation where our customers had imposed LADs on us.

Our financial performance may also be affected if our projects are cancelled or terminated. For the Financial Years Under Review and up to the LPD, save for the following, we have not experienced any cancellations or termination of our projects:-

- On 29 July 2019, we received a notification letter from our customer (My Eg Lodging Sdn Bhd) for the mutual termination of the contract for the design and build of workers' hostel in Sungai Tiram, Johor, due to a delay by our client in obtaining vacant possession of the land. The contract was awarded on 6 November 2017 with a contract value of RM1.92 million. As at the LPD, we have submitted total progress claims of RM0.38 million to the customer based on work done and this has been fully settled as at the LPD.

- On 28 May 2019, we received a notification letter from our customer (Metex Modular Sdn Bhd ("**Metex**")) for the mutual termination of the contract for the construction of workers' accommodation in Pengerang, Johor. The mutual termination was due to a change in the business plan by Metex after we have commenced our construction works and Metex was unable to provide a resumption date for our construction works. The contract was awarded on 19 March 2018 with a contract value of RM6.71 million. As at the LPD, we have submitted total progress claims of RM1.29 million based on work done and this has been fully settled as at the LPD.

The cancellation or termination of the above contracts did not have any material impact to our financial performance as the progress claims to the customers have been fully settled as at the LPD. There is no assurance that we would not experience any cancellations or termination of our projects in the future.

9.1.3 We face the risk of cost overruns for our projects as they are mainly based on a fixed contract value

Our construction projects are mainly based on a fixed contract value. For a fixed contract value, as we are unable to pass the increases in cost to our customers, any unanticipated cost increases during the project execution and construction period would adversely affect our financial performance. The unanticipated cost increases may arise due to the longer lead time required from submitting the estimated cost in the tender submission to the completion of the construction which may typically take up to approximately 3 years to complete. In this respect, there is a risk that the timing between the tender submission of the costs and the costs incurred during the construction may result in unanticipated increases in our costs or cost overruns. The increase in the cost of construction could be affected by various factors including, among others, prices of construction materials, labour cost and site overheads as well as prolonged project period, all of which could adversely affect our profit margins.

For the Financial Years and Period Under Review, the cost of construction materials accounted for 27.15% (RM21.88 million), 28.20% (RM21.96 million), 30.33% (RM43.12 million) and 30.59% (RM35.39 million) of our total purchases of input materials and services for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

For the Financial Years and Period Under Review, steel bars constitute one of the main steel materials purchased by our Group and are subject to price fluctuations. The average purchase price of steel bars purchased by our Group increased by 1.15% and 43.27% for FYE 2020 and FYE 2021 respectively. As steel bars are one of the main materials used in our construction operations, the fluctuations in price will affect our margins.

In this respect, any unfavourable fluctuations in the cost of these materials may adversely impact our profit margins and our financial performance. Throughout the Financial Years Under Review, our Group has experienced price fluctuations in construction materials, nevertheless such price fluctuations have not adversely affected our financial performance.

Although we have the experience in project budgeting to estimate the costs (including price fluctuations of construction materials) that we would incur up to completion of the project for the submission of tenders or quotation proposals, there is no assurance that we may not face any unanticipated cost increases in the future which are beyond our control.

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9.1.4 We are dependent on the services and quality of our subcontractors to perform certain works for our construction projects

For projects where we are engaged as a main contractor or a TPC, we mainly engage subcontractors to perform certain specialised works such as architectural works, structural works as well as M&E works. Subcontractor costs accounted for 61.06% (RM49.22 million), 62.56% (RM48.71 million), 60.42% (RM85.88 million) and 56.90% (RM65.82 million) of our total purchases of input materials and services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

We select the subcontractors by assessing their tenders submitted to us, which include inter-alia, their profile and past track record as well as through our past working experience with the subcontractors. The subcontractors are engaged by us and have no direct contractual relationship with our customers.

Any failure by a subcontractor to fulfil its contractual obligations may lead to delays in completion of the project, thereby resulting in penalties being imposed on our Group by our customers. If we are unable to claim such penalties from our subcontractors, this could adversely affect our Group's financial performance.

We have not experienced any claims from our customers relating to the work completed by our subcontractors for the Financial Years and Period Under Review and up to the LPD. Nevertheless, there is no assurance that we would not experience any claims from our customers relating to the unsatisfactory, late or non-performance of our subcontractors in the future.

9.1.5 We are dependent on labour supply including foreign workers

In general, our construction operations are labour intensive and the implementation of our construction activities is also dependent on our ability to secure an adequate supply of labour (both skilled and unskilled) to meet our project requirements, either through engaging subcontractors or employing foreign workers.

The supply of foreign workers in the construction industry in Malaysia is subjected to certain conditions set by the Government which may change from time to time. In the event of any restrictions imposed on the hiring of foreign workers, the construction industry may face shortages in the supply of foreign workers. This may adversely affect our ability to meet our delivery schedules and may result in delay of completion of our projects and subject us to the risk of liquidated damages claims from our customers. Between June 2020 and February 2022, the Government imposed a hiring freeze of foreign labour to create employment opportunities for local workers. The freeze on hiring foreign labour has led to a shortage of foreign workers in Malaysia which affected the construction industry. As we have our own foreign employees and we plan our resources according to our project timeline, our business operations were not materially affected by the hiring freeze of foreign labour. Nonetheless, as our business operations are dependent on foreign workers, there is no assurance that we would not face a shortage of foreign workers in the future.

As at the LPD, our Group had 79 foreign employees, of which all of them have valid working permits. For information purposes, should there be any foreign employees who are pending renewed working permits in the future, such employees will not be working and/or carrying out any work at the sites of our Group until such working permits are renewed. Accordingly, we may be subject to shortage of foreign workers in the event the working permits could not be renewed.

The Minimum Wage Order 2022 was gazetted on 27 April 2022 and the implementation of the monthly minimum wage is RM1,500 which took effect on 1 May 2022. The new minimum wage of RM1,500 is applicable to (i) employer who employs 5 or more employees; and (ii) all employers who carries out a professional activity regardless of the number of employees. As at the LPD, as all our employees, including local and foreign employees are paid above the minimum wage of RM1,500, the Minimum Wage Order 2022 does not have an impact on our Group's financial performance or operations.

In addition, any changes in policies relating to the employment of foreign workers such as increases in the minimum wages or any other additional costs imposed by the Government in relation to employment of foreign workers as well as efforts made by the Government to attract both local and foreign workers may also result in an increase in our costs and overheads which would adversely affect our financial performance.

9.1.6 We are dependent on our Group Managing Director, Executive Director and Key Senior Management for the continuing success of our Group

Our business operations are dependent to a large extent, on the experience, business network, knowledge and skills of our Group Managing Director, Datuk Liew and our Executive Director, SK Wong. Datuk Liew has contributed significantly to the overall guidance of our Group's business direction and manages the strategic development of our Group supported by his approximately 20 years of experience in the construction industry. He is also supported by SK Wong who brings with him approximately 22 years of experience in the construction industry and he is responsible for assisting our Group Managing Director in the overall management and operation of our Group as well as overseeing the overall operations of our construction projects. The profiles of Datuk Liew and SK Wong are set out in Section 5.1.2 of this Prospectus.

In addition, our business operations are supported by our Key Senior Management with relevant experience in their respective fields ranging from finance matters, project tendering, project management and implementation, contract matters, procurement and human resource management. The profiles of our Key Senior Management are set out in Section 5.4.2 of this Prospectus.

The loss of services from our Group Managing Director, Executive Director or any of our Key Senior Management without any suitable and timely replacement may adversely affect our business operations and financial performance. As such, it is critical for our Group to be able to continue to hire, develop, motivate and retain our employees who are capable, skilled and qualified in performing their roles and responsibilities to ensure continuity in operations and adequate support is available in providing our construction services.

For the Financial Years Under Review and up to the LPD, we have not experienced any loss of services from any of our Group Managing Director, Executive Director or Key Senior Management which may materially affect our business operations. Nevertheless, there is no assurance that we would be able to retain our Group Managing Director, Executive Director or our existing Key Senior Management or ensure a smooth transition should there be any material changes in the future.

9.1.7 We are subject to workplace hazards and may not have adequate insurance to cover liabilities for claims or losses due to unfavourable natural or otherwise events or incidences

We are exposed to operational risks including bodily injuries and loss of life due to accidents at the project sites as well as loss and physical damages to construction machinery and equipment arising from theft, improper usage or fire. As part of our operational practice, we have maintained a certain level of insurance policies, among others, contractors' all risks insurance and workmen's compensation insurance which provides all risk insurance coverage to our workers, subcontractors and equipment at our construction sites.

There is no assurance that our insurance coverage would be sufficient to cover all the losses, damages or liabilities or to compensate the claims, which may incur in the course of our business operations. In the event of any losses or damages that are in excess of our insured limits or are in areas for which we are not insured, this could adversely affect our business operations, financial performance and results of operations. In addition, there can be no assurance that such insurance will continue to be available on terms that are acceptable to us.

There have been no material insurance claims during the Financial Years Under Review.

9.1.8 We are subject to the risk of defect liability claims from customers for our construction projects

The DLP for our construction projects ranges from 12 months up to 30 months from the date of CPC which is an official handover date of our completed projects to our customers, depending on the contractual agreement. We are liable for any repair, reconstruction or rectification of any defects that are attributable to the construction works including works that are carried out by our subcontractors.

If there is a defect liability claim that is attributable to the works carried out by a subcontractor, we usually seek the assistance of the respective subcontractor to perform the repair and rectification works and the cost of these said works will be borne by the subcontractor. Should the subcontractors fail to make good any defects, we may be required to engage third party to rectify such defects and claim such additional costs incurred in connection thereto from the relevant subcontractors. If no corresponding defect liability claims which can be ascertained against the subcontractors or if the amount claimed is not recoverable from the subcontractors, we may need to bear the cost of such rectification cost and if we fail to rectify the defects satisfactorily, our customer may utilise in its entirety or a portion of the retention sum retained by them to rectify these defects. The inability to recover the amount claimed from our subcontractors and/or the entire retention sum due to us arising from the defect liability claims may adversely affect our financial performance, reputation and results of operations.

For the Financial Years and Period Under Review and up to the LPD, whilst we have not experienced any defect liability claims against us, we have incurred repair and rectification costs during the DLP that are under our responsibilities for our completed projects, as follows:

	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Repair and rectification costs	1,148	1,663	565	219
% of total cost of sales	**1.33**	**2.01**	**0.38**	**0.18**

Although we endeavour to maintain the quality of our construction works, there is no assurance that we would not experience any defect liability claims in the future or that these claims would not adversely affect our profitability.

9.1.9 Our business operations are dependent on our ability to obtain project financing and we are exposed to interest rate risk that may result in financial distress if we fail to meet our financial and performance obligations

Our operations are dependent on our ability to obtain adequate project financing and we are exposed to adverse interest rates movement and financial distress risk if we fail to meet our obligations under our financing arrangements.

We mainly utilise internally generated funds and bank borrowings including bank overdrafts, term loans and revolving credits for our working capital requirements. We may also rely on bank guarantees for tender bonds and performance bonds. Such bank guarantees are used for all aspects of the project construction contract life cycle from the start of the tender process to the expiration of our liability towards the client in accordance with the terms of each respective contract.

Moving forward, we may still seek additional project financing which is typically in line with new projects secured. In the event that we fail to obtain the required project financing, this could adversely affect our cash flow and working capital for our business operations. If we fail or encounter difficulties in meeting our financial obligations when they are due, this will result in a financial distress condition which will affect our operations and financial performance. For the Financial Years and Period Under Review and up to the LPD, we have not defaulted on any payments of either the principal and/or interests in relation to our borrowings.

As at 30 June 2022, our total borrowings undertaken (for both working capital and operations as well as facilities undertaken for purposes of financing our investment properties) amounted to RM44.10 million, of which all were interest bearing comprising RM42.43 million of borrowings are based on floating interest rates and the remaining RM1.67 million borrowings are based on fixed rates. Our finance cost increased from RM0.65 million for FYE 2019 to RM1.22 million for FYE 2020, to RM1.73 million for FYE 2021. For the FPE 2022, we incurred finance cost of RM0.77 million. In this respect, any increase in the interest rates may impact our financial performance.

A sensitivity analysis performed on our Group based on the outstanding floating rate of the bank borrowings as at 30 June 2022 indicates that our PAT for FPE 2022 would increase or decrease by approximately RM0.11 million, as a result of an increase or decrease in interest rates by 25 basis points on the total borrowings.

9.1.10 Our business operations and financial performance may be adversely affected if the COVID-19 pandemic is prolonged

The outbreak of COVID-19 or any epidemics or pandemics may potentially affect our business operations. Between March 2020 and up to the LPD, there were several MCO measures that were implemented including full and partial lockdown containment measures and restrictions imposed.

Generally, our business was impacted due to the containment measures implemented during the MCO 1.0 period between 18 March 2020 and 3 May 2020 as well as the FMCO and various phases of the NRP which commenced on 1 June 2021, where our project site operations were either suspended or operating below our normal workforce capacity. The interruptions in business operations had an impact on our project execution and implementation as well as our billing schedules for our construction projects. Such measures implemented to contain the spread of COVID-19 had an impact to our Group's financial performance for the FYE 2020 and FYE 2021.

During MCO 1.0, which had mainly impacted our financial performance for FYE 2020, there was a delay in revenue recognition of approximately RM4.32 million due to the interruptions at our on-going project sites at Glenz Mixed Commercial Development Project, Three33 Residence Project, Semi-D and Bungalow Houses (Pujaan) Project and PPA1M Houses Project. Nonetheless, we have fully recognised the aforementioned revenue of RM4.32 million in FYE 2021. Similarly the FMCO and NRP phases had also impacted our financial performance for FYE 2021 wherein there was a delay in revenue recognition of approximately RM28.15 million due to interruptions at our project sites at Glenz Mixed Commercial Development Project, Semi-D and Bungalow Houses (Pujaan) Project, PPA1M Houses Project, KKB Academic Building and Student Accommodation Project, CPL Aromas Pulau Indah Project, Residensi Armani Bukit Lanjan Project, Residensi Armani Petaling (Cheras) Project, Armani Subang SOHO Project and Beluran Police Camp Project. As at the LPD, we have fully recognised the aforementioned revenue of RM28.15 million.

We do not expect the above delays in our project timeline and revenue recognition to have a material impact on our financial performance as we neither received any cancellation or suspension of any contracts nor did we experience any reduction in our scope of work. We will be able to complete all our on-going projects and the delayed revenue will eventually be recognised.

We have also notified our customers about the disruptions and constraints resulting from the containment measures mainly for the MCO in 2020 (between March 2020 and May 2020) and FMCO and Phase 1 of the NRP period in 2021 (between June 2021 and August 2021) and we have sought for an EOT for our affected projects. As at the LPD, we have received written confirmation for EOT from our customers for our projects that have been delayed by work stoppages and slowdown during the said periods.

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

Please refer to Section 7.12 of this Prospectus for further details on the material business interruptions relating to the COVID-19 pandemic.

9.1.11 Our business operations may be exposed to liquidity risk from either delay in collections and/or non-recoverability of trade receivables/retention sum or collections in payment in kind (Contra Payment) that may affect our cash flow and working capital

We are exposed to delays in collection and/or non-recoverability of trade receivables and/or retention sum from our customers. At present, the credit terms granted to our customers are mainly 90 days from the date of progress billings depending on the terms of the contracts. If we experience any delay and/or non-payment by our customers, we may face potential cash flow constraints. This may result in a material adverse impact on our financial condition, our ability to pay our suppliers, and potentially delay on the progress of our projects. The trade receivables as at 30 June 2022 which exceeded the credit period (excluding retention sum) that is still outstanding as at the LPD is RM1.37 million.

Our retention sum amounted to RM28.78 million as at 30 June 2022. Any extended delay in payment from our customers or failure to collect our retention sums may affect our cashflow and working capital. For the Financial Years Under Review, there were no bad debts written-off or provision made for doubtful debts. Please refer to Section 12.4 (xi)(a) of this Prospectus for further details.

In some instances where our customers are unable to settle the amount due to us, they may request for us to consider contra payment as settlement. For the Financial Years Under Review and up to the LPD, the following properties were retained in our financial statements through contra payments from our customer which is a subsidiary of a company listed on the Main Market of Bursa Securities:

Type of investment properties	Units	NBV			
		FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Leasehold land with a 3-storey semi-detached residential house located in Selangor (D'Island House) (1)	1	1,874	1,500	1,500	-
Serviced apartments located in Pahang (2)	3	1,613	1,581	1,548	965
Leasehold land with a double storey terrace house located in Selangor (3)	1	342	335	328	-

Notes:-

(1) We acquired this property in July 2016 as contra payment for outstanding receivables amounting to approximately RM2.48 million for projects undertaken by our Company which were completed prior to our Financial Years Under Review. During the FYE 2016 and FYE 2020, there was an impairment loss of RM0.46 million and RM0.33 million respectively on the said investment property which arose as a result of the deterioration in market value of this property during the respective financial years. Subsequently, on 9 July 2021, we entered into a sale and purchase agreement with a non-related party to dispose of the property for a cash consideration of RM1.50 million. As at the LPD, the sale and purchase agreement has been completed. Please refer to Section 12.2.7 of this Prospectus for further details on the impairment loss.

(2) We acquired 7 units of properties in FYE 2018 and FYE 2019 (all of which are located within the Genting Midhill Project) as contra payment mainly for retention sums amounting to approximately RM4.77 million for our projects which were mainly completed prior to our Financial Years Under Review. We had also in FYE 2019, nominated our related parties namely V Group Land to receive 1 unit with a settlement amount of RM0.73 million and Top Stream Realty Sdn Bhd to receive 3 units of the aforesaid properties with a total settlement amount of 2.42 million. As at the LPD, the payments for the nominated units have been fully settled. Hence, for the Financial Years Under Review, we retained 3 units of investment properties from the Genting Midhill Project properties. Subsequently, on 28 February 2022, 15 March 2022 and 23 March 2022, we had entered into 3 sale and purchase agreements with different non-related parties to dispose of the said properties for an aggregate cash consideration of RM1.56 million. As at the LPD, the sale and purchase agreements have been completed in accordance with their terms.

(3) We acquired this property in May 2013 as contra payment for outstanding receivables amounting to approximately RM0.38 million for projects undertaken by our Company which were completed prior to our Financial Years Under Review. Subsequently, on 6 December 2021, we entered into a sale and purchase agreement with a non-related party to dispose of the property for a cash consideration of RM0.42 million. As at the LPD, the sale and purchase agreement has been completed.

In view of this, any contra payment may impact on our cash flow and liquidity position, which may in turn reduce the financial resources available for our core business operations in the construction services. As a result, our business operations, financial position and results of operations may be materially and adversely affected.

9.1.12 Our business requires us to obtain and hold a valid CIDB certificate of registration and the failure to maintain this certificate could significantly hinder our business

We are required to obtain and hold a valid certificate of registration as a contractor with the CIDB for our business operations. According to the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (LPIP Act), no person shall carry out or complete any construction work or hold himself out as a contractor unless he is registered with the CIDB and holds a valid certificate of registration issued by CIDB. The registration with the CIDB as a contractor is classified into 7 grades with each grade having a different tendering capacity. A contractor is not permitted to tender for any construction projects which exceeds the value of the construction works specified in the respective registration grade.

Our subsidiary, Vestland Resources has been registered as a Grade 7 contractor with the CIDB which allows us to tender for construction projects in Malaysia without any limitation to the value of construction works.

The certificate of registration issued by CIDB is subject to our compliance with the conditions imposed by the CIDB and/or under the LPIP Act or the relevant government authorities. Failure to comply with such conditions may impose a risk of suspension and revocation on the certificate of registration issued by CIDB. The certificate of registration issued by the CIDB are valid for a limited period of time and subject to periodic review and renewal by the CIDB. Please refer to Section 6.6 of this Prospectus for further details of the major approvals, licenses and permits of our Group and relevant validity periods.

In addition, the CIDB or relevant authorities may impose new laws, regulations or changes on the standards of compliance or conditions from time to time where we may incur additional cost or resources to comply with such new or revised standards or conditions. In the event that any new and revised standards of compliance or conditions are imposed, there is no assurance that we will be able to comply with such new or revised standards or conditions and consequently, this may delay the completion of our projects.

As at the LPD, we have not experienced any suspension or revocation of our certificate of registration issued by the CIDB prior to its expiration. We have also been successful in renewing our existing certificate of registration with the CIDB. However, there can be no assurance that our certificate of registration will not be revoked or suspended prior to its expiration. There can also be no assurance that we will be able to renew such certificate of registration in the future. Any revocation or non-renewal of our certificate of registration by the CIDB will have a material impact on our ability to continue our business operations which would materially and adversely affect our business activities, reputation and financial prospects.

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9.1.13 We may be exposed to the risks in property investment

As at 31 December 2021, we own 18 units of investment properties including 5 units with a total consideration of RM4.49 million which were acquired via contra payments and 13 units of investment properties with a total consideration of RM14.69 million which were acquired from our customers' projects. The investment properties acquired from our customers were intended to support their business with a view of fostering and/or maintaining good business relationship as well as after taking into consideration the commercial value of these properties. As at 31 December 2021, the aggregate NBV of such investment properties amounted to RM17.78 million. These properties are intended to be held to generate rental income as well as capital appreciation until such time when opportunities for disposal arises. It is our Company's intention to remain focused on our business as a construction company and it is not our business model or policy to acquire properties in our customers' property development projects as a pre-condition for securing a project or to accept pre-arranged payment in kind from our customers for our construction services. As at the LPD, we have entered into 10 sale and purchase agreements with different purchasers to dispose of 10 units of the investment properties for an aggregate cash consideration of RM6.48 million. The NBV for the 10 units of investment properties as at 31 December 2021 amounts to an aggregate of RM5.68 million. As at the LPD, save for 2 units of 3-storey shop office located in Petaling Jaya, Selangor, the said sale and purchase agreements have been completed in accordance with their terms.

In addition to the above, we had also acquired 12 office units at the Glenz Mixed Commercial Development Project from our customer to be utilised as our new head office amounting to RM9.38 million. Please refer to Section 4.5.1 of this Prospectus for further details.

In view of the above, we may be subject to certain risks inherent in property investment. These include among others, fluctuations in property prices and rental rates as well as competition to secure tenants. We may also face the risk of not being able to dispose our investment properties due to, among others, weak market sentiments, increase in property overhang, economic downturn as well as other unfavourable market conditions. These external market conditions may also deter us from selling our investment properties at favourable prices or at all. If we are unable to dispose of our investment properties after a long holding period, it may reduce our liquidity where our financial resources are tied up in fixed assets, which could otherwise be diverted to our operations. This may negatively affect our cashflow position and financial performance.

9.1.14 Our business is concentrated on a few major customers

Certain of our major customers had contributed substantially to our revenue for the Financial Years Under Review, details are as follows:-

Major customers	**% of revenue contribution our Group's total revenue**			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**
	(%)	**(%)**	**(%)**	**(%)**
TSI Domain Sdn Bhd(1)	44.20	9.73	#	#
Sg. Besi Construction Sdn Bhd(2)	22.85	58.81	42.22	18.66
Perbadanan Perwira Harta Malaysia	8.66	11.75	7.50	#
Ascendvest Sdn Bhd(1)	6.64	#	#	#
Aikbee Timbers Sdn Bhd	4.35	#	#	#
Mercu Majuniaga Sdn Bhd(2)	#	5.91	30.60	36.57
Pujaan Harmoni Sdn Bhd	#	5.65	#	#
Hawa Teknik Sdn Bhd	#	#	7.74	29.22
Cherane Lalie Sdn Bhd	#	#	4.82	#
Binastra Construction (M) Sdn Bhd	#	#	#	5.84
Tafi Industries Berhad (2) (3)	#	#	#	4.81
Total	**86.70**	**91.85**	**92.88**	**95.10**

Notes:-

 # The customer is not one of the top 5 major customers of our Group for the relevant financial year under review.

(1) TSI Domain Sdn Bhd and Ascendvest Sdn Bhd have common shareholders. For information purposes, the aggregate revenue contribution from TSI Domain Sdn Bhd and Ascendvest Sdn Bhd collectively accounted for 50.84%, 9.75%, 0.59% and 0.02% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

(2) Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd and Tafi Industries Berhad have a common shareholder. For information purposes, the aggregate revenue contribution from Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd and Tafi Industries Berhad collectively accounted for 22.85%, 64.72%, 72.82% and 59.96% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

(3) Tafi Industries Berhad, which is a company listed on the Main Market of Bursa Securities is the holding company of Tafi Home & Office Sdn Bhd and Tafi Development Sdn Bhd.

Moving forward and based on our order book as at the LPD, the following customers are expected to contribute 67.30% of our total outstanding order book, details are as follows:-

Customers	Projects	Expected Completion Date	% of the Group's outstanding order book as at the LPD
Mercu Majuniaga Sdn Bhd[(3)]	Residensi Armani Cheras Project	December 2022	0.10
	Armani Subang SOHO Project	March 2023	0.16
	Residensi Armani Bukit Lanjan Project	March 2023	0.06
	Tanah Rata Cameron Project	January 2025	4.05
	Raja Uda Project	May 2025	8.44
		Subtotal for Mercu Majuniaga Sdn Bhd	**12.81**
Hawa Teknik Sdn Bhd	Beluran Police Camp Project	February 2025	25.47
		Subtotal for Hawa Teknik Sdn Bhd	**25.47**
Binastra Construction (M) Sdn Bhd	D'vine Residence Project	December 2024	20.70
	Plot 9D Civil Engineering Project	December 2022[(1)]	0.56
	Plot 10 Civil Engineering Project	September 2024[(5)]	5.78
		Subtotal for Binastra Construction (M) Sdn Bhd	**27.04**
Tafi Industries Berhad[(3)(4)]	Permas City Project[(2)]	January 2023[(5)]	0.48
	Habu Cameron Infrastructure Project[(2)]	March 2024	1.50
		Subtotal for Tafi Industries Berhad	**1.98**
		Grand Total for customers	**67.30**

Notes:-

(1) Based on the terms of the letter of award dated 5 January 2022, the commencement of site works for Plot 9D is subject to the Site Possession. The expected completion date shall be 9 months commencing from Site Possession. We have obtained Site Possession in October 2022 and the expected completion date is July 2023.

(2) The Permas City Project and the Habu Cameron Infrastructure Project were awarded by Tafi Home & Office Sdn Bhd and Tafi Development Sdn Bhd respectively, both of which are wholly-owned subsidiaries of Tafi Industries Berhad.

(3) Tafi Industries Berhad and Mercu Majuniaga Sdn Bhd have a common shareholder.

(4) Sg. Besi Construction Sdn Bhd and Tafi Industries Berhad have common shareholders.

(5) Being the revised expected completion date based on the EOT granted by our customer as at the LPD.

Notwithstanding that certain major customer of the Group had contributed substantially to our revenue during the Financial Years Under Review, our Group is not dependent on any particular customer. This is due to the nature of our Group's business which is project based where our revenue contribution from major customers varies from year to year given the nature of our business being conducted on a contract basis, which typically ranges from 2 to 3 years. Furthermore, our Group has been able to secure contracts from new customers which are of relatively sizeable value during the Financial Years and Period Under Review and subsequent thereto, such as the Beluran Police Camp Project, D'vine Residences Project as well as the Selangor Cyber Valley Project and Sierra Alam Project. However, our Group is exposed to customer concentration risk from time to time depending on the quantum of the projects secured and tenure of contracts.

Our financial performance may be materially and adversely affected if we were to lose one or more of our major customers (or reduce the level of services provided to them) without capturing new customers to replace the loss of business in a timely manner, or if we were to encounter difficulties in collecting payments from these major customers, or if the development projects undertaken by our major customers are delayed or terminated.

Although we have not encountered difficulties in securing new customers, there is no assurance that we are able to continue to secure contracts with new customers with equivalent or higher value to replace existing contracts that have been completed, deferred or terminated.

9.1.15 Our business requires us to have certificate for accommodation ("CFA") pursuant to the Employees' Minimum Standards of Housing, Accommodations & Amenities Act 1990 ("Employees' Accommodation Act")

The Employees' Accommodation Act, which was formerly known as the Workers Minimum Standards of Housing and Amenities Act 1990, came into force on 1 December 1990 and prescribed the minimum standards of housing for estate workers and their families.

Subsequently, the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 that came into force on 1 June 2020 has expanded the coverage of the Employees' Accommodation Act to include all other employees in Peninsular Malaysia and the Federal Territory of Labuan. At this point of time, the Employees' Accommodation Act did not apply to the states of Sabah and Sarawak.

On 26 February 2021, the Employees' Accommodation Act was further amended by the Emergency (Employees' Minimum Standards of Housing, Accommodations and Amenities (Amendment) Ordinance 2021 ("**Emergency Ordinance**"). Pursuant to the Emergency Ordinance, the Employees' Accommodation Act was made applicable throughout Malaysia, including for the states of Sabah and Sarawak. The Emergency Ordinance was enacted following a Proclamation of Emergency issued by the Yang di-Pertuan Agong (as the Malaysian head of state) under Article 150 of the Federal Constitution of Malaysia, which came into force on 11 January 2021 and subsequently revoked on 21 July 2021. Following the revocation of the Emergency Ordinance, the Employees' Accommodation Act no longer applies to the states of Sabah and Sarawak.

Nonetheless, the Employees' Accommodation Act still applies to Peninsular Malaysia and Federal Territory of Labuan and Section 24D of the Employees' Accommodation Act stipulates that no accommodation shall be provided to an employee unless certified with a CFA. An employer who contravenes Section 24D of the Employees' Accommodation Act and commits an offence shall, on conviction, be liable to a fine not exceeding RM50,000.00. A centralised accommodation provider who contravenes Section 24D of the Employees' Accommodation Act and commits an offence shall, on conviction be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 1 year, or to both.

As at the LPD, the status of CFA for the foreign workers' accommodation at the respective construction sites of the Group's on-going projects are as follows:-

Project	**Date of CFA**
Armani Subang Soho Project	3 March 2022
Residensi Armani Petaling (Cheras) Project	28 December 2021
Residensi Armani Bukit Lanjan Project	28 December 2021
KKB Academic Building and Student Accommodation Project	28 March 2022
D'vine Residences Project	12 April 2022
CPL Aromas Pulau Indah Project	18 April 2022

Save as disclosed above, as at the LPD none of our other on-going construction projects contain/require accommodation for workers which require CFA.

Despite obtaining the CFA for the foreign workers' accommodation for the Group's on-going projects as depicted in the table above, there is no assurance that the Group will be able to apply for CFA successfully for its on-going and future projects, when required, including the Raja Uda Project and Tanah Rata Cameron Project and the CFA for the Beluran Police Camp Project, should the applicable legislation be amended to necessitate the requirement to apply for a CFA in the state of Sabah. If the Group fails to comply with the Employee Accommodation Act, on conviction, the Group shall be liable to a fine not exceeding RM50,000.00, or to imprisonment for a term not exceeding 1 year or to both for each construction site. In addition, the Group's operations may be temporarily disrupted as the Group will be required to relocate its foreign workers to new place of accommodation with valid CFA.

9.1.16 We cannot assure that our business strategies and plans will be commercially successful

Our business strategies are mainly focused on strengthening and leveraging from our core competency in construction services including expanding on our design and build capabilities to address opportunities in the residential and non-residential building segment, continuing to expand on our order book, expanding our civil engineering capabilities as well as acquiring a new head office as set out in Section 7.18 of this Prospectus. There can be no assurance that we will be successful in executing our business strategies nor can we provide the assurance that we will be able to anticipate all the business and operational risks arising from our business strategies. In addition, we may experience a delay in the timing of the implementation of our business strategies and plans if there is a reimposition of the MCO restrictions. In this respect, this may affect our future business and financial performance.

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9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are exposed to the inherent risk in the construction industry

Our Group is in the construction of buildings for the private sector and government sectors. Private sector projects include residential and non-residential buildings, while government sector projects include buildings for dwellings and facilities for army camps and battalions as well as institutional buildings such as buildings for academic and student accommodation.

As we will continue to serve these sectors, our business is subject to the inherent risks in the construction industry which includes, among others, the following:-

(i) general economic conditions, where a slowdown in the economy may cause the following:-

- increase in unemployment, low or no wage increases, reduction in consumer wealth and consumer confidence resulting in a lower demand for property investment and purchases; and

- slowdown in commercial and industrial activities resulting in a lower demand for commercial and industrial properties;

(ii) performance of the property market including property overhang where unsold properties in residential and commercial properties may slowdown the introduction of new property developments;

(iii) shortage of labour and increases in labour cost resulting in delays in construction and higher construction costs;

(iv) increase in the cost of construction materials which may result in lower margins for construction companies and higher priced construction and buildings including residential, commercial and industrial properties as well as infrastructure and community projects; and

(v) changes in lending policies and practices by financial institutions which would affect property developers and infrastructure owners' ability to obtain adequate funds for construction, as well as affect the access to loans for the purchases of residential, commercial and industrial properties.

Furthermore, the increase in the number of unsold residential and commercial properties in Malaysia may adversely impact on new property developments which may ultimately affect the demand for construction services. The volume of residential property overhang increased by 24.7% in 2021, following the decline in 2019 and 2020. Meanwhile, the volume of commercial property overhang increased at a lower rate of 1.8% in 2021. Under the residential property overhang category, high-rise properties accounted for 60.8% of the total residential property overhang units in 2021. As for commercial property overhang, in 2021, serviced apartments accounted for 73.2% of commercial property overhang units in Malaysia. *(Source: IMR Report)* Our business and financial performance may be adversely affected if the performance in the property market continues to be weighed down by overhang conditions.

In 2021, the value of construction work completed in Malaysia declined to RM111.98 million from RM117.92 million in 2020 (or a decrease of 5.0%) mainly due to the COVID-19 containment measures including limitations on operating capacity. In 2022, the construction industry is projected to grow by 6.1% and this is mainly supported by the implementation of large infrastructure and small-scale projects under the Budget 2022, new housing projects and launches, as well as existing and new commercial and industrial projects. *(Source: IMR Report)*

Notwithstanding the lacklustre industry performance in 2021, our total revenue increased by 76.15% from RM97.12 million in FYE 2020 to RM171.08 million in FYE 2021. In FPE 2022, we have a total revenue of RM139.91 million. Nonetheless, there can be no assurance that our financial performance will not be adversely affected by the slowdown in the construction industry in the future.

As at the LPD, 52.25% of our outstanding order book comprise of government sector projects, namely Beluran Police Camp Project, KKB Academic Building and Student Accommodation Project and Selangor Cyber Valley (Phase 1) Project. Additionally, our Group has also secured other government sector projects, i.e. Selangor Cyber Valley Phase II Project and the Sierra Alam Project with an aggregate contract value of RM315.83 million which are pending fulfilment of the relevant CPs as at the LPD.

While our government sector projects are secured from private companies, nonetheless we may still be indirectly exposed to the risks associated with government sector projects including but not limited to changes in Government spending, Government policies such as affordable housing scheme and initiatives as well as changes in political conditions. Any unfavourable changes may adversely affect our financial performance during the period in which we are undertaking such projects.

In the event of any unfavourable changes in conditions that govern or affect the construction industry, our financial performance may also be adversely affected.

9.2.2 We are subject to competition from other construction companies

We are registered with CIDB under Grade G7 contractor which enables us to undertake contracts without any restrictions on the contract value. As of 29 November 2022, there was an estimated 8,856 Grade G7 building contractors that were registered with the CIDB. (*Source: IMR Report*). Our competitors may have a longer operating track record and more resources in terms of capital, machinery and manpower as compared to our Group. The existence of competition would also result in competitive pressure on various aspects including pricing and timing of completion. Although we have our competitive advantages, there is no assurance that we will be able to compete effectively against our peers. In the event that we are unable to remain competitive or unable to build on our competitive strengths moving forward, our prospects and financial performance may be adversely affected. Please refer to Section 7.3 of this Prospectus for further details on our competitive strengths.

9.2.3 We are subject to economic, social, political and regulatory risks in Malaysia as well as global pandemic risks

Any changes in the political, economic and regulatory conditions in Malaysia could adversely affect our financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our business operations while adversely affecting our financial performance. Please refer to Section 7.12 of this Prospectus for further details on the impact of the COVID-19 pandemic to our business operations.

Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, regulatory structures and outbreak of diseases. Similarly, any global or regional economic downturn would also affect overall business and consumer confidence, sentiments as well as investments, which would subsequently affect the demand for our services. As a result, this may cause our customers to revise, defer, halt or abandon their development or expansion plans. There can be no assurance that any adverse political, social, regulatory, economic developments or outbreak of diseases which are beyond our control, will not materially affect our financial performance or the performance of the construction industry in Malaysia.

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9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. Hence, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, that such 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.

There is no assurance that the IPO Price will correspond to the price at which our Shares will be traded on the ACE Market of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

9.3.2 Our Share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include material variations in the results of our operations, changes in our Group Managing Director, Executive Director and Key Senior Management, changes in the analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also very much dependent on external factors such as performance of the regional and global stock exchanges and the flows of foreign funds. Market sentiment is also induced by factors such as the prevailing economic and political conditions of the country as well as the growth potential of various sectors of the economy. Other factors that may negatively affect investor sentiment more generally include natural disasters, health epidemics and outbreaks of contagious diseases. These factors contribute to the volatility of trading volumes on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.3 The interests of our Promoters who control our Company may not be aligned with the interests of our other shareholders

As disclosed in Section 5.1.1 of this Prospectus, our Promoters will collectively hold a controlling interest of approximately 74.50% in our enlarged issued Shares upon Listing. As a result, they will collectively be able to have effective control over the business direction and management of our Company, including the election of Directors, the timing and payment of dividends as well as having substantial voting control and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters will always be aligned with those of our other shareholders.

9.3.4 There is no assurance of payment of dividends to our shareholders

Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, and excess of funds not required to be retained for working capital of our business.

It should be highlighted that as we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiary. Our subsidiary has entered into facility agreements which contain negative and financial covenants and hence, the inability of our subsidiary to comply with any of these covenants may affect our ability to pay dividends. Furthermore, if we were to obtain new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. 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.

Please refer to Section 12.8 of this Prospectus for further information on our dividend policy.

9.3.5 There may be potential delay to or failure in our Listing

The occurrence of any one or more of the following events may cause a delay in or failure of our Listing:

(i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations under such agreement;

(ii) the revocation of approvals from the relevant authorities for our Listing and/or admission for whatever reason; or

(iii) our inability to meet the public shareholding spread requirement under the Listing Requirements, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares each at the point of our Listing.

If any of these events occur, investors will not receive any of our IPO Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our IPO Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under the CA 2016 and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either:

(i) consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and confirmation by the High Court of Malaya, in which case there can be no assurance that such monies can be recovered within a short period of time in such circumstances; or

(ii) a solvency statement from our Directors.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "**related party transaction**" is a transaction entered into by a listed corporation or its subsidiary, which involves the interest, whether direct or indirect, of a related party. A "**related party**" of a listed corporation is –

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

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

   (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

   (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

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

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10. RELATED PARTY TRANSACTIONS *(cont'd)*

Save as disclosed below, there are no other material existing and/or proposed related party transactions which have been entered into or are to be entered into by our Group which involves the interests, whether direct or indirect, of our Directors, Substantial Shareholders and/or persons connected with them, for FYE 2019, FYE 2020, FYE 2021, FPE 2022 and up to the LPD:

(i) Vestland Resources and Skypark Machineries Sdn. Bhd. ("Skypark Machineries")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD[7] (RM)
Skypark Machineries	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew and SK Wong were also directors and major shareholders of Skypark Machineries. • On 1 September 2021 – (a) Datuk Liew disposed 37% equity interest in Skypark Machineries to his brother, Liew Chun Heen and resigned as a director of Skypark Machineries; and (b) SK Wong disposed 23% equity interest in Skypark Machineries to Liew Chun Heen and resigned as a director of Skypark Machineries.	• Rental, utility charges and management fee paid by Skypark Machineries for sharing of our former rented office[1]	**14,665** 0.20% of our Group's PAT	**13,341** 0.19% of our Group's PAT	**7,742** 0.07% of our Group's PAT	-	-
			• Purchase of COVID-19 self-test kits by Skypark Machineries from Vestland Resources[2]	-	**2,820** 0.04% of our Group's PAT	-	-	-
			• Machinery service and repair expenses charged by Skypark Machineries[3] [8]	**36,615** 0.04% of our Group's cost of sales ("**COS**")	**27,587** 0.03% of our Group's COS	**33,372** 0.02% of our Group's COS	**59,996** 0.05% of our Group's COS	**16,867**
			• Rental of construction equipment by Vestland Resources from Skypark Machineries[4] [8]	**1,285,501** 1.49% of our Group's COS	**1,055,090** 1.27% of our Group's COS	**1,927,818** 1.31% of our Group's COS	**2,002,597** 1.67% of our Group's COS	**1,045,760**

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD(7) (RM)
		• Following the above, Datuk Liew's brother, Liew Chun Heen and Datuk Liew's brother-in-law, See Chee Kian are the directors and major shareholders of Skypark Machineries holding 80% and 20% equity interest in Skypark Machineries respectively.	• Purchase of hardware and rental of lorries by Vestland Resources from Skypark Machineries(5) (8)	**188,947** 0.22% of our Group's COS	**139,066** 0.17% of our Group's COS	**197,929** 0.13% of our Group's COS	**185,862** 0.16% of our Group's COS	**1,100**
			• Contract cost charged by Skypark Machineries for subcontract work(6)	-	**1,251,000** 1.51% of our Group's COS	-	-	-
			• Purchase of one unit of concrete grinder by Vestland Resources from Skypark Machineries(2)	-	-	**4,300** 0.01% of our Group's NA	-	-

Notes:

(1) Vestland Resources had rented –

*(a) the office premise known as Unit D-09-03, Menara Mitraland, No.13A, Jalan PJU 5/1, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor ("**Unit D-09-03**") from Jeffrey Ng Eow Oo and Lam May Yee from 10 September 2016 to 9 September 2019 at a monthly rental of RM1,820 and from 10 September 2019 to 9 September 2021 at a monthly rental of RM2,022 ("**D-09-03 Tenancy**"); and*

*(b) the office premise known as Unit D-08-08, Menara Mitraland, No.13A, Jalan PJU 5/1, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor ("**Unit D-08-08**") from Tay Aik Tiong from 1 July 2017 to 31 July 2019 at a monthly rental of RM1,633 ("**D-08-08 Tenancy**"). The parties have via a letter of extension dated 15 July 2019, extended the tenancy for a further term of 2 years from 1 August 2019 to 31 July 2021, at a revised monthly rental of RM1,796.*

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Vestland Resources had subsequently shared part of the office premises at Unit D-09-03 from January 2019 to September 2019 and Unit D-08-08 from October 2019 to July 2021 with Skypark Machineries. The monthly rental paid by Skypark Machineries was the apportioned rental ought to be paid by Vestland Resources to the landlords. The aforementioned office premises were utilised by Skypark Machineries as its business office.

On top of the apportioned monthly rental fee, Vestland Resources also charged Skypark Machineries monthly utility charges for the usage of electricity, photocopy machine and telephone services at the office premises as well as management fees at the rate of 3% of the monthly rental fee and utility charges, being the general administrative works done by Vestland Resources for the office sharing arrangement.

Under the terms of the tenancy agreements for Unit D-09-03 and Unit D-08-08, Vestland Resources was required to obtain the prior written consent of the respective landlords for the sub-let of such premises. However, such written consent was not obtained in view that at the time the office sharing arrangement was entered into, Skypark Machineries was considered by Vestland Resources to be an affiliated company of Vestland Resources and/or its shareholders. Nonetheless, the D-09-03 Tenancy and D-08-08 Tenancy are no longer subsisting and Vestland Resources had discontinued the office sharing arrangement with Skypark Machineries for Unit D-09-03 subsequent to September 2019 and for Unit D-08-08 subsequent to July 2021. Accordingly, this transaction has since ceased.

(2) *This transaction is one-off.*

(3) *Skypark Machineries provides machinery services and repair services in respect of the machineries of Vestland Resources, including mortar pump, grinder, fogging machine, plunger pump and robin engine.*

(4) *Vestland Resources rents construction equipment such as crane, skylift and concrete pumps from Skypark Machineries.*

(5) *Vestland Resources purchases hardware, including drill, drill bit, pump, hose and gas refill from Skypark Machineries.*

(6) *Vestland Resources subcontracted to Skypark Machineries for the supply of labour and material to construct the retaining wall for the Glenz Mixed Commercial Development Project at an agreed subcontract sum of RM1.25 million vide a letter of award dated 13 May 2020 and the subcontract work was completed in July 2020.*

For information purposes, Skypark Machineries is a corporation related to one of our Director, Datuk Liew, based on the nature of relationship as disclosed in the table above. Datuk Liew is neither a director nor a substantial shareholder of Skypark Machineries. Additionally, he is also not involved in the operations of Skypark Machineries. Furthermore, the award of subcontract work is one-off and Vestland Resources has since ceased engaging Skypark Machineries as a subcontractor for its projects. Arising therefrom, there will not be any potential conflict of interest situation in view of the aforementioned.

As at the date of this Prospectus, Skypark Machineries is not involved in similar business activities to that of our Group as they are principally involved in letting of mobile cranes and sales of hardware whilst our Group is principally involved in building construction.

(7) *Percentage contributions are not available as there is no audited financial statements for the period from 1 July 2022 up to the LPD for our Group.*

(8) *These transactions are recurrent in nature and will subsist after our Listing.*

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(ii) Vestland Resources and VLR Power Sdn. Bhd. ("VLR Power")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
VLR Power	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew was also a major shareholder of VLR Power holding 74% equity interest in VLR Power. • SK Wong was also a director and shareholder of VLR Power holding 6% equity interest in VLR Power. • On 1 November 2021 – (a) Datuk Liew disposed 74% equity interest in VLR Power to a third party; and (b) SK Wong disposed 6% equity interest in VLR Power to a third party and resigned as a director of VLR Power.	• Contract cost charged by VLR Power for subcontract work[(1)]	**59,890** 0.07% of our Group's COS	-	-	-	-

Note:

(1) Vestland Resources subcontracted to VLR Power for the provision of electrical works for the Disable Home Project at an agreed subcontract sum of RM0.34 million (which was subsequently revised to RM0.26 million) vide a letter of award dated 19 February 2017 and the subcontract work was completed in July 2018 and VLR Power had subsequently billed Vestland Resources for the remaining contract cost in July 2019.

The award of subcontracting work is one-off and Vestland Resources has since ceased engaging VLR Power as a subcontractor for its projects.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(iii) Vestland Resources and VA Majestic Sdn. Bhd. ("VA Majestic")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
VA Majestic	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew was also a director of VA Majestic. • VA Majestic was a wholly-owned subsidiary of V Group Land, where – (a) Datuk Liew is a director and major shareholder of V Group Land holding 83% equity interest in V Group Land; and (b) SK Wong is a director and major shareholder of V Group Land holding 15% equity interest in V Group Land. • On 24 August 2021, Datuk Liew resigned as a director of VA Majestic. • On 11 October 2021, V Group Land disposed its entire equity interest in VA Majestic to a third party.	• Contract cost charged by Vestland Resources to VA Majestic(1)	**1,215,855** 1.23% of our Group's revenue	**675,000** 0.69% of our Group's revenue	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Note:

(1) VA Majestic awarded Vestland Resources the Putrajaya Hotel Project at an agreed contract sum of RM1.10 million (which was subsequently revised to RM1.22 million) vide a letter of award dated 24 December 2018 and the refurbishment work was completed in May 2019. Upon completion of the refurbishment work, Vestland Resources had also carried out maintenance and rectification work for the Putrajaya Hotel Project from July 2019 to December 2019. The maintenance and rectification work was completed in December 2019 and Vestland Resources had subsequently billed VA Majestic for the contract cost in respect of the maintenance and rectification work in January 2020.

The award is one-off and VA Majestic has since ceased engaging Vestland Resources as contractor for its projects.

(iv) Vestland Resources and Crave Alive Sdn. Bhd. ("Crave Alive")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Crave Alive	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew was also a major shareholder of Crave Alive holding 41.65% equity interest in Crave Alive. • SK Wong was also a director and shareholder of Crave Alive holding 7.35% equity interest in Crave Alive. • Crave Alive had been struck off on 12 August 2021.	• Progress billings issued to Crave Alive for renovation work[(1)]	**2,138,762** 2.17% of our Group's revenue	-	**(46,500)**[(2)] 0.03% of our Group's revenue	-	-

Notes:

(1) Crave Alive awarded Vestland Resources the Entertainment Studio Project at an agreed contract sum of RM2.14 million vide a letter of award dated 16 April 2019 and the renovation work was completed in June 2019.

The award is one-off and Crave Alive has since ceased engaging Vestland Resources as contractor for its projects. Moving forward, there will be no transaction with Crave Alive as it had been struck off on 12 August 2021.

(2) On 2 June 2021, Vestland Resources and Crave Alive had agreed on the variation order amount for the Entertainment Studio Project undertaken by Vestland Resources as referred to in Note (1) above, which arose due to a change in the scope of work in respect of the project during the course of the project. Accordingly, this led to a reduction in the contract sum to RM2.09 million and a consequent adjustment to our revenue.

(v) Vestland Resources and Next Gen Themepark Sdn. Bhd. ("Next Gen")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Next Gen	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew's wife, Datin Fong Chooi Har ("**Datin Fong**") was a director and shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed 2% equity interest in Vestland Resources to Datuk Liew.	• Rental, utility charges and management fee paid by Next Gen for sharing of our former rented office(1)	**10,527** 0.15% of our Group's PAT	**31,767** 0.44% of our Group's PAT	**10,121** 0.10% of our Group's PAT	-	-
			• Renovation fees paid by Next Gen for renovation of our former rented office(2)	**2,924** 0.04% of our Group's PAT	**11,664** 0.17% of our Group's PAT	**1,944** 0.02% of our Group's PAT	-	-
			• Accounting fees paid by Next Gen for sharing of Vestland Resources' in-house accountant(3)	**9,000** 0.13% of our Group's PAT	**31,500** 0.45% of our Group's PAT	**3,000** 0.03% of our Group's PAT	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
		• Datin Fong is also a director and major shareholder of Next Gen holding 43% equity interest in Next Gen.	• Purchase of COVID-19 self-test kits by Next Gen from Vestland Resources[(4)]	-	**1,200** 0.02% of our Group's PAT	-	-	-
		• SK Wong's wife, Wong Pit Ann is also a director and shareholder of Next Gen holding 8% equity interest in Next Gen.	• Purchase of face masks and hand sanitizers by Vestland Resources from Next Gen[(5)]	-	**338,646** 4.83% of our Group's PAT	**14,362** 0.14% of our Group's PAT	-	-
			• Payments made on behalf of Next Gen by Vestland Resources for professional fees (i.e. lawyers and consultants) as well as booking fees for rental of a designated area in Southkey Megamall in Johor Bahru, Johor by Next Gen	**109,929** 0.38% of our Group's NA	-	-	-	-
			• Advances provided by Vestland Resources to Next Gen	**5,000** 0.02% of our Group's NA	**50,000** 0.15% of our Group's NA	**194,110** 0.42% of our Group's NA	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
			• Payments made on behalf of Next Gen by Vestland Resources for the purchasing of face masks and sanitizers	-	**993,366** 2.77% of our Group's NA	-	-	-

Notes:

(1) Vestland Resources had rented the office premise known as Unit D-09-03 pursuant to the D-09-03 Tenancy.

Vestland Resources had subsequently shared part of the office premises at Unit D-09-03 from August 2019 to April 2021 with Next Gen. The monthly rental paid by Next Gen was the apportioned rental ought to be paid by Vestland Resources to the landlords. The aforementioned office premises were utilised by Next Gen as its business office.

On top of the apportioned monthly rental fee, Vestland Resources also charged Next Gen monthly utility charges for the usage of electricity, photocopy machine and telephone services at the office premises as well as management fees at the rate of 3% of the monthly rental fee and utility charges, being the general administrative works done by Vestland Resources for the office sharing arrangement.

Under the terms of the tenancy agreement for Unit D-09-03, Vestland Resources was required to obtain the prior written consent of the landlord for the sub-let of the premise. However, such written consent was not obtained in view that at the time the office sharing arrangement was entered into, Next Gen was considered by Vestland Resources to be an affiliated company of Vestland Resources and/or its shareholders. Nonetheless, the D-09-03 Tenancy is no longer subsisting and Vestland Resources had discontinued the office sharing arrangement with Next Gen subsequent to April 2021. Accordingly, this transaction has since ceased.

(2) Vestland Resources had charged Next Gen renovation fees for the renovation works carried out on the shared office premises, being Unit D-09-03. The renovation fees paid by Next Gen was based on the renovation fees charged by a third-party contractor who carried out the renovation works and Vestland Resources charged Next Gen for such renovation fees over a 17-month billing period. In consideration of Vestland Resources paying the renovation fees to such contractor on behalf of Next Gen, Vestland Resources also charged Next Gen management fees at the rate of 3% of the renovation fees, being the general administrative works done by Vestland Resources on behalf of Next Gen. Our Directors are of the view that the management fees charged are transacted on an arm's length basis upon taking into consideration that Vestland Resources also charged management fees at the similar rate of 3% to third parties for general administrative works done. The renovation fees (together with the management fees) had been fully paid.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

There is no comparable information to ascertain whether the 17-month billing period was based on commercial terms and at a market rate. Therefore, we are unable to conclude that this transaction was carried out on an arm's length basis. Nonetheless, our Directors are of the opinion that such allocation of renovation fees are not detrimental to our Group as it is not material (i.e. less than 1%) as compared to our Group's PAT for the relevant FYEs it was incurred. This transaction has since ceased in view of the discontinuance of office sharing arrangement as disclosed in Note (1) above.

(3) Vestland Resources had charged Next Gen accounting fees for the sharing of Vestland Resources' in-house accountant based on time-costs incurred by the accountant for managing and preparing the accounts of Next Gen. In consideration of Vestland Resources sharing its in-house accountant with Next Gen, Vestland Resources also charged Next Gen management fees at the rate of 3% of the time-costs incurred by the accountant, being the general administrative works done by Vestland Resources during the course of managing and preparing the accounts of Next Gen. Our Directors are of the view that the management fees charged are transacted on an arm's length basis upon taking into consideration that Vestland Resources also charged management fees at the similar rate of 3% to third parties for general administrative works done.

There is no comparable information to ascertain whether the basis of charging the accounting fees to Next Gen was based on commercial terms and at a market rate. Therefore, we are unable to conclude that this transaction was carried out on an arm's length basis. Nonetheless, our Directors are of the opinion that such accounting fees charged to Next Gen are not detrimental to our Group as it is not material (i.e. less than 1%) as compared to our Group's PAT for the relevant FYEs it was incurred. This transaction has since ceased and moving forward, we will no longer be entering into such arrangements.

(4) This transaction is one-off.

(5) Vestland Resources purchased face masks and hand sanitizers from Next Gen since the first movement control order implemented by the Government of Malaysia in March 2020 to curb the COVID-19 outbreak as Next Gen had managed to secure the supply of face masks and hand sanitizers during the COVID-19 pandemic.

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10. RELATED PARTY TRANSACTIONS *(cont'd)*

(vi) Vestland Resources and Next Gen (1U) Themepark Sdn. Bhd. ("Next Gen 1U")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD[(4)] (RM)
Next Gen 1U [(5)]	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew's wife, Datin Fong was a director of and a shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed 2% equity interest in Vestland Resources to Datuk Liew. • Datin Fong is also a director and major shareholder of Next Gen 1U holding 43% equity interest in Next Gen 1U. • SK Wong's wife, Wong Pit Ann is also a director and shareholder of Next Gen 1U holding 8% equity interest in Next Gen 1U.	• Rental and management fee paid by Next Gen 1U for sharing of our rented office[(1)]	-	**13,544** 0.19% of our Group's PAT	**10,743** 0.10% of our Group's PAT	-	-
			• Utility charges paid by Next Gen 1U for sharing of our rented office[(2)]	-	**6,392** 0.09% of our Group's PAT	**2,085** 0.02% of our Group's PAT	-	-
			• Payments made on behalf of Next Gen 1U by Vestland Resources for the payment of booking fee, fit-out deposit, security deposit for rental of a designated area in 1 Utama Shopping Centre, Petaling Jaya, Selangor by Next Gen 1U	**475,846** 1.65% of our Group's NA	-	-	-	-
			• Advances provided by Vestland Resources to Next Gen 1U	-	**250,000** 0.70% of our Group's NA	**440,000** 0.95% of our Group's NA	-	-
			• Contract cost charged by Vestland Resources to Next Gen 1U[(3)]	-	-	**1,172,250** 0.69% of our Group's revenue	**738,070** 0.53% of our Group's revenue	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Notes:

*(1) Vestland Resources had rented the office premise known as D-08-3A, Menara Mitraland, No.13A, Jalan PJU 5/1, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan ("**Unit D-08-3A**") from Christina Kow Sow Choo from 10 September 2016 to 9 September 2019 at a monthly rental of RM2,608 and from 10 September 2019 to 9 December 2022 at a monthly rental of RM2,898 ("**D-08-3A Tenancy**").*

Vestland Resources had subsequently shared part of the office premises at Unit D-08-3A from August 2020 to April 2021 with Next Gen 1U. The monthly rental paid by Next Gen 1U was the apportioned rental based on the area of the office premise occupied by Next Gen 1U. The aforementioned office premises were utilised by Next Gen 1U as its business office.

On top of the apportioned monthly rental fee, Vestland Resource also charged Next Gen 1U monthly utility charges for electricity, photocopy machine and telephone services at the office premises as well as management fees at the rate of 3% of the monthly rental fee and utility charges (as disclosed in Note (2) below), being the general administrative works done by Vestland Resources for the office sharing arrangement.

Under the terms of the tenancy agreement for Unit D-08-3A, Vestland Resources was required to obtain the prior written consent of the landlord for the sub-let of the premise. However, such written consent was not obtained in view that at the time the office sharing arrangement was entered into, Next Gen 1U was considered by Vestland Resources to be an affiliated company of Vestland Resources and/or its shareholders. Nonetheless, the D-08-3A Tenancy is no longer subsisting and Vestland Resources had discontinued the office sharing arrangement with Next Gen 1U subsequent to April 2021. Accordingly, this transaction has since ceased.

(2) Vestland Resources had charged Next Gen 1U utility charges for electricity, photocopy machine and telephone services at the shared office premises, being Unit D-08-3A.

There is no comparable information to ascertain whether the basis of allocating the said utility charges to Next Gen 1U was based on commercial terms and at a market rate. Therefore, we are unable to conclude that this transaction was carried out on an arm's length basis. Nonetheless, our Directors are of the opinion that such allocation of utility charges are not detrimental to our Group as it is not material (i.e. less than 1%) as compared to our Group's PAT for the relevant FYEs it was incurred.

As disclosed in Note (1) above, the office sharing arrangement had been discontinued. As such, this transaction has since ceased.

(3) Next Gen 1U awarded Vestland Resources the Themepark Project at an agreed contract sum of RM2.10 million vide a letter of award dated 11 November 2020 and the project was completed on 31 March 2022.

The award is one-off and Next Gen 1U has since ceased engaging Vestland Resources as contractor for its projects.

(4) Percentage contributions are not available as there is no audited financial statements for the period from 1 July 2022 up to the LPD for our Group.

(5) As at the LPD, Next Gen 1U is principally involved in retail sale of beverages and organization, promotion and/or management of event. The aforesaid principal activities of Next Gen 1U is not conflicting with the Group's principal activities of building construction.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(vii) Vestland Resources and Vic-Aire Holiday Sdn. Bhd. ("Vic-Aire Holiday")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Vic-Aire Holiday	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew's wife, Datin Fong was a director and a shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed her 2% equity interest in Vestland Resources to Datuk Liew. • SK Wong was a director of Vic-Aire Holiday. • Vic-Aire Holiday was a 66%-owned subsidiary (of which the remaining 34% equity interest is held by a third party) of V Group Land, where Datuk Liew, SK Wong and Datin Fong are also directors and shareholders of V Group Land holding equity interest of 83%, 15% and 2% respectively, in V Group Land.	• Payment by Vestland Resources to Vic-Aire Holiday for organising company trip for Vestland Resources	**51,800** 0.72% of our Group's PAT	-	-	-	-
			• Advances provided by Vestland Resources to Vic-Aire Holiday	**100,000** 0.35% of our Group's NA	**209,000** 0.58% of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
		• On 6 September 2021, V Group Land disposed all of its 66% equity interest in Vic-Aire Holiday to a third party and SK Wong had resigned as a director of Vic-Aire Holiday.						

(viii) Vestland Resources and Jun Tractor Sdn. Bhd. ("Jun Tractor")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD[7] (RM)
Jun Tractor	Vestland Resources	• Datuk Liew is our Director and major shareholder. • Datuk Liew's brother, Liew Chun Heen, is a director and major shareholder of Jun Tractor holding 50% equity interest in Jun Tractor. • Datuk Liew's sister-in-law, Toh Tze Wooi, who is the wife of Liew Chun Heen, is a director and major shareholder of Jun Tractor holding 50% equity interest in Jun Tractor.	• Progress billings issued to Jun Tractor for subcontract work[1]	**427,441** 0.43% of our Group's revenue	-	-	-	-
			• Rental, utilities charges, parking charges and management fee paid by Jun Tractor for sharing of our former rented office[2]	**19,686** 0.27% of our Group's PAT	**18,524** 0.26% of our Group's PAT	**8,615** 0.08% of our Group's PAT	-	-
			• Purchase of COVID-19 self-test kits, face masks and sanitisers by Jun Tractor from Vestland Resources[3]	-	**4,822** 0.07% of our Group's PAT	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD(7) (RM)
			• Contract cost charged by Jun Tractor to Vestland Resources(4)	**333,876** 0.39% of our Group's COS	**1,356,202** 1.64% of our Group's COS	-	-	-
			• Rental of construction equipment by Vestland Resources from Jun Tractor(5) (8)	**1,422,490** 1.65% of our Group's COS	**918,527** 1.11% of our Group's COS	**1,509,186** 1.02% of our Group's COS	**2,232,304** 1.86% of our Group's COS	**3,188,098**
			• Management fee paid by Vestland Resources for the award of subcontract work(6)	**16,980** 0.02% of our Group's COS	-	-	-	-

Notes:

(1) Jun Tractor subcontracted to Vestland Resources for construction work under the Genting Midhill Project at an agreed subcontract sum of RM8.60 million vide a letter of award dated 15 December 2015. The subcontract work was completed in December 2018 and Vestland Resources had subsequently billed Jun Tractor for the remaining contract cost in February 2019.

For information purposes, Jun Tractor is a corporation related to one of our Director, Datuk Liew, based on the nature of relationship as disclosed in the table above. Datuk Liew is neither a director nor a substantial shareholder of Jun Tractor. Additionally, he is also not involved in the operations of Jun Tractor. Furthermore, the award of subcontract work is one-off and Jun Tractor has since ceased engaging Vestland Resources as subcontractor for its projects. Arising therefrom, there will not be any potential conflict of interest situation in view of the aforementioned.

As at the date of this Prospectus, Jun Tractor is not involved in similar business activities to that of our Group as they are principally involved in rental of heavy machineries whilst our Group is principally involved in building construction.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(2) Vestland Resources had rented –

(a) the office premise known as Unit D-09-03 pursuant to D-09-03 Tenancy; and
(b) the office premise known as Unit D-08-08 pursuant to D-08-08 Tenancy.

Vestland Resources had subsequently shared part of the office premises at Unit D-09-03 from January 2019 to September 2019 and Unit D-08-08 from October 2019 to July 2021 with Jun Tractor. The monthly rental paid by Jun Tractor was the apportioned rental ought to be paid by Vestland Resources to the landlords. The aforementioned office premises were utilised by Jun Tractor as its business office.

On top of the apportioned monthly rental fee, Vestland Resources also charged Jun Tractor monthly utility charges for the usage of electricity, photocopy machine and telephone services at the office premises and monthly parking charges as well as monthly management fees at the rate of 3% of the monthly rental fee, utility charges and parking charges, being the general administrative works done by Vestland Resources for the office sharing arrangement.

Under the terms of the tenancy agreements for Unit D-09-03 and Unit D-08-08, Vestland Resources was required to obtain the prior written consent of the respective landlords for the sub-let of such premises. However, such written consent was not obtained in view that at the time the office sharing arrangement was entered into, Jun Tractor was considered by Vestland Resources to be an affiliated company of Vestland Resources and/or its shareholders. Nonetheless, the D-09-03 Tenancy and D-08-08 Tenancy are no longer subsisting and Vestland Resources had discontinued the office sharing arrangement with Jun Tractor for Unit D-09-03 subsequent to September 2019 and for Unit D-08-08 subsequent to July 2021. Accordingly, this transaction has since ceased.

(3) This transaction is one-off.

(4) In 2019, Vestland Resources had engaged Jun Tractor for the supply of labour and site clearance works for the Genting Midhill Project (mainly for rectification works amounting to approximately RM0.26 million), Glenz Mixed Commercial Development Project and Kalista Park Homes Project. For information purposes, whilst Vestland Resources has been appointed by Jun Tractor to undertake the Genting Midhill Project for a total contract sum of RM8.60 million, the rectification works represents a minor portion of the work done, i.e. less than 5% of the agreed subcontract sum of RM8.60 million.

In 2020, Vestland Resources subcontracted to Jun Tractor for earthworks for the Glenz Mixed Commercial Development Project at an agreed subcontract sum of RM1.30 million vide a letter of award dated 5 May 2020 and the aforementioned work was completed in July 2020. In addition, Vestland Resources had also engaged Jun Tractor for site clearance works for the Glenz Mixed Commercial Development Project.

The award of subcontract work is one-off and Vestland Resources has since ceased engaging Jun Tractor as subcontractor for its projects.

(5) Vestland Resources rents construction equipment such as backhoe, excavator and hydraulic compactor from Jun Tractor.

(6) In consideration of Jun Tractor awarding the Genting Midhill Project to Vestland Resources as set out in Note (1) above, Vestland Resources paid Jun Tractor management fee at the rate of 2% of the agreed subcontract sum of RM8.60 million. The management fee represents an administrative fee charged by Jun Tractor for the procurement of the project, which is, to the best of our knowledge, not a common practice within the construction industry. Nonetheless, our Directors are of the opinion that such management fees paid are not detrimental to our Group as it is not material (i.e. less than 1% as compared to our Group's COS for the relevant FYEs it was incurred).

(7) Percentage contributions are not available as there is no audited financial statements for the period from 1 July 2022 up to the LPD for our Group.

(8) This transaction is recurrent in nature and will subsist after our Listing.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(ix) Vestland Resources and V Group Land

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
V Group Land	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew's wife, Datin Fong was a director and a shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed her 2% equity interest in Vestland Resources to Datuk Liew. • Datuk Liew, SK Wong and Datin Fong are also directors and shareholders of V Group Land holding equity interest of 83%, 15% and 2% respectively in V Group Land.	• Novation arrangement of condominium by Vestland Resources to V Group Land[(1)]	**727,515** 2.53% of our Group's NA	-	-	-	-
			• Payments made on behalf of V Group Land by Vestland Resources for the acquisition of shares in Vic-Aire Holiday	**17,708** 0.06% of our Group's NA	-	-	-	-
			• Advances provided by Vestland Resources to V Group Land	**199,613** 0.69% of our Group's NA	-	-	-	-

Note:

(1) As part of Vestland Resources' settlement arrangement with its client, Vestland Resources had on 19 December 2018 nominated V Group Land as its nominee to receive one unit of condominium bearing postal address of T2-06-08, Midhills, Jalan Jaya Permai, Genting Highland, 69000 Genting Highland, Pahang on behalf of Vestland Resources. As at the LPD, V Group Land has fully repaid the amount due to Vestland Resources arising from the said novation arrangement.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(x) Vestland Resources and The Glenz Hotel Sdn. Bhd. ("The Glenz Hotel")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
The Glenz Hotel	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew and SK Wong were directors and major shareholders of The Glenz Hotel holding 85% and 15% equity interest respectively in The Glenz Hotel. • On 8 March 2022, Datuk Liew and SK Wong disposed their 85% and 15% equity interest in The Glenz Hotel respectively, to a third party.	• Payments made on behalf of The Glenz Hotel by Vestland Resources for payment of deposit and payment of market study fees	**33,925** 0.12% of our Group's NA	-	-	-	-
			• Advances provided by Vestland Resources to The Glenz Hotel	**10,000** 0.03% of our Group's NA	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(xi) Vestland Resources and The Tents Sdn. Bhd. ("The Tents")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
The Tents	Vestland Resources	• Datuk Liew is our Director and major shareholder. • Datuk Liew's wife, Datin Fong was a director and a shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed her 2% equity interest in Vestland Resources to Datuk Liew. • Datuk Liew was a director of The Tents. • The Tents was a 49%-owned associate company of V Group Land, where Datuk Liew, SK Wong and Datin Fong are also directors and shareholders of V Group Land holding equity interest of 83%, 15% and 2% respectively in V Group Land.	• Payments made on behalf of The Tents by Vestland Resources for payment of incorporation fees of The Tents	**2,587** Negligible % of our Group's NA	-	-	-	-
			• Payments made on behalf of The Tents by Vestland Resources for payment of secretarial fees	-	**1,013** Negligible % of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
		• On 27 September 2021, V Group Land disposed all of its 49% equity interest in The Tents to a third party and Datuk Liew resigned as a director of The Tents.						

(xii) Vestland Resources and V Realty

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
V Realty	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew is also a director and major shareholder of V Realty holding 80% equity interest in V Realty. • SK Wong is also a director and major shareholder of V Realty holding 20% equity interest in V Realty.	• Payments made on behalf of V Realty by Vestland Resources for payment of incorporation fees of V Realty	-	**2,587** Negligible % of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(xiii) Vestland Resources and Top Stream Realty Sdn. Bhd. ("Top Stream")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Top Stream	Vestland Resources	• Datuk Liew is our Director and major shareholder. • Datuk Liew is also a director and major shareholder of Top Stream holding 100% equity interest in Top Stream. • Top Stream had been struck off on 23 October 2020.	• Novation arrangement of condominium by Vestland Resources to Top Stream[(1)]	**2,421,395** 8.41% of our Group's NA	-	-	-	-
			• Payments made on behalf of Top Stream by Vestland Resources for payment of utility expenses mainly relating to the three units of condominium at the Genting Midhills Project	**9,493** 0.03% of our Group's NA	-	-	-	-
			• Advances provided by Vestland Resources to Top Stream	**5,000** 0.02% of our Group's NA	-	-	-	-

Note:

(1) As part of Vestland Resources' settlement arrangement with its client, Vestland Resources had on 19 December 2018 nominated Top Stream as its nominee to receive three units of condominium bearing postal address of T1-13A-01, T3-07-06 and T3-08-05, Midhills, Jalan Jaya Permai, Genting Highland, 69000 Genting Highland, Pahang on behalf of Vestland Resources. As at the LPD, Top Stream has fully repaid the amount due to Vestland Resources arising from the said novation arrangement. Moving forward, there will be no transaction with Top Stream as it had been struck off on 23 October 2020.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(xiv) Vestland Resources and Next Gen Holding Sdn. Bhd. ("Next Gen Holding")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Next Gen Holding	Vestland Resources	• Datuk Liew and SK Wong are our Directors and major shareholders. • Datuk Liew's wife, Datin Fong was a director of and a shareholder of Vestland Resources holding 2% equity interest in Vestland Resources. • On 4 February 2021, Datin Fong resigned as a director of Vestland Resources. • On 4 January 2022, Datin Fong disposed her 2% equity interest in Vestland Resources to Datuk Liew. • Datin Fong is also a director and major shareholder of Next Gen Holding holding 43% equity interest in Next Gen Holding. • SK Wong's wife, Wong Pit Ann is also a director and shareholder of Next Gen Holding holding 8% equity interest in Next Gen Holding. • The remaining 49% equity interest in Next Gen Holding is held by a third party.	• Payments made on behalf of Next Gen Holding by Vestland Resources for the payment of booking fee, fit-out deposit, security deposit for rental of a designated area in KSL Esplanade Mall, Klang, Selangor by Next Gen Holding ("**KSL Tenancy**")(1)	-	**204,090** 0.57% of our Group's NA	-	-	-
			• Contribution to fit-out works received by Vestland Resources from the landlord on behalf of Next Gen Holding in relation to the KSL Tenancy(1)	-	**750,000** 2.09% of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Note:

(1) Vestland Resources (as tenant) had on 12 May 2020 entered into a tenancy agreement with KSL City Management Sdn. Bhd. (as landlord) for the KSL Tenancy. Subsequently, Vestland Resources novated all its rights, title, interest and benefits under such tenancy agreement to Next Gen Holding with effect from 6 October 2020. Pursuant to the aforesaid novation, (a) Next Gen Holding has fully repaid the payments made by Vestland Resources on behalf of Next Gen Holding; and (b) Vestland Resources has returned all the contribution to fit-out works received by Vestland Resources on behalf of Next Gen Holding, in relation to the KSL Tenancy to Next Gen Holding.

(xv) Vestland Resources and New Micro Interior Design Sdn. Bhd. ("New Micro")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD[(2)] (RM)
New Micro	Vestland Resources	• SK Wong is our Director and major shareholder. • SK Wong's wife, Wong Pit Ann is a director and major shareholder of New Micro holding 36% equity interest in New Micro (of which the remaining 64% equity interest is held by third parties).	• Contract cost charged by New Micro to Vestland Resources[(1)]	-	-	**391,520** 0.27% of our Group's COS	**150,010** 0.13% of our Group's COS	-

Notes:

(1) Vestland Resources subcontracted to New Micro for carpentry works for lift lobby for the Glenz Mixed Commercial Development Project at an agreed subcontract sum of RM0.29 million vide a letter of award dated 3 September 2021.

Vestland Resources had also subcontracted to New Micro for interior fit-out works for the Themepark Project at an agreed subcontract sum of RM0.14 million vide a letter of award dated 16 April 2021.

For information purposes, New Micro is a corporation related to one of our Director, SK Wong, based on the nature of relationship as disclosed in the table above. SK Wong is neither a director nor a substantial shareholder of New Micro. Additionally, he is also not involved in the operations of New Micro. Furthermore, the above subcontract works was completed in March 2022 and Vestland Resources has since ceased engaging New Micro as a subcontractor for its projects. Arising therefrom, there will not be any potential conflict of interest situation in view of the aforementioned.

As at the date of this Prospectus, New Micro is not involved in similar business activities to that of our Group as they are principally involved in the provision of interior design and renovation services whilst our Group is principally involved in building construction.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(2) Percentage contributions are not available as there is no audited financial statements for the period from 1 July 2022 up to the LPD for our Group.

(xvi) Vestland Resources and Farmer Feast Sdn. Bhd. ("Farmer Feast")

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Farmer Feast	Vestland Resources	• Datuk Liew is our Director and major shareholder. • Datuk Liew was also a director of Farmer Feast which he had resigned in December 2020. • Datuk Liew is also a major shareholder of Farmer Feast holding 20% equity interest in Farmer Feast.	• Purchase of face masks and hand sanitizers by Farmer Feast from Vestland Resources(1)	-	**1,944** 0.03% of our Group's PAT	-	-	-

Note:

(1) This transaction is one-off.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

(xvii) Vestland Resources and Liew Chun Heen

Related party	Transacting company in our Group	Nature of relationship	Nature of transaction	FYE 2019 (RM)	FYE 2020 (RM)	FYE 2021 (RM)	FPE 2022 (RM)	From 1 July 2022 up to the LPD (RM)
Liew Chun Heen	Vestland Resources	• Datuk Liew is our Director and major shareholder. • Datuk Liew is the brother of Liew Chun Heen.	• Purchase of a pickup truck by Vestland Resources from Liew Chun Heen for our Group's operations purposes [(1)]	**56,000** 0.19% of our Group's NA	-	-	-	-

Note:

(1) This transaction is one-off.

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10. RELATED PARTY TRANSACTIONS *(cont'd)*

Save for the related party transaction set out in Notes (2) and (3) to paragraph (v) and Note (2) to paragraph (vi) above, and the transactions in relation to expenses paid on behalf of our related parties and advances given to our related parties, our Directors confirm that all the other related party transactions were transacted on an arm's length basis and on normal commercial terms not more favourable to the related parties upon taking into consideration that such transactions were comparable to those generally charged and/or quoted to/by third parties for similar transactions. However, the related party transactions which were not carried out on an arm's length basis as set out in Notes (2) and (3) to paragraph (v) and Note (2) to paragraph (vi) above have ceased as at the LPD. In addition, all such payments on behalf and advances have been fully settled by the related parties as at the LPD and moving forward, we will no longer pay on behalf for and provide advances to our related parties.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into material related party transactions. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate. Related party transactions can be deemed as recurrent, if they are entered into at least once every three years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Group.

10.2 OUR GROUP'S POLICY ON RELATED PARTY TRANSACTIONS

In addition, to safeguard our interest and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, review the terms of all related party transactions (if any), and to report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, whether 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 and should also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

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

Under the Listing Requirements, related party transactions may be aggregated to determine the materiality of these transactions if they occur within a 12-month period, are entered with the same party or with parties connected with one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

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

There are no transactions entered into 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 to for FYE 2019, FYE 2020, FYE 2021, FPE 2022 and up to the LPD.

10.4 LOANS AND/OR ADVANCES MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

As at the LPD, there are no outstanding loans and/or advances made by our Group to or for the benefit of our related parties.

10.5 FINANCIAL ASSISTANCE PROVIDED (INCLUDING GUARANTEES OF ANY KIND) FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed in Section 10.1 above and the following, there is no other financial assistance (including guarantees of any kind) made by our Group to or for the benefit of related parties for FYE 2019, FYE 2020, FYE 2021, FPE 2022 and up to the LPD:-

(i) A corporate guarantee provided by Vestland Resources for the benefit of Skypark Machineries in respect of banking facilities amounting to RM550,000.00 granted by Small Medium Enterprise Development Bank Malaysia Berhad to Skypark Machineries. As at the LPD, the corporate guarantee has been fully discharged in view of the full settlement of the facilities by Skypark Machineries.

(ii) A corporate guarantee provided by Vestland Resources for the benefit of Skypark Machineries in respect of hire purchase facilities amounting to RM2,000,000.00 granted by AmBank (M) Berhad to Skypark Machineries. As at the LPD, the corporate guarantee has been fully discharged in view of the full settlement of the facilities by Skypark Machineries.

Moving forward, our Company has put in place strict internal control and compliance procedures in relation to loans and financial assistance to third parties, and no further loans or financial assistance will be given to any related parties by our Group unless such loans and financial assistance are permitted under law and the Listing Requirements and brought to the Audit and Risk Management Committee and our Board for deliberation and approval.

10.6 PROVISION OF GUARANTEES BY OUR SUBSTANTIAL SHAREHOLDERS FOR BANKING AND LEASING FACILITIES GRANTED TO OUR GROUP

Our Directors, namely, Datuk Liew and SK Wong have jointly and severally provided personal guarantees for certain outstanding banking and leasing facilities extended by Public Bank Berhad, Public Islamic Bank Berhad, Affin Bank Berhad, Pac Lease Berhad, AmBank (M) Berhad, Malayan Banking Berhad, Small Medium Enterprise Development Bank Malaysia Berhad, and Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. ("**Financiers**") to Vestland Resources. The aggregate amount of facilities secured as at the LPD is approximately RM146.53 million.

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 Group and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Datuk Liew and SK Wong will continue to guarantee the banking facilities extended to our Group.

As at the LPD, we have received conditional approvals from all our Financiers to discharge the above guarantees upon our Listing by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers.

10.7 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.7.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or Group. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to ensure that these transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders.

The related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

10.7.2 Related party transactions and conflict of interest

Some of the Directors and/or Substantial Shareholders of our Company are also directors and/or shareholders as named in Section 11.1 of this Prospectus. It is the policy of our Company that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that:

(i) there is no conflict of interest;

(ii) the related party transactions are negotiated and agreed in the best interest of our Company at arm's length basis;

(iii) the related party transactions are based on normal commercial terms not more favourable to the related party than those generally available to third parties; and

(iv) the related party transactions are not to the detriment of the interest of our Company's minority shareholders.

In respect of our Directors' interests in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, in line with the Malaysian Code on Corporate Governance and the Corporate Governance Guide, our Directors are required to make an annual disclosure of any related party transactions and conflict of interest with our Group and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and/or conflict of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

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

11.1.1 Interest in similar business of our Group

As highlighted in Section 5.2.3 of this Prospectus, the following Directors and/or Substantial Shareholder are involved in construction related businesses:

Company	Principal activities	Directors and/or Substantial Shareholder	Nature of interest
Cherane Lalie Sdn. Bhd. ("**Cherane Lalie**")	Housing developers, building contractors and transportation	• SK Wong	• SK Wong is our Executive Director and Substantial Shareholder. He is also a director of Cherane Lalie.
Civil Tech Resources Sdn. Bhd. ("**Civil Tech**")	Civil engineering and ground engineering	• Ong Wei Liam @ Jeremy Ong	• Ong Wei Liam @ Jeremy Ong is our Independent Non-Executive Director. He is also a shareholder of Civil Tech holding 8% equity interest in Civil Tech.
LBS Bina Group Berhad ("**LBS Bina**") (Listed on the Main Market of Bursa Securities)	Investment holding company engaged in property development, construction and trading, motor racing circuit and management, investment and others	• Dato' Yong Lei Choo	• Dato' Yong Lei Choo is our Independent Non-Executive Director. She is also an Independent Non-Executive Director of LBS Bina.
Fiamma Holdings Berhad ("**Fiamma**") (Listed on the Main Market of Bursa Securities)	Investment holding company engaged in distribution of consumer products such as electrical home applicances, medical devices, health care products and other household products as well as property development and property investment	• Dato' Yong Lei Choo	• Dato' Yong Lei Choo is our Independent Non-Executive Director. She is also an Independent Non-Executive Director of Fiamma.

Our Board is of the view that the interests of the aforesaid Directors and/or Substantial Shareholder involved in other entities which are carrying on a similar business as our Group do not give rise to a conflict of interest situation in view of the following:

(1) Cherane Lalie

(a) Pursuant to a letter of award dated 26 April 2019 (as supplemented by a letter dated 23 May 2019) ("**Letter of Award**"), Cherane Lalie had awarded a contract to Vestland Resources where Vestland Resources was appointed to carry out construction work in respect of the PPA1M Houses Project at an agreed contract sum of RM14,000,000.00 ("**Works**"), commencing from 1 May 2019 to 30 April 2020. The date of completion of the Works has been extended several times until 31 March 2022.

(b) Under the Letter of Award, the contract sum is payable by Cherane Lalie in the following manner:

(i) 10% of the award sum to be paid by Cherane Lalie within 30 days from the date of progressive invoices issued by Vestland Resources based on works performed; and

(ii) the remaining 90% of the award sum to be paid by Cherane Lalie within 45 days after the delivery of vacant possession and issuance of CCC for the said development.

(c) In view of the payment terms provided under the Letter of Award, Vestland Resources and Cherane Lalie had commercially negotiated and agreed that SK Wong was appointed as a director of Cherane Lalie on 13 May 2019 for the purposes of providing further assurance on the payment by Cherane Lalie of the contract sum due pursuant to the terms of the Letter of Award. SK Wong is not involved in the day-to-day management of the business of Cherane Lalie.

(d) The Works have been completed in March 2022 and upon full payment of the contract sum under the Letter of Award being made by Cherane Lalie, SK Wong will resign as a director of Cherane Lalie. As at the LPD, the CCC for the PPA1M Houses Project has yet to be issued and accordingly, full payment of the contract sum has yet to be made by Cherane Lalie to our Group. Barring any unforeseen circumstances, the CCC is expected to be issued by the end of 2022.

(e) As at the LPD, SK Wong does not have any shareholding interest in Cherane Lalie, whether direct or indirect, or any other interest in his personal capacity. His appointment as a director of Cherane Lalie is in the capacity of nominated director/representative of Vestland Resources.

For information purposes, save for the PPA1M Houses Project as disclosed above, it is not a practice of our Group to have our Group Managing Director and/or Executive Director to be appointed to the board of directors of our customers.

(2) Civil Tech

As at the LPD, Civil Tech is in the process of winding up.

11. CONFLICT OF INTEREST *(cont'd)*

(3) LBS Bina

LBS Bina is an investment holding company principally engaged in property development and construction and trading, motor racing circuit and management, investment and others. The construction arm of LBS Bina is helmed by its subsidiary, MGB Berhad (listed on the Main Market of Bursa Securities), where it is involved in the construction of residential, commercial, and industrial buildings as well as infrastructure works which are similar in nature to our Group's construction services.

Dato' Yong Lei Choo is appointed as the Independent Non-Executive Director of LBS Bina whereby she is not involved in the day-to-day operations of the business of the company as its daily operations are managed by the company's personnel. She only attends meetings of the board of directors on which she serves and accordingly discharges her principal areas of responsibilities as an independent director of the company.

(4) Fiamma

Fiamma is an investment holding company principally engaged in distribution of consumer products such as electrical home applicances, medical devices, health care products and other household products as well as property development and property investment.

Dato' Yong Lei Choo is appointed as the Independent Non-Executive Director of Fiamma whereby she is not involved in the day-to-day operations of the business of the company as its daily operations are managed by the company's personnel. She only attends meetings of the board of directors on which she serves and accordingly discharges her principal areas of responsibilities as an independent director of the company.

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11. CONFLICT OF INTEREST *(cont'd)*

11.1.2 Interest in customers of our Group

Company	Principal activities	Nature	Director and/or Substantial Shareholder	Nature of interest
Cherane Lalie	Housing developers, building contractors and transportations	Cherane Lalie is our customer as we provide construction works to them as subcontractor for the project known as PPA1M Houses Project at an agreed contract sum of RM14,000,000.00.	• SK Wong	• SK Wong is our Executive Director and Substantial Shareholder. He is also a director of Cherane Lalie.

Our Board is of the view that the interest of SK Wong in Cherane Lalie does not give rise to a conflict of interest situation on the basis that SK Wong was appointed to the board of directors of Cherane Lalie merely as a nominee/representative of Vestland Resources in relation to the PPA1M Houses Project. The said project has been completed in March 2022 and SK Wong will resign as a director of Cherane Lalie upon full payment of the contract sum. As at the LPD, SK Wong does not have any shareholding interest in Cherane Lalie, whether direct or indirect, or any other interest in his personal capacity.

11.1.3 Interest in suppliers of our Group

As at the LPD, none of our Directors and Substantial Shareholders have any interest, whether direct or indirect, in any businesses or corporations which are suppliers of our Group.

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11.2 DECLARATIONS BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 AmInvestment Bank

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of Vestland Group.

As at the LPD, AmBank Group has extended loan facilities with a combined limit of RM67.10 million to Vestland Group.

As set out in Section 4.5 of this Prospectus, it is our Group's intention to utilise up to RM7.50 million of the total proceeds raised from the Public Issue to repay credit facilities taken for the acquisition of the New Head Office, which was obtained from AmBank Group ("**AmBank Loan**").

It is the Group's objective to acquire the New Head Office, taking into consideration the rationale set out in Section 4.5.1 of this Prospectus and accordingly, the Group intends to repay the AmBank Loan as it was originally intended to temporarily bridge the purchase consideration of the New Head Office pending receipt of the proceeds to be raised from Public Issue. Further, the repayment of the AmBank Loan is in line with the Group's intention to minimise loan exposure to non-business related banking facilities and taking into consideration the higher overall interest savings to the Group arising from the repayment, which amounts to approximately RM0.06 million per annum (based on the proposed repayment sum of RM7.50 million from the proceeds raised via the Public Issue), as compared to other property-related banking facilities of the Group.

Notwithstanding the above, AmInvestment Bank is of the opinion that the abovementioned does not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO due to the following reasons:

(i) the loan facilities were provided by AmBank Group in its ordinary course of business, and the said loan facilities are not material when compared to the audited NA of AmBank Group as at 31 March 2022 of approximately RM16.76 billion;

(ii) AmBank Group forms a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO is in the ordinary course of business;

(iii) the loan facilities and repayment of the aforementioned credit facilities was not determined in contemplation of and not conditional upon AmInvestment Bank being appointed as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO; and

(iv) each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by Bank Negara Malaysia.

AmInvestment Bank has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO.

11.2.2 Grant Thornton

Grant Thornton has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

11.2.3 Mah-Kamariyah & Philip Koh

Mah-Kamariyah & Philip Koh has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors for our IPO.

11.2.4 Vital Factor

Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultant for our IPO.

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12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2019 to FYE 2021 as well as FPE 2022 has been extracted from the Accountants' Report set out in Section 14 of this Prospectus. The selected financial information included in this Prospectus do not purport to predict our Group's financial position, results of operations and cash flows.

Our Company was incorporated on 10 November 2021 to facilitate our Listing, and we completed the Acquisition on 20 April 2022. Vestland has been under the common control of our Promoters throughout FYE 2019 to FYE 2021 and is regarded as a combined entity. The historical financial information of our Group for FYE 2019 to FYE 2021 and FPE 2022, is presented based on the audited financial statements of our Group.

The following selected historical financial information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.2 of this Prospectus and the Accountants' Report as set out in Section 14 of this Prospectus.

Historical Statements of Profit or Loss and Other Comprehensive Income

	Audited			**Unaudited**	**Audited**
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
Revenue	98,707	97,124	171,081	66,525	139,914
Cost of sales	(86,198)	(82,795)	(147,556)	(56,393)	(119,878)
GP	**12,509**	**14,329**	**23,525**	**10,132**	**20,036**
Other income	1,057	867	370	112	856
Finance income	102	178	154	30	143
Administrative and operating expenses	(3,645)	(4,534)	(7,723)	(3,753)	(5,193)
Finance cost	(653)	(1,221)	(1,733)	(722)	(771)
PBT	**9,370**	**9,619**	**14,593**	**5,799**	**15,071**
Tax expense	(2,205)	(2,610)	(3,958)	(1,597)	(4,405)
PAT / Total comprehensive income for the financial year	**7,165**	**7,009**	**10,635**	**4,202**	**10,666**
Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")(1)	11,432	12,308	17,894	7,324	16,426
Basic EPS / Diluted EPS (sen)(2)	0.76	0.74	1.13	0.45	1.13
GP margin(3) (%)	12.67	14.75	13.76	15.23	14.32
EBITDA margin(4) (%)	11.58	12.67	10.46	11.01	11.74
PBT margin(5) (%)	9.49	9.90	8.53	8.72	10.77
PAT margin(6) (%)	7.26	7.22	6.22	6.32	7.62

12. FINANCIAL INFORMATION *(cont'd)*

Notes:

(1) EBITDA is calculated as follows:

	Audited			Unaudited	Audited
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
PBT	9,370	9,619	14,593	5,799	15,071
Adjusted for :					
Finance income	(102)	(178)	(154)	(30)	(143)
Finance cost	653	1,221	1,733	722	771
Depreciation	1,415	1,529	1,638	791	720
Amortisation	96	117	84	42	7
EBITDA	**11,432**	**12,308**	**17,894**	**7,324**	**16,426**

(2) Basic and diluted EPS are computed based on the PAT divided by the expected number of shares after taking into account the public issue of Shares pursuant to our IPO.

(3) GP margin is computed based on GP divided by the revenue of our Group.

(4) EBITDA margin is computed based on EBITDA divided by the revenue of our Group.

(5) PBT margin is computed based on PBT divided by the revenue of our Group.

(6) PAT margin is computed based on PAT divided by the revenue of our Group.

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Historical Statements of Financial Position

	Audited			
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)
Non-current assets				
Property, plant and equipment[(1)]	16,351	13,363	8,995	11,218
Right-of-use assets[(1)]	1,868	1,667	2,080	1,170
Investment properties[(1)]	5,352	3,934	15,950	12,100
Investment in associates	1,140	-	-	-
Cash and cash equivalents[(2)]	3,450	-	10,846	13,646
Deferred tax assets	101	151	97	11
Total non-current assets	**28,262**	**19,115**	**37,968**	**38,145**
Current assets				
Trade receivables	40,357	57,590	79,252	102,169
Other receivables	17,461	20,659	28,732	22,255
Contract assets	12,604	6,007	17,083	18,767
Cash and cash equivalents[(3)]	12,489	14,047	3,889	24,670
Total current assets	**82,911**	**98,303**	**128,956**	**167,861**
Assets classified as held-for-sale[(1)]	-	3,703	1,828	3,262
Total assets	**111,173**	**121,121**	**168,752**	**209,268**
Equity attributable to the owners of the Company				
Share capital	1,750	1,750	1,750	46,459
Merger deficit	-	-	-	(44,709)
Retained earnings	27,055	34,064	44,700	55,365
Total equity	**28,805**	**35,814**	**46,450**	**57,115**
Non-current liabilities				
Borrowings	4,509	17,281	19,192	20,970
Lease liabilities	1,301	924	1,109	488
Total non-current liabilities	**5,810**	**18,205**	**20,301**	**21,458**
Current liabilities				
Trade payables	36,593	37,521	68,272	77,715
Other payables	20,632	7,565	20,685	12,697
Contract liabilities	9,311	3,479	2,824	13,063
Amount due to Directors[(4)]	15	52	-	-
Borrowings[(5)]	8,741	14,908	6,914	22,205
Lease liabilities	875	1,109	1,032	435
Tax payable	391	2,468	2,274	4,580
Total current liabilities	**76,558**	**67,102**	**102,001**	**130,695**
Total liabilities	**82,368**	**85,307**	**122,302**	**152,153**
Total equity and liabilities	**111,173**	**121,121**	**168,752**	**209,268**

12. FINANCIAL INFORMATION *(cont'd)*

Notes:

(1) The decrease in property, plant and equipment from FYE 2019 to FYE 2021 was mainly attributed to the reclassification of land/building/properties under construction/motor vehicles to right-of-use assets, assets held-for-sale and investment properties. The increase in property, plant and equipment for FPE 2022 was mainly attributable to the reclassification of motor vehicles from right-of use assets and the acquisition of properties.

(2) For FYE 2021 and FPE 2022, the increase in cash and cash equivalents under non-current assets to RM10.85 million and RM13.65 million respectively was mainly attributed to the increase in bank balance and fixed deposits pledged with licensed banks as securities for banking facilities granted.

(3) For FPE 2022, the increase in cash and cash equivalents under current assets to RM24.67 million was mainly due to the net cash inflow from financing activities attributed to the drawdown of revolving credit of RM15.20 million for working capital purposes.

(4) The amount due to Directors has been fully repaid as at the LPD.

(5) For FPE 2022, the increase in borrowings under current liabilities to RM22.21 million was mainly due to the drawdown of revolving credit of RM15.20 million for working capital purposes.

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Historical Statements of Cash Flows

	Audited			
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2022 (RM'000)**
Operating activities				
PBT	9,370	9,619	14,593	15,071
Adjustments for:				
Amortisation of investment properties	96	117	84	7
Depreciation of property, plant and equipment	953	794	731	382
Depreciation of right-of-use assets	462	735	907	338
Interest expenses	717	1,380	1,817	790
Interest income	(102)	(178)	(154)	(143)
Impairment loss on assets held-for-sale	-	332	-	-
Loss on disposal of investment in an associate	-	640	-	-
Loss on disposal of investment property	-	-	-	31
Gain on disposal of assets held-for-sale, net of Real Property Gain Tax	(629)	-	(30)	(92)
(Gain)/Loss on disposal of property, plant and equipment	(36)	(1)	-	32
Property, plant and equipment written off	-	-	20	-
Gain on early termination of right-of-use assets	-	-	(4)	-
Operating profit before working capital changes	**10,831**	**13,438**	**17,964**	**16,416**
Changes in working capital:				
Receivables	7,619	(19,774)	(34,837)	(21,928)
Payables	(4,181)	(247)	38,882	5,467
Contract assets	(1,468)	6,439	(11,161)	(1,704)
Contract liabilities	(6,552)	(5,832)	(655)	10,239
Domestic recourse factoring	(1,437)	-	-	-
Cash generated from/(used in) operations	**4,812**	**(5,976)**	**10,193**	**8,490**
Tax paid	(1,506)	(582)	(4,098)	(2,013)
Net cash from/(used in) operating activities	**3,306**	**(6,558)**	**6,095**	**6,477**

	Audited			
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2022 (RM'000)**
Investing activities				
Subscription of shares in associates	(440)	-	-	-
Interest received	102	177	154	143
Purchase of property, plant and equipment	(119)	(45)	(1,048)	(344)
Proceeds from disposal of assets held-for-sale	2,962	-	2,233	1,920
Proceeds from disposal of investment property	-	-	-	550
Proceeds from disposal of property, plant and equipment	36	5	-	5
Proceeds from disposal of investment in an associate	-	1	-	-
Purchase of investment properties	(1,214)	-	-	-
Purchase of right-of-use assets	-	-	(105)	-
(Advances to)/Repayment from companies in which certain Directors have interest	(1,499)	(3,632)	80	4,188
(Advances to)/Repayment from associates	(579)	2,300	-	-
(Advances to)/Repayment from third parties	(2,634)	674	5,023	1,300
Net cash (used in)/from investing activities	**(3,385)**	**(520)**	**6,337**	**7,762**
Financing activities				
Advances from/(Repayment to) Directors	15	37	(52)	-
(Placement)/Withdrawal of fixed deposits	(955)	3,450	(3,029)	(1,932)
Placement of bank balance pledged	-	-	(7,818)	(867)
Drawdown of term loans	2,584	13,055	4,780	-
Interest paid	(653)	(993)	(1,701)	(771)
Repayment of term loans	(90)	(10,672)	(2,883)	(3,870)
Drawdown of revolving credit	-	-	5,543	15,200
Repayment of lease liabilities	(440)	(676)	(1,216)	(1,218)
Advances from/(Repayment to) third parties	3,210	(1,305)	(1,905)	-
Proceeds from issuance of shares	-	-	Negligible	-
Dividends paid	(2,250)	-	-	-
Net cash from/(used in) financing activities	**1,421**	**2,896**	**(8,281)**	**6,542**
Net increase/(decrease) in cash and cash equivalents	**1,342**	**(4,182)**	**4,151**	**20,781**
Cash and cash equivalents at the beginning of the financial year/period	2,578	3,920	(262)	3,889
Cash and cash equivalents at the end of the financial year/period	**3,920**	**(262)**	**3,889**	**24,670**

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

The following discussion and analysis of our financial condition and results of operations should be read together with the Accountants' Report and related notes as set out in Section 14 of this Prospectus.

12.2.1 Overview of Our Business Operations

We are primarily involved in the construction of residential and non-residential buildings. Residential buildings include apartments and landed residential buildings, while non-residential buildings include mixed-use commercial buildings and offices, industrial buildings, service apartments, hostel and hotels. A small proportion of our business is in civil engineering works segment.

Please refer to Section 7.1 of this Prospectus for further information on our business operations.

12.2.2 Overview of Our Financial Results

Our main revenue stream is derived from building construction activities. Our Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the proportion that contract costs incurred for work performed to date as compared to the estimated total contract cost.

For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, all our revenue was derived from Malaysia.

Please refer to the following sections of this Prospectus for further analysis on the performance of our business activities during the Financial Years and Period Under Review.

12.2.3 Segmental Analysis by Revenue

(a) Revenue by business activities and by type of building

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Building construction	**98,707**	**100.00**	**97,124**	**100.00**	**168,746**	**98.64**
Build segment[(1)]	98,707	100.00	91,224	93.93	103,081	60.26
- *Residential*	*6,715*	*6.80*	*10,483*	*10.80*	*10,317*	*6.03*
- *Non-residential*	*91,992*	*93.20*	*80,741*	*83.13*	*92,764*	*54.23*
Design and build segment	-	-	5,900	6.07	65,665	38.38
- *Residential*	-	-	*5,540*	*5.70*	*32,592*	*19.05*
- *Non-residential*	-	-	*360*	*0.37*	*33,073*	*19.33*
Civil engineering works segment	**-**	**-**	**-**	**-**	**2,335**	**1.36**
Total	**98,707**	**100.00**	**97,124**	**100.00**	**171,081**	**100.00**

12. FINANCIAL INFORMATION *(cont'd)*

Revenue	Unaudited FPE 2021 RM'000	%	Audited FPE 2022 RM'000	%
Building construction	**66,525**	**100.00**	**137,529**	**98.30**
Build segment[(1)]	44,957	67.58	45,477	32.51
- *Residential*	*4,906*	*7.37*	*1,589*	*1.14*
- *Non-residential*	*40,051*	*60.21*	*43,888*	*31.37*
Design and build segment	21,568	32.42	92,052	65.79
- *Residential*	*11,566*	*17.39*	*35,610*	*25.45*
- *Non-residential*	*10,002*	*15.03*	*56,442*	*40.34*
Civil engineering works segment	**-**	**-**	**2,385**	**1.70**
Total	**66,525**	**100.00**	**139,914**	**100.00**

Note:

(1) Includes renovation works and interior fit-out works.

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12. FINANCIAL INFORMATION *(cont'd)*

(b) Revenue by business activities and projects

Revenue by business activities and projects	Audited FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%
Building construction	**98,707**	**100.00**	**97,124**	**100.00**	**168,746**	**98.64**
Build segment[1]	**98,707**	**100.00**	**91,224**	**93.93**	**103,081**	**60.26**
Residential	6,715	6.80	10,483	10.80	10,317	6.03
N53 Super Link House Project	*2,208*	*2.24*	*62*	*0.06*	-	-
Kalista Park Homes Project	*1,569*	*1.59*	*(65)*[2]	*(0.07)*	-	-
Semi-D and Bungalow Houses (Pujaan) Project	*1,446*	*1.46*	*5,537*	*5.70*	*2,071*	*1.21*
PPA1M Houses Project	*1,443*	*1.46*	*4,922*	*5.07*	*8,246*	*4.82*
Sg. Long Show Unit Project	*49*	*0.05*	*27*	*0.04*	-	-
Non-residential	91,992	93.20	80,741	83.13	92,764	54.23
Pearl Suria Residence Project	*4,289*	*4.35*	*13*	*0.01*	-	-
Genting Midhill Project	*1,020*	*1.03*	-	-	-	-
BSP21 Condominium Project	*(1,116)*[2]	*(1.13)*	*764*	*0.79*	-	-
Three33 Residence Project	*44,453*	*45.04*	*9,878*	*10.17*	*1,232*	*0.72*
D'vine Residences Project	-	-	-	-	*2,065*	*1.21*
Cameron Fair Project	*6,555*	*6.64*	*22*	*0.02*	*1*	*
Zenopy Residences Project	*660*	*0.67*	*170*	*0.18*	-	-
Glenz Mixed Commercial Development Project	*22,603*	*22.90*	*57,253*	*58.95*	*57,382*	*33.54*
CPL Aromas Pulau Indah Project	-	-	-	-	*15,250*	*8.91*
Pengerang Project	*64*	*0.06*	-	-	-	-
Habu Project	*54*	*0.05*	-	-	-	-
Disable Home Project	*1*	*	*17*	*0.02*	-	-
KKB Academic Building and Student Accommodation Project	-	-	-	-	*2,780*	*1.62*
ACCH Project	*1,519*	*1.54*	*1*	*	-	-
TUDM Army Camp Package 2 Project	*2,177*	*2.21*	*2,443*	*2.52*	*1,406*	*0.82*
TUDM Army Camp Package 3 Project	*6,399*	*6.48*	*8,968*	*9.23*	*3,798*	*2.22*
Putrajaya Hotel Project	*1,215*	*1.23*	*676*	*0.69*	-	-
Malaysian Armed Forces (Package 3) Project	-	-	-	-	*7,892*	*4.61*
Entertainment Studio Project	*2,099*	*2.13*	*40*	*0.04*	*(46)*[2]	*(0.02)*
Themepark Project	-	-	*496*	*0.51*	*1,004*	*0.60*
Design and build segment	**-**	**-**	**5,900**	**6.07**	**65,665**	**38.38**
Residential	-	-	5,540	5.70	32,592	19.05
Residensi Armani Petaling (Cheras) Project	-	-	*5,540*	*5.70*	*22,423*	*13.11*
Residensi Armani Bukit Lanjan Project	-	-	-	-	*10,169*	*5.94*
Non-residential	-	-	360	0.37	33,073	19.33
Armani Subang SOHO Project	-	-	*208*	*0.21*	*19,826*	*11.59*
Beluran Police Camp Project	-	-	-	-	*13,247*	*7.74*
MyEG Project	-	-	*152*	*0.16*	-	-
Civil engineering works segment	**-**	**-**	**-**	**-**	**2,335**	**1.36**
Plot 3	-	-	-	-	*2,335*	*1.36*
Total	**98,707**	**100.00**	**97,124**	**100.00**	**171,081**	**100.00**

Revenue by business activities and projects	Unaudited FPE 2021 RM'000	%	Audited FPE 2022 RM'000	%
Building construction	**66,525**	**100.00**	**137,529**	**98.30**
Build segment(1)	**44,957**	**67.58**	**45,477**	**32.51**
Residential	4,906	7.38	1,589	1.14
Semi-D and Bungalow Houses (Pujaan) Project	*992*	*1.49*	-	-
PPA1M Houses Project	*3,914*	*5.89*	*1,589*	*1.14*
Non-residential	40,051	60.20	43,888	31.37
Three33 Residence Project	*1,012*	*1.52*	*24*	*0.02*
D'vine Residences Project	-	-	*5,807*	*4.15*
Glenz Mixed Commercial Development Project	*31,236*	*46.95*	*7,345*	*5.25*
CPL Aromas Pulau Indah Project	*3,249*	*4.88*	*18,784*	*13.43*
KKB Academic Building and Student Accommodation Project	*251*	*0.38*	*4,270*	*3.05*
TUDM Army Camp Package 2 Project	*6*	*0.01*	*291*	*0.21*
TUDM Army Camp Package 3 Project	*3,584*	*5.39*	*255*	*0.18*
Entertainment Studio Project	*(46)(2)*	*(0.07)*	-	-
Themepark Project	*759*	*1.14*	*411*	*0.29*
Permas City Project	-	-	*6,701*	*4.79*
Design and build segment	**21,568**	**32.42**	**92,052**	**65.79**
Residential	11,566	17.39	35,610	25.45
Residensi Armani Petaling (Cheras) Project	*8,829*	*13.27*	*20,928*	*14.96*
Residensi Armani Bukit Lanjan Project	*2,737*	*4.12*	*14,682*	*10.49*
Non-residential	10,002	15.03	56,442	40.34
Armani Subang SOHO Project	*6,459*	*9.71*	*15,555*	*11.12*
Beluran Police Camp Project	*3,543*	*5.32*	*40,887*	*29.22*
Civil engineering works segment	**-**	**-**	**2,385**	**1.70**
Plot 9C	-	-	*1,049*	*0.75*
Plot 3	-	-	*468*	*0.33*
Plot 10	-	-	*454*	*0.32*
Plot 9B	-	-	*383*	*0.27*
Habu Cameron Infrastructure Project	-	-	*23*	*0.02*
Plot 9D	-	-	*8*	*0.01*
Total	**66,525**	**100.00**	**139,914**	**100.00**

Notes:

* *Negligible.*

(1) *Includes renovation works and interior fit-out works.*

(2) *The negative revenue recorded for these projects was attributed to the revision of the project accounts arising from finalisation of accounts of the projects upon completion and/or adjustments arising from variation orders.*

FYE 2020 compared to FYE 2019

Our total revenue decreased by RM1.58 million or 1.60% from RM98.71 million in FYE 2019 to RM97.12 million in FYE 2020. This was mainly due to the decrease in revenue from the build segment.

Build segment

Our revenue from the build segment decreased by RM7.48 million or 7.58% from RM98.71 million in FYE 2019 to RM91.22 million in FYE 2020. The decrease in revenue was mainly attributed to the completion of the projects as set out below:

- Revenue from the Three33 Residence Project decreased by RM34.58 million or 77.78% due to the lower percentage of work done at 25.98% in FYE 2020 (FYE 2019: 53.20%). As the project was near completion, we mainly carried out architectural finishing works compared to the previous year which included structural works and architectural works such as bricklaying and tiling works. The project was completed in FYE 2020.
- Revenue decreased by RM12.96 million or 99.26% collectively from three projects which had been completed in prior years including the Cameron Fair Project, Pearl Suria Residence Project and N53 Super Link House Project, as the project accounts were finalised in FYE 2019 wherein we only recorded a collective revenue of RM0.10 million in FYE 2020 mainly from minor rectification works.
- Revenue decreased by RM2.06 million or 98.09% from the completion of the interior fit-out works for Entertainment Studio Project in FYE 2019.

The decrease in revenue was partially offset by the increase in revenue from the following on-going projects which commenced construction in FYE 2019 and in which we had undertaken higher level of construction activities in FYE 2020, including among others, structural works, M&E works and architectural works:

- Revenue from the Glenz Mixed Commercial Development Project increased by RM34.65 million or 153.30% in FYE 2020 and this was mainly due to the higher percentage of work done at 42.68% (FYE 2019: 16.85%).
- Revenue from the Semi-D and Bungalow Houses (Pujaan) Project increased by RM4.09 million or 282.92% in FYE 2020 and this was mainly due to the higher percentage of work done at 60.95% (FYE 2019: 15.45%).
- Revenue from the PPA1M Houses Project increased by RM3.48 million or 241.09% in FYE 2020 and this was mainly due to the higher percentage of work done at 30.62% (FYE 2019: 9.12%).

Design and build segment

We expanded our capabilities to "design and build" construction projects in 2020 where we secured the Residensi Armani Petaling (Cheras) Project and the Armani Subang SOHO Project. For design and build construction projects, we are responsible for the overall project management including the design aspects of the project which covers technical specifications. In this respect, our revenue derived from the design and build segment was RM5.90 million for the FYE 2020 which was mainly attributed to the commencement of the Residensi Armani Petaling (Cheras) Project and Armani Subang SOHO Project where the said projects recorded a revenue of RM5.54 million and RM0.21 million respectively.

We also recognised a revenue of RM0.15 million for the MyEG Project arising from the finalisation of progress claims due to the termination of the contract in FYE 2019 based on mutual agreement.

<u>FYE 2021 compared to FYE 2020</u>

Our total revenue increased by RM73.96 million or 76.15% from RM97.12 million in FYE 2020 to RM171.08 million in FYE 2021. This was mainly due to the increase in revenue from the design and build segment which increased by RM59.77 million or 1,012.97% in FYE 2021.

Build segment

Our revenue from the build segment increased by RM11.86 million or 13.00% from RM91.22 million in FYE 2020 to RM103.08 million in FYE 2021. The increase was mainly contributed by the following:

- The commencement of 3 building construction projects, namely the CPL Aromas Pulau Indah Project, D'vine Residences Project and KKB Academic Building and Student Accommodation Project, which collectively contributed a revenue of RM20.10 million in FYE 2021.
- The increase in revenue from the build segment was also partly attributed by the commencement of the renovation works for the Malaysian Armed Forces (Package 3) Project which contributed RM7.89 million to our revenue in FYE 2021. The project was completed in the same year.
- The increase in revenue of RM3.32 million or 67.53% in FYE 2021 from the PPA1M Houses Project which was mainly due to the higher percentage of work done at 51.54% (FYE 2020: 30.62%) from architectural works.

The increase in revenue was moderated by the decrease in revenue from the following completed projects:

- Decrease in revenue of RM13.82 million or 69.77% in FYE 2021 from two projects namely the Three33 Residence Project due to lower revenue recognition as the project was completed in FYE 2020 and the TUDM Army Camp Package 3 Project which recorded a relatively lower revenue in FYE 2021 arising from rectification works performed as compared to the higher revenue recognised in FYE 2020 arising from adjustments to contract value following the completion of said project.
- Decrease in revenue of RM3.47 million or 62.60% in FYE 2021 from the Semi-D and Bungalow Houses (Pujaan) Project due to the lower percentage of work done of 23.60% (FYE 2020: 60.95%) as the project was near completion where we mainly carried out finishing works. The project was completed in FYE 2021.

Design and build segment

Our revenue from the design and build segment increased by RM59.77 million or 1,012.97% from RM5.90 million in FYE 2020 to RM65.67 million in FYE 2021. The increase was mainly contributed by the increase in revenue from the following on-going projects which commenced construction in FYE 2020:

- Increase in revenue of RM19.62 million or 9,431.73% in FYE 2021 from the Armani Subang SOHO Project and this was mainly due to a higher percentage of work done at 46.04% (FYE 2020: 0.48%) including structural works, M&E works and architectural works.

- Increase in revenue of RM16.88 million or 304.75% in FYE 2021 from the Residensi Armani Petaling (Cheras) Project and this was mainly due to a higher percentage of work done of 38.63% (FYE 2020: 9.54%) including architectural works.

In addition, the increase in revenue was partly contributed by the commencement of the Residensi Armani Bukit Lanjan Project and Beluran Police Camp Project which collectively contributed a revenue of RM23.42 million in FYE 2021.

Civil engineering works segment

In FYE 2021, we secured the Plot 3 project where the scope was for earthworks and rock hacking works for 2 blocks of serviced apartments. Our revenue derived from the civil engineering works segment was RM2.33 million for the FYE 2021 and this was attributed to the commencement of this project. This project was completed in January 2022.

FPE 2022 compared to FPE 2021

Our total revenue increased by RM73.39 million or 110.32% from RM66.53 million in FPE 2021 to RM139.91 million in FPE 2022. This was mainly contributed by the increase in revenue from the design and build segment which increased by RM70.48 million or 326.79% in FPE 2022.

Build segment

Our revenue from the build segment increased by RM0.52 million or 1.16% from RM44.96 million in FPE 2021 to RM45.48 million in FPE 2022. The increase was mainly contributed by the following on-going projects:

- The increase in revenue of RM15.53 million or 478.15% in FPE 2022 from the CPL Aromas Pulau Indah Project and this was mainly due to higher percentage of work done at 50.99% (FPE 2021: 8.82%) including architectural works, structural works and M&E works.

- The increase in revenue from the build segment was partly attributed to the commencement of the D'vine Residences Project in July 2021 as well as Permas City Project in January 2022 which collectively contributed RM12.51 million to our revenue in FPE 2022.

- The increase in revenue of RM4.02 million or 1,601.20% in FPE 2022 from the KKB Academic Building and Student Accommodation Project and this was mainly due to higher percentage of work done at 14.91% (FPE 2021: 0.88%) including structural works.

The increase in revenue from the build segment was moderated by the decrease in revenue from the following completed projects:

- Decrease in revenue of RM26.22 million or 74.59% collectively from two projects, namely Glenz Mixed Commercial Development Project and PPA1M Houses Project due to lower percentage of work done as these projects were near completion involving mainly finishing works. These two projects were completed in FPE 2022.

- Decrease in revenue of RM5.31 million or 95.01% collectively from three projects which had been completed in prior years including the TUDM Army Camp Package 3 Project, Semi-D and Bungalow Houses (Pujaan) Project and Three33 Residence Project.

Design and build segment

Our revenue from the design and build segment increased by RM70.48 million or 326.79% from RM21.57 million in FPE 2021 to RM92.05 million in FPE 2022. The increase in revenue was mainly contributed by the following on-going projects:

- Increase in revenue of RM37.34 million or 1,054.02% in FPE 2022 from the Beluran Police Camp Project and this was mainly due to a higher percentage of work done at 12.29% (FPE 2021: 1.06%) including earthworks, structural works, M&E works and architectural works.

- Increase in revenue of RM12.10 million or 137.03% in FPE 2022 from the Residensi Armani Petaling (Cheras) Project and this was mainly due to a higher percentage of work done at 35.98% (FPE 2021: 15.20%) including M&E works, architectural works and structural works.

- Increase in revenue of RM11.94 million or 436.42% in FPE 2022 from the Residensi Armani Bukit Lanjan Project and this was mainly due to a higher percentage of work done at 41.30% (FPE 2021: 7.69%) including structural works and M&E works.

- Increase in revenue of RM9.10 million or 140.82% in FPE 2022 from the Armani Subang SOHO Project and this was mainly due to a higher percentage of work done at 36.09% (FPE 2021: 15.01%) including M&E works and architectural works.

Civil engineering works segment

Revenue from the civil engineering works segment which accounted for RM2.39 million 1.70% of the total revenue for the FPE 2022 was contributed by 6 civil engineering works projects which had commenced in the second-half of FYE 2021 and in January 2022.

(c) Revenue by Geographical Markets

For the Financial Years and Period Under Review, all our revenue was derived from Malaysia.

12.2.4 Cost of Sales

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Subcontractor Services	**49,217**	**57.10**	**48,706**	**58.83**	**85,884**	**58.20**
- *Architectural works*	*21,164*	*24.56*	*17,954*	*21.69*	*29,983*	*20.31*
- *M&E works*	*17,024*	*19.75*	*14,607*	*17.64*	*27,029*	*18.32*
- *Structural works*	*6,502*	*7.54*	*12,086*	*14.60*	*17,438*	*11.82*
- *Other subcontracted services(1)*	*4,527*	*5.25*	*4,059*	*4.90*	*11,434*	*7.75*
Construction materials	**21,879**	**25.39**	**21,955**	**26.52**	**43,118**	**29.22**
- *Steel materials*	*7,671*	*8.90*	*8,178*	*9.88*	*17,985*	*12.19*
- *Concrete and cement materials*	*6,850*	*7.95*	*7,300*	*8.82*	*13,952*	*9.46*
- *Other materials(2)*	*7,358*	*8.54*	*6,477*	*7.82*	*11,181*	*7.58*
Labour costs	**4,538**	**5.26**	**3,454**	**4.17**	**3,874**	**2.63**
Rental charges(3)	**4,794**	**5.56**	**2,873**	**3.47**	**6,422**	**4.35**
Project overhead and other related costs(4)	**5,770**	**6.69**	**5,807**	**7.01**	**8,258**	**5.60**
Total	**86,198**	**100.00**	**82,795**	**100.00**	**147,556**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**
Subcontractor Services	**32,411**	**57.47**	**65,823**	**54.91**
- *Architectural works*	*10,214*	*18.11*	*16,062*	*13.40*
- *M&E works*	*13,537*	*24.00*	*22,932*	*19.13*
- *Structural works*	*5,509*	*9.77*	*16,966*	*14.15*
- *Other subcontracted services(1)*	*3,151*	*5.59*	*9,863*	*8.23*
Construction materials	**17,114**	**30.35**	**35,393**	**29.52**
- *Steel materials*	*6,340*	*11.24*	*15,329*	*12.79*
- *Concrete and cement materials*	*5,739*	*10.18*	*9,934*	*8.28*
- *Other materials(2)*	*5,035*	*8.93*	*10,130*	*8.45*
Labour costs	**1,716**	**3.04**	**3,546**	**2.96**
Rental charges(3)	**2,203**	**3.91**	**7,855**	**6.55**
Project overhead and other related costs(4)	**2,949**	**5.23**	**7,261**	**6.06**
Total	**56,393**	**100.00**	**119,878**	**100.00**

Notes:

(1) Other subcontracted services include landscaping works, infrastructure works, foundation works, piling works and earthworks.

(2) Other materials include tiles, sanitary wares, brickwork materials, doors and windows, hardware and consumables, aggregates, plywood and timber, and scaffoldings.

(3) Rental charges include mainly rental of machines and equipments such as excavators, backhoe and cranes for our construction projects.

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(4) *Project overhead and other related costs include application fees for authority submission, administrative expenses, site workers expenses, site utility expenses, finance costs and depreciation.*

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Building construction	**86,198**	**100.00**	**82,795**	**100.00**	**145,524**	**98.62**
Build segment[(1)]	86,198	100.00	77,886	94.07	89,995	60.99
- *Residential*	*3,994*	*4.63*	*9,787*	*11.82*	*9,648*	*6.54*
- *Non-residential*	*82,204*	*95.37*	*68,099*	*82.25*	*80,347*	*54.45*
Design and build segment	-	-	4,909	5.93	55,530	37.63
- *Residential*	-	-	*4,728*	*5.71*	*27,672*	*18.75*
- *Non-residential*	-	-	*181*	*0.22*	*27,858*	*18.88*
Civil engineering works segment	**-**	**-**	**-**	**-**	**2,031**	**1.38**
Total	**86,198**	**100.00**	**82,795**	**100.00**	**147,556**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**
Building construction	**56,393**	**100.00**	**117,804**	**98.27**
Build segment[(1)]	38,171	67.68	40,400	33.70
- *Residential*	*4,875*	*8.64*	*1,765*	*1.47*
- *Non-residential*	*33,296*	*59.04*	*38,635*	*32.23*
Design and build segment	18,222	32.32	77,404	64.57
- *Residential*	*9,788*	*17.36*	*30,252*	*25.24*
- *Non-residential*	*8,434*	*14.96*	*47,152*	*39.33*
Civil engineering works segment	**-**	**-**	**2,074**	**1.73**
Total	**56,393**	**100.00**	**119,878**	**100.00**

Note:

(1) *Includes renovation works and interior fit-out works.*

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Our cost of sales mainly consists of the following:

(a) Subcontractor costs

We engaged subcontractors to carry out certain portions of the construction works including building works comprising structural works and architectural works, M&E works, foundation works, piling works, earthworks, landscaping and infrastructure works. For FYE 2019, FYE 2020 and FYE 2021, subcontractor costs accounted for 57.10%, 58.83% and 58.20% of our total cost of sales respectively.

For the FYE 2020, our subcontractor costs decreased by RM0.51 million or 1.04% which was in line with the decrease in our revenue by 1.60% in FYE 2020 and this was mainly due to the lower percentage of work done for the Three33 Residence Project in FYE 2020 as it was completed in September 2020 and only minor rectification works were performed in FYE 2020 for the Cameron Fair Project, Pearl Suria Residence Project and N53 Super Link House Project. This decrease was however partially mitigated by the increase in costs for the Glenz Mixed Commercial Development Project which was on-going in FYE 2020.

For the FYE 2021, our subcontractor costs increased by RM37.18 million or 76.33% which was in line with the increase in our revenue by 76.15% in FYE 2021 and this was mainly due to higher M&E works performed in FYE 2021 for the Glenz Mixed Commercial Development Project, higher percentage of work done for the Armani Subang SOHO Project and Residensi Armani Petaling (Cheras) Project as well as the commencement of the CPL Aromas Pulau Indah Project, Malaysian Armed Forces (Package 3) Project, Beluran Police Camp Project and Residensi Armani Bukit Lanjan Project in FYE 2021.

For the FPE 2022, our subcontractor costs increased by RM33.41 million or 103.09% which was in line with the increase in our revenue by 110.32% in FPE 2022. The increase was mainly due to subcontractor costs incurred attributed to the various projects including Beluran Police Camp Project, CPL Aromas Pulau Indah Project, Armani Subang SOHO Project, Residensi Armani Petaling (Cheras) Project, Glenz Mixed Commercial Development Project, Permas City Project and Residensi Armani Bukit Lanjan Project.

Please refer to Section 12.2.3 of this Prospectus for further analysis on revenue by business activities.

(b) Construction materials

Construction materials mainly comprised steel materials, concrete and cement materials for our construction activities. For FYE 2019, FYE 2020 and FYE 2021, construction materials accounted for 25.39%, 26.52% and 29.22% of our total cost of sales respectively.

For FYE 2020, our cost of sales for construction materials increased by RM0.08 million or 0.35%. This was mainly attributed to an increase in the materials used such as steel materials, concrete and cement materials for the structural works of several projects which had commenced construction since FYE 2019. This includes the Glenz Mixed Commercial Development Project, Semi-D and Bungalow Houses (Pujaan) Project and PPA1M Houses Project. Additionally, the increase in construction materials cost was also partly contributed by the Residensi Armani Petaling (Cheras) Project which had commenced construction works in FYE 2020. This increase in cost of sales for construction materials was partially offset by the decrease in material costs for Three33 Residence Project which was already nearing completion in FYE 2020.

For the FYE 2021, our cost of sales for construction materials increased by RM21.16 million or 96.39%. This was mainly attributed to the higher level of construction activities for several of our Group's design and build contracts in FYE 2021 such as the Residensi Armani Petaling (Cheras) Project, Residensi Armani Bukit Lanjan Project, Armani Subang SOHO Project as well as our build segment such as the CPL Aromas Pulau Indah Project. This had necessitated an increase in materials used such as steel materials, concrete and cement materials for the structural works of the aforementioned projects in FYE 2021. The increase in our cost of sales for construction materials for FYE 2021 was also partly due to the increase in prices of the construction materials mainly involving steel products whereby the average purchase price of steel bars purchased by our Group increased by 43.27% in FYE 2021.

For the FPE 2022, our cost of sales for construction materials increased by RM18.28 million or 106.81%. This was mainly attributed to the higher level of construction activities for our on-going design and build projects which had necessitated an increase in materials used such as steel materials, concrete and cement materials for the structural works coupled with the slight increase in material prices (mainly steel bars) in FPE 2022.

Please refer to Section 9.1.3 of this Prospectus for further details on the risks relating to price fluctuations of our construction materials.

(c) Labour costs

Labour costs refer to direct labour costs of full time employees who are directly involved in the construction projects such as project managers and site supervisors.

For FYE 2020, our labour costs decreased by 23.89% or RM1.08 million and this was mainly due to the decrease in labour costs incurred from completed projects including the Three33 Residence Project which was completed in FYE 2020 as well as the TUDM Army Camp Package 2 Project and TUDM Army Camp Package 3 Project, both of which were completed in FYE 2019. The decrease was partially offset by the increase in labour cost incurred for several on-going projects including the Residensi Armani Petaling (Cheras) Project and the Glenz Mixed Commercial Development Project which coincides with the increase in percentage of completion of these projects as highlighted in Section 12.2.3 of this Prospectus.

For the FYE 2021, our labour costs increased by RM0.42 million or 12.16% and this was mainly contributed by the increase in labour-intensive works for several on-going building construction projects from the build segment as well as design and build segment which commenced construction in FYE 2020 and FYE 2021. The increase in labour costs incurred was partially moderated by the decrease in labour costs incurred from completed projects. Notwithstanding the higher level of construction activities for our construction projects during FYE 2021, the increase in labour costs of 12.16% was relatively lower as compared to the increase in construction material cost and subcontractor costs in FYE 2021 as our subcontractors for our projects during the year had, in general, sourced for their own labour supply and accordingly, such labour costs had been embedded within our subcontractor costs.

For the FPE 2022, our labour costs increased by RM1.83 million or 106.64% and this was mainly contributed by the increase in labour costs incurred for our on-going construction including Residensi Armani Petaling (Cheras) Project, Armani Subang SOHO Project, Residensi Armani Bukit Lanjan Project, Beluran Police Camp Project, Glenz Mixed Commercial Development Project, D'vine Residences Project and CPL Aromas Pulau Indah Project.

Please refer to Section 12.2.3 of this Prospectus for further analysis on revenue by business activities.

(d) Rental charges

We incur rental charges which mainly consists of rental of machinery and equipment comprising rental of cranes, loaders, excavators, compactors and scaffoldings for our building construction activities which accounted for 5.56%, 3.47% and 4.35% of our total cost of sales for FYE 2019, FYE 2020 and FYE 2021 respectively.

For FYE 2020, our cost of sales for the rental of machinery and equipment decreased by RM1.92 million or 40.07%. This was mainly attributed to the completion of the Three33 Residence Project in 2020 as well as the decrease in rental of excavators and compactors for the Glenz Mixed Commercial Development Project which were mainly used during the early stages of the construction.

For FYE 2021, our cost of sales for the rental of machinery and equipment increased by RM3.55 million or 123.53%. This was mainly attributed to several on-going building construction projects from the build segment and design and build segment which are at different stages of construction works and necessitates the use of machineries and equipment such as the Residensi Armani Petaling (Cheras) Project, Armani Subang SOHO Project, Residensi Armani Bukit Lanjan Project, CPL Aromas Pulau Indah Project and the commencement of our civil engineering works project namely Plot 3.

For the FPE 2022, our cost of sales for the rental of machinery and equipment increased by RM5.65 million or 256.56%. This was mainly attributed to our on-going construction projects from the build segment as well as design and build segment such as the Beluran Police Camp Project, D'vine Residences Project, CPL Aromas Pulau Indah Project, Residensi Armani Bukit Lanjan Project, Residensi Armani Petaling (Cheras) Project and Armani Subang SOHO Project, which are at different stages of construction works, hence necessitating the use of machineries and equipment.

(e) Project overhead and other related costs

Project overhead costs mainly include preliminary expenses incurred for the preparation of project sites and site office expense, depreciation costs and construction project related finance cost.

For FYE 2020, our project overhead and other related costs increased slightly by RM0.04 million or 0.64% and this was mainly due to the purchase of sanitizers, face masks and test kits.

For FYE 2021, our project overhead and other related costs increased by RM2.45 million or 42.21% and this was mainly due to the increase in expenses incurred for the preparation of project sites mainly the Beluran Police Camp Project and CPL Aromas Pulau Indah Project.

For the FPE 2022, our project overhead and other related costs increased by RM4.31 million or 146.22% and this was due to the increase in fuel and transportation costs for our on-going projects from build segment as well as design and build segment.

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12.2.5 Segmental Analysis by GP

(i) GP and GP margin by business activities

	Audited								
	FYE 2019			FYE 2020			FYE 2021		
	GP RM'000	%	GP margin %	GP RM'000	%	GP margin %	GP RM'000	%	GP margin %
Building construction	**12,509**	**100.00**	**12.67**	**14,329**	**100.00**	**14.75**	**23,221**	**98.71**	**13.76**
Build segment[(1)]	12,509	100.00	12.67	13,338	93.08	14.62	13,086	55.63	12.69
- *Residential*	*2,721*	*21.75*	*40.52*	*696*	*4.86*	*6.64*	*669*	*2.85*	*6.48*
- *Non-residential*	*9,788*	*78.25*	*10.64*	*12,642*	*88.22*	*15.66*	*12,417*	*52.78*	*13.39*
Design and build	-	-	-	991	6.92	16.80	10,135	43.08	15.43
- *Residential*	-	-	-	*812*	*5.67*	*14.66*	*4,920*	*20.91*	*15.10*
- *Non-residential*	-	-	-	*179*	*1.25*	*49.72*	*5,215*	*22.17*	*15.77*
Civil engineering works segment	**-**	**-**	**-**	**-**	**-**	**-**	**304**	**1.29**	**13.02**
Total	**12,509**	**100.00**	**12.67**	**14,329**	**100.00**	**14.75**	**23,525**	**100.00**	**13.75**

	Unaudited			Audited		
	FPE 2021			FPE 2022		
	GP RM'000	%	GP margin %	GP RM'000	%	GP margin %
Building construction	**10,132**	**100.00**	**15.23**	**19,725**	**98.45**	**14.34**
Build segment[(1)]	6,786	66.97	15.09	5,077	25.34	11.16
- *Residential*	*30*	*0.30*	*0.62*	*(176)*	*(0.88)*	*(11.06)*
- *Non-residential*	*6,756*	*66.67*	*16.87*	*5,253*	*26.22*	*11.97*
Design and build	3,346	33.03	15.51	14,648	73.11	15.91
- *Residential*	*1,778*	*17.55*	*15.37*	*5,358*	*26.74*	*15.05*
- *Non-residential*	*1,568*	*15.48*	*15.68*	*9,290*	*46.37*	*16.46*
Civil engineering works segment	**-**	**-**	**-**	**311**	**1.55**	**13.05**
Total	**10,132**	**100.00**	**15.23**	**20,036**	**100.00**	**14.32**

Note:

(1) Include renovation works and interior fit-out works.

FYE 2020 compared to FYE 2019

Our total GP increased by RM1.82 million or 14.55% to RM14.33 million in FYE 2020 while our GP margin improved from 12.67% in FYE 2019 to 14.75% in FYE 2020. The increase in overall GP was mainly attributed to our design and build segment which recorded a GP of RM0.99 million in FYE 2020 whilst the improvement in overall GP margin was mainly attributable to the Glenz Mixed Commercial Development Project and TUDM Army Camp Package 3 Project.

Build segment

GP from our build segment increased by RM0.83 million or 6.63% to RM13.34 million in FYE 2020, and our GP margin improved from 12.67% in FYE 2019 to 14.62% in FYE 2020 which was mainly contributed by the following:

- The improvement in GP margin was mainly attributable to the Glenz Mixed Commercial Development Project which recorded a higher margin of 18.60% in FYE 2020 (FYE 2019: 8.85%). This was primarily due to a downward revision in the budgeted cost from the use of alternative materials that are more cost effective which resulted in cost savings while still meeting the project's requirements and specifications. We recorded GP margin of 60.84% and 13.89% for TUDM Army Camp Package 3 Project for FYE 2020 and FYE 2019 respectively. The higher GP and GP margin contributed by the TUDM Army Camp Package 3 Project was mainly due to adjustments made in FYE 2020 to reflect a reduction in contract costs and a corresponding contract value (albeit at a lower quantum) following completion of works in FYE 2019.

The higher GP margin of 40.52% in FYE 2019 for the residential sub-segment under the build segment was mainly due to the lower subcontractor costs incurred during the finalisation of project accounts of the N53 Super Link House Project in FYE 2019.

The increase in GP in FYE 2020 was partially offset by the gross loss recorded from the following projects:

- A gross loss of RM4.02 million from Three33 Residence Project due to the additional costs incurred from the shorter permissible working hours at the site which had resulted in the increase in the overall cost to complete the said project.

- A gross loss of RM0.59 million from the Kalista Park Homes Project due to the additional works arising from revision in the scope of works by the customer resulting in lower overall margin of the project.

- A collective gross loss of RM1.06 million from the N53 Super Link House Project, Genting Midhill Project and BSP 21 Condominium Project which was associated with additional cost incurred for rectification works carried out. Although these projects recorded gross losses in FYE 2020, the overall projects still remain profitable.

Design and build segment

Our design and build segment recorded a GP of RM0.99 million with a GP margin of 16.80% in FYE 2020. This was mainly contributed by the Residensi Armani Petaling (Cheras) Project and Armani Subang SOHO Project which commenced in FYE 2020 with GP margins of 14.66% and 12.99% respectively.

FYE 2021 compared to FYE 2020

Our total GP increased by RM9.20 million or 64.18% to RM23.53 million in FYE 2021 while GP margin declined from 14.75% in FYE 2020 to 13.75% in FYE 2021. The increase in overall GP was mainly attributed to our design and build segment which increased by RM9.14 million or 922.70%.

Build segment

GP from our build segment decreased by RM0.25 million or 1.89% to RM13.09 million in FYE 2021 while GP margin declined from 14.62% in FYE 2020 to 12.69% in FYE 2021. This was mainly due to the following:

- Decrease in GP of RM4.90 million or 89.79% in FYE 2021 from the TUDM Army Camp Package 3 Project as the GP for FYE 2020 includes adjustments to contract values and cost as highlighted above. This had also contributed to the relatively higher GP margin in FYE 2020 (of 60.84%) in comparison to FYE 2021 (of 14.66%).

- Decrease in GP of RM2.01 million or 18.84% in FYE 2021 from the Glenz Mixed Commercial Development Project due to variation orders from the customer which resulted in additional cost incurred for work done in FYE 2021 which had lower GP margins. This resulted in the decrease of the GP margin of this project by 3.54% from 18.60% in FYE 2020 to 15.06% in FYE 2021.

The decrease in GP was partially offset by the increase in GP from the commencement of projects in FYE 2021 namely CPL Aromas Pulau Indah Project, D'vine Residences Project, KKB Academic Building and Student Accommodation Project as well as Malaysian Armed Forces (Package 3) Project, which collectively contributed a GP of RM3.22 million in FYE 2021.

Design and build segment

GP from our design and build segment increased by RM9.14 million or 922.70% to RM10.14 million in FYE 2021 while GP margin decreased from 16.80% in FYE 2020 to 15.43% in FYE 2021.

The increase in GP was mainly contributed by the following:

- The contribution from two design and build projects which commenced in FYE 2020 namely Residensi Armani Petaling (Cheras) Project and Armani Subang SOHO Project. These two projects collectively which commenced in FYE 2020 had contributed to an increase in GP of RM5.55 million or 661.11% in FYE 2021.

- The GP was also partly contributed by the commencement of two new design and build projects in FYE 2021 namely the Residensi Armani Bukit Lanjan Project and Beluran Police Camp Project which collectively contributed a GP of RM3.75 million.

The decline in the GP margin in FYE 2021 was mainly attributed to the higher margin in FYE 2020 arising from the finalisation of progress claims for the MyEG Project as there was a revenue of RM0.15 million recognised and no cost incurred during the finalisation of the claims, pursuant to the mutual termination of the contract in FYE 2019.

Civil engineering works segment

Our civil engineering works segment recorded a GP of RM0.30 million with a GP margin of 13.02% in FYE 2021. This was contributed by the Plot 3 project which commenced in FYE 2021 and was completed in January 2022.

FPE 2022 compared to FPE 2021

Our total GP increased by RM9.90 million or 97.74% to RM20.04 million in FPE 2022 while GP margin declined from 15.23% in FPE 2021 to 14.32% in FPE 2022. The increase in overall GP was mainly attributed to our design and build segment which increased by RM11.30 million or 337.73%.

Build segment

GP from our build segment decreased by RM1.71 million or 25.19% to RM5.08 million in FPE 2022 while GP margin declined from 15.09% in FPE 2021 to 11.16% in FPE 2022. This was mainly due to the decrease in GP of RM3.85 million or 85.80% in FPE 2022 from the Glenz Mixed Commercial Development Project mainly due to the near completion of construction as well as work done with lower GP margin. This has resulted in the decrease in GP margin of this project by 5.68% from 14.35% in FPE 2021 to 8.67% in FPE 2022.

The decrease in GP in FPE 2022 was partially offset by the increase in GP by RM2.10 million from the CPL Aromas Pulau Indah Project which was in line with the increase in revenue.

Design and build segment

GP from our design and build segment increased by RM11.30 million or 337.73% to RM14.65 million in FPE 2022 which was in line with the increase in revenue of 326.79% in FPE 2020 while the GP margin increased from 15.51% in FPE 2021 to 15.91% in FPE 2022. The improvement in GP margin was mainly due to the increased GP contribution from a higher margin project, namely the Beluran Police Camp Project.

Civil engineering works segment

Our civil engineering works segment recorded a GP of RM0.30 million with a GP margin of 13.05% in FPE 2022. This was mainly contributed by the Plot 9C project which was commenced in December 2021 and completed subsequent to FPE 2022.

Our civil engineering works are mainly earthworks and rock hacking works which involve site clearance, excavation and backfilling, as well as levelling, earth compacting and slope stabilisation. These types of works command a lower margin as it involves lesser specialisation and lesser skilled works.

(ii) GP by geographical markets

For the Financial Years and Period Under Review, all our gross profit was derived from Malaysia.

12.2.6 Interest and other income

Interest and other income	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Rental and utility fees	215	18.55	272	26.03	159	30.34
Interest income	102	8.80	178	17.03	154	29.39
Wage subsidy received(1)	-	-	143	13.68	111	21.18
Miscellaneous charges to subcontractors(2)	9	0.78	402	38.47	62	11.83
Gain on disposal of land and building(3)	629	54.27	-	-	30	5.73
Reversal of cost charged by subcontractor(3)	130	11.22	-	-	-	-
Others(4)	74	6.38	50	4.79	8	1.53
Total	**1,159**	**100.00**	**1,045**	**100.00**	**524**	**100.00**

Interest and other income	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Rental and utility fees	102	71.61	68	6.87
Interest income	30	21.17	143	14.29
Wage subsidy received(1)	13	9.26	291	29.11
Miscellaneous charges to subcontractors(2)	(6)	(4.30)	405	40.56
Gain on disposal of land and building(3)	-	-	92	9.17
Others(4)	3	2.26	-	-
Total	**142**	**100.00**	**999**	**100.00**

Notes:

(1) *The wage subsidy arises from the Group's eligibility for wage subsidy programmes implemented by the Government. The recurrence of such wage subsidies is dependent on the Government's initiatives as well as the Group's continued eligibility for such programmes in the future.*

(2) *Mainly includes supply of medical products and back charge of costs to subcontractors.*

(3) *These items are one-off in nature.*

(4) *Including gains on disposal of motor vehicles, penalties imposed on subcontractors, waiver obtained in relation to a property rented by our Group following the onset of the COVID-19 pandemic, and other miscellaneous income. Generally, these items are one-off in nature.*

FYE 2020 compared to FYE 2019

Other income decreased by RM0.11 million or 9.84% to RM1.05 million in FYE 2020 and this was mainly due to the gains of RM0.63 million in FYE 2019 from the one-off disposal of a piece of leasehold land in Puchong which was previously acquired through Contra Payment for outstanding receivables from a customer for a project that was completed prior to the Financial Years Under Review. The decrease was partially offset by the increase of RM0.39 million in income from the miscellaneous charges to subcontractors which was mainly for the supply of medical products including face masks and sanitisers as well as charges for COVID-19 testing. In addition, we received a subsidy amounting to RM0.14 million under the wage subsidy programme.

FYE 2021 compared to FYE 2020

Other income decreased by RM0.52 million or 49.86% to RM0.52 million in FYE 2021 and this was mainly due to the decrease of RM0.34 million from the miscellaneous charges to subcontractors due to reduction in charges for COVID-19 testing and supply of medical products. The decrease was also partly due to the decrease of RM0.11 million in rental and utility fees mainly from our related parties, which have since ceased in FYE 2021. Please refer to Section 10.1 of this Prospectus for further details on the related party transactions.

FPE 2022 compared to FPE 2021

Other income increased by RM0.86 million or 603.52% to RM1.00 million in FPE 2022 and this was mainly contributed by the RM0.41 million pertaining to back charges of labour costs to subcontractors for reimbursement of costs of foreign worker labour as well as a subsidy received of RM0.29 million under the wage subsidy programme. In addition, the increase was also partly contributed by the increase in interest income of RM0.11 million in FPE 2022 mainly due to placement of fixed deposits.

12.2.7 Administrative and operating expenses

Administrative and operating expenses	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Administrative and operating expenses	**3,645**	**100.00**	**3,562**	**78.56**	**7,723**	**100.00**
- Staff cost(1)	1,017	27.90	800	17.64	2,107	27.28
- Directors' remuneration(2)	918	25.19	1,056	23.29	1,246	16.13
- Professional fees	80	2.19	116	2.56	945	12.24
- Bank charges	87	2.39	28	0.62	1,247	16.15
- Depreciation and amortisation	513	14.07	424	9.35	381	4.93
- Penalty payments(3)	101	2.77	402	8.87	117	1.51
- Rental expenses	284	7.79	253	5.58	252	3.26
- Other administrative expenses(4)	645	17.70	483	10.65	1,428	18.50
Others(5)	**-**	**-**	**972**	**21.44**	**-**	**-**
Total	**3,645**	**100.00**	**4,534**	**100.00**	**7,723**	**100.00**

Administrative and operating expenses	Unaudited FPE 2021 RM'000	%	Audited FPE 2022 RM'000	%
Administrative and operating expenses				
- Staff cost(1)	480	12.79	1,948	37.51
- Directors' remuneration(2)	481	12.82	625	12.04
- Professional fees	368	9.81	1,388	26.73
- Bank charges	1,227	32.69	4	0.08
- Depreciation and amortisation	192	5.12	106	2.04
- Rental expenses	136	3.62	103	1.98
- Other administrative expenses(4)	869	23.15	1,019	19.62
Total	**3,753**	**100.00**	**5,193**	**100.00**

Notes:

(1) Staff costs include salaries, bonuses, allowances, employee contributions and other staff related expenses.

(2) Directors' remuneration includes salaries, bonuses, allowances and contributions.

(3) Penalties incurred mainly due to the Tax Investigation.

(4) Other administrative and operating expenses include authority fees such as stamp duty payment, quit rent and assessment fees, insurance premiums paid, upkeep and maintenance, utilities, travelling and transportation expense, office related expenses such as printing and stationary expenses, COVID-19 expenses, information technology ("IT") related fees, fixed assets written off of RM0.02 million in FYE 2021 mainly pertaining to furniture and fittings which were damaged and no longer in use and payment of application fees to Bursa Securities in May 2022 for our IPO exercise.

(5) Including loss on disposal of investment in associate and impairment of assets held for sale.

FYE 2020 compared to FYE 2019

Our administrative and operating expenses increased by RM0.89 million or 24.39% to RM4.53 million in FYE 2020. This was mainly contributed by the loss of RM0.64 million from the disposal of investment in Grand Golden Development Sdn Bhd, an associate company in FYE 2020. Please refer to Section 12.4 (ix) of this Prospectus for further details on the disposal.

In addition, during FYE 2020 there was an impairment loss on assets held for sale of RM0.33 million which consists of a leasehold land with one unit of three storey semi-detached residential property in Puchong. On 9 July 2021, we entered into the sale and purchase agreement with a buyer for a total purchase consideration of RM1.50 million. Please refer to Note 13 of the Accountant's Report included in Section 14 of this Prospectus for further details on the impairment loss.

In FYE 2020, there was also an increase in penalty payments by RM0.30 million or 298.02% mainly due to tax penalties arising from a tax investigation initiated by IRB on Vestland Resources which has since been concluded. Further details on the Tax Investigation have been set out under Section 7.19 of this Prospectus.

The increase in administrative and operating expenses was however partially offset by a decrease in staff cost by RM0.22 million or 21.34% due to the lower average headcount of 55 employees in FYE 2020 (FYE 2019: 75 employees) mainly because of the gradual resignation of employees throughout FYE 2019 to FYE 2020.

FYE 2021 compared to FYE 2020

Our administrative and operating expenses increased by RM3.19 million or 70.34% to RM7.72 million in FYE 2021. This was mainly contributed by an increase of RM1.31 million or 163.38% in staff cost due to the increase in the average number of employees from 55 employees in FYE 2020 to 73 employees in FYE 2021 mainly because of hiring of additional employees which is aligned with the expansion of our business operations. The increase was also contributed by the increase of RM0.83 million or 714.66% in professional fees mainly incurred for our IPO exercise. The increase was also partly due to the increase of RM1.22 million or 4,353.57% in bank charges for the bank guarantee obtained for the Beluran Police Camp Project and the processing fees for the revolving credit facilities which was secured in FYE 2021.

In addition, there was an increase in other administrative and operating expenses by RM0.92 million or 190.06% in FYE 2021 mainly due to higher stamp duty charges for banking facilities secured during FYE 2021, COVID-19 related expenses and IT related fees.

FPE 2022 compared to FPE 2021

Our administrative and operating expenses increased by RM1.44 million or 38.37% to RM5.19 million in FPE 2022. This was mainly contributed by an increase of RM1.47 million or 305.83% in staff cost due to the increase in the average number of employees from 57 employees in FPE 2021 to 112 employees in FPE 2022. This was related to the hiring of additional employees in line with the expansion of our business operations. The increase was also contributed by the increase of RM1.02 million or 277.17% in professional fees mainly for our IPO exercise.

The increase was also partially moderated by the decrease of RM1.22 million or 99.67% in bank charges being a one-off fee charged for the bank guarantee and revolving credit facilities secured in FYE 2021 as mentioned above.

12.2.8 Finance costs

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
Finance costs	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:						
- Term loans	158	24.20	414	33.91	808	46.62
- Bank overdraft	445	68.15	787	64.46	468	27.01
- Revolving credit	-	-	-	-	409	23.60
- Lease interest	50	7.65	20	1.63	48	2.77
Total	**653**	**100.00**	**1,221**	**100.00**	**1,733**	**100.00**

Finance costs	Unaudited FPE 2021 RM'000	%	Audited FPE 2022 RM'000	%
Interest expense on:				
- Term loans	404	55.93	426	55.25
- Bank overdraft	298	41.25	-	-
- Revolving credit	-	-	314	40.71
- Lease interest	20	2.82	31	4.04
Total	**722**	**100.00**	**771**	**100.00**

Our finance costs consists primarily of interest charged on bank and trade facilities granted by banking and financial institutions such as term loans, bank overdraft, revolving credits and hire purchase. Our finance costs for the FYE 2019, FYE 2020 and FYE 2021 amounted to 0.66%, 1.26% and 1.01% of our Group's total revenue respectively.

FYE 2020 compared to FYE 2019

Our finance costs increased by RM0.57 million or 86.98% to RM1.22 million in FYE 2020. This was mainly attributed to the increase in interest expense of RM0.34 million on bank overdraft facilities due to the higher utilisation of bank overdraft facilities in FYE 2020 for working capital to pay our suppliers and subcontractors for the Glenz Mixed Commercial Development Project. As at 31 December 2020, our bank overdraft was RM14.31 million which was higher compared to RM8.57 million as at 31 December 2019.

In addition, the increase in finance costs was partly contributed by the increase in interest expense of RM0.26 million on term loans which were mainly utilised for the purchase of 8 shop units from the Glenz Mixed Commercial Development Project which was drawn down in FYE 2020.

FYE 2021 compared to FYE 2020

Our finance costs increased by RM0.51 million or 41.93% in FYE 2021. This was mainly due to the interest expense of RM0.41 million on revolving credit which was utilised for working capital to pay our suppliers. In addition, the increase in finance costs was partly contributed by the increase in interest expense of RM0.40 million on term loans which were mainly utilised for working capital purposes as well as for the full year recognition of the term loans utilised to purchase 8 shop units from the Glenz Mixed Commercial Development Project. The increase was partially offset by the decrease in interest expense on bank overdraft facilities due to lower utilisation of bank overdraft in FYE 2021 which is in line with the near completion of the Glenz Mixed Commercial Development Project towards the end of FYE 2021.

FPE 2022 compared to FPE 2021

Our finance costs increased by RM0.05 million or 6.79% in FPE 2022. This was mainly due to the interest expense of RM0.31 million on revolving credit which was utilised for working capital purposes. The increase was partially offset by the decrease in interest expense on bank overdraft facilities as there was no utilisation of bank overdraft in FPE 2022 following the completion of the Glenz Mixed Commercial Development Project in March 2022.

12.2.9 PBT, PAT and effective tax rate

	Audited		
	FYE 2019	FYE 2020	FYE 2021
PBT (RM'000)	9,370	9,619	14,593
PBT margin	9.49%	9.90%	8.53%
Total taxation (RM'000)	2,205	2,610	3,958
Effective tax rate	23.53%	27.13%	27.12%
PAT (RM'000)	7,165	7,009	10,635
PAT margin	7.26%	7.22%	6.22%

	Unaudited	Audited
	FPE 2021	FPE 2022
PBT (RM'000)	5,799	15,071
PBT margin	8.72%	10.77%
Total taxation (RM'000)	1,597	4,405
Effective tax rate	27.53%	29.23%
PAT (RM'000)	4,202	10,666
PAT margin	6.32%	7.62%

FYE 2020 compared to FYE 2019

Our PBT increased by RM0.25 million or 2.66% to RM9.62 million in FYE 2020, while PBT margin improved from 9.49% in FYE 2019 to 9.90% in FYE 2020. This was mainly attributed to the improvements in GP and GP margin from our construction business in FYE 2020. Please refer to Section 12.2.5(i) of this Prospectus for further details on GP and GP margin by business activities. The improvement in PBT margin was moderated by the higher administrative and operating expenses incurred during the FYE 2020 mainly attributed to the loss on disposal of investment in associate and impairment loss on assets held for sale as well as an increase in finance cost in FYE 2020.

For FYE 2020, our effective tax rate was 27.13%, which was higher than the statutory tax rate of 24%. This was mainly due to the net non-deductible expenses of RM0.53 million which mainly includes non-deductible accruals primarily attributed to contingency expenses for the potential delay in construction work due to COVID-19 and loss on disposal of investment in associate.

Our PAT decreased by RM0.16 million or 2.18% to RM7.01 million, while PAT margin declined from 7.26% in FYE 2019 to 7.22% in FYE 2020. This was mainly due to the higher tax expense in FYE 2020 which increased by RM0.41 million or 18.37% in FYE 2020.

FYE 2021 compared to FYE 2020

Our PBT increased by RM4.97 million or 51.71% to RM14.59 million in FYE 2021 which was contributed by the increase in GP from our construction business in FYE 2021. Our PBT margin decreased from 9.90% in FYE 2020 to 8.53% in FYE 2021, mainly due to the decrease in GP margin from 14.75% in FYE 2020 to 13.75% in FYE 2021 coupled with the increase in administrative and operating expenses in FYE 2021. Please refer to Section 12.2.5(i) of this Prospectus for further details on GP and GP margin by business activities.

For FYE 2021, our effective tax rate was 27.12%, which was higher than the statutory tax rate of 24%. This was mainly due to the net non-deductible expenses of RM0.46 million which includes depreciation and bank charges.

Our PAT increased by RM3.63 million or 51.73% to RM10.64 million in FYE 2021 which was contributed by the increase in GP from our construction business as mentioned above. Our PAT margin declined from 7.22% in FYE 2020 to 6.22% in FYE 2021 mainly due to the higher tax expense in FYE 2021 which increased by RM1.35 million or 51.65% in FYE 2021.

FPE 2022 compared to FPE 2021

Our PBT increased by RM9.27 million or 159.89% to RM15.07 million in FPE 2022 which was contributed by the increase in GP from our construction business in FPE 2022. Our PBT margin increased from 8.72% in FPE 2021 to 10.77% in FPE 2022, mainly due to the increase in interest and other income in FPE 2022 and this was partially moderated by the higher administrative and operating expenses incurred during the FPE 2022.

For FPE 2022, our effective tax rate was 29.23%, which was higher than the statutory tax rate of 24%. This was mainly due to the net non-deductible expenses of RM0.52 million which includes mainly professional fees for the IPO exercise and interest expense for term loan.

Our PAT increased by RM6.46 million or 153.83% to RM10.67 million in FPE 2022 which was contributed by the increase in GP from our construction business as mentioned above. Our PAT margin improved from 6.32% in FPE 2021 to 7.62% in FPE 2022 mainly due to the increase in interest and other income in FPE 2022 as well as a lower proportion of administrative and operating expenses against the revenue generated where our administrative and operating expenses was 3.71% over total revenue for FPE 2022 which was lower compared to 5.64% in FPE 2021.

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12.3 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

(i) Ability to secure new projects to ensure continuity of our order book

Our business and financial performance is dependent on our ability to continually secure new projects to ensure the continuity of our order book to sustain our business. We have to continue to submit bids and tenders for proposals and compete against our peers to continuously secure new projects. As at the LPD, we have a total outstanding order book of RM947.43 million, which is expected to be recognised progressively over the next 4 financial years.

Our order book is project based and typically non-recurring. Our order book is also subject to variation orders for additional works and/or reduction of works or unexpected project cancellations, delays or postponement of project which would reduce the value of our order books and consequently affect our future financial performance.

In this respect, our business sustainability and growth are dependent on our ability to secure new projects to expand our order book.

Please refer to Section 9.1.1 of this Prospectus for further details.

(ii) Delay in the completion of projects or cancellation of projects may affect the business and financial performance

We have to adhere to an agreed timeline that is stipulated in the contracts for our construction projects. Although we may continue to monitor and manage the projects closely and adhere to our project execution schedule and milestones, there is a risk that we may not be able to complete our project in time due to external factors that are beyond our control. In the event of any delays in the completion of our projects, we will be liable for LAD claims and/or penalties from customers which may adversely affect our financial performance and reputation. In addition, if we are unable to complete our construction projects due to unforeseen circumstances, this would adversely impact our reputation and our customers may not pay us in full for the project. Further, our financial performance may also be affected if our projects are cancelled or terminated.

Please refer to Section 9.1.2 of this Prospectus for further details.

(iii) Our business operations may be exposed to liquidity risk from either delay in collections or non-recoverability of trade receivables/retention sum or collections in payment in kind (Contra Payment) that may affect our cash flow and working capital

We are exposed to delays in collection and/or non-recoverability of trade receivables and/or retention sum from our customers. At present, the credit terms granted to our customers are mainly 90 days from the date of progress billings depending on the terms of the contracts. If we experience any delay and/or non-payment by our customers, we may face potential cash flow constraints. This may result in a material adverse impact on our financial condition, our ability to pay our suppliers and potentially delay the progress of our projects.

In some instances where our customers are unable to settle the amount due to us, they may request for us to consider Contra Payment as settlement. There are also instances where we will acquire properties to support our customers' property development projects. Such acquisition is usually undertaken by our Company on a goodwill basis and does not form part of the contractual terms.

In view of this, any acquisition of properties by us pursuant to Contra Payment or project support may impact on our cash flow and liquidity position, which may in turn reduce the financial resources available for our core business operations in the construction services.

Please refer to Section 9.1.11 of this Prospectus for further details.

(iv) We face the risk of cost overruns for our projects

Our construction projects are mainly based on a fixed contract value. In the event of unanticipated cost increases during the project execution and construction period where we are unable to pass the increases in cost to our customers, this would adversely affect our financial performance. The increase in the cost of construction could be affected by various factors including, among others, prices of construction materials, labour cost and site overheads as well as prolonged project period all of which could adversely affect our profit margin.

Please refer to Section 9.1.3 of this Prospectus for further details.

(v) Our business is concentrated on a few major customers

During the Financial Years and Period Under Review, some of our major customers had contributed substantially to our revenue. Hence, our Group is exposed to customer concentration risk from time to time depending on the quantum of the projects secured and tenure of contracts. Notwithstanding the aforesaid, our Group is not dependent on any particular customer as our Group's business is conducted on a contract basis, which typically ranges from 2 to 3 years. Our financial performance may be materially and adversely affected if we were to lose one or more of our major customers (or reduce the level of services provided to them) without capturing new customers to replace the loss of business in a timely manner.

Please refer to Section 9.1.14 of this Prospectus for further details.

(vi) Our profitability performance could vary from year to year which is attributed to the types of construction contracts that we secure

The revenue contribution from design and build segment accounted for 6.07% (RM5.90 million), 38.38% (RM65.67 million) and 65.79% (RM92.05 million) of our total revenue for FYE 2020, FYE 2021 and FPE 2022 respectively. During the Financial Years and Period Under Review, the GP margin of our design and build segment was 16.80%, 15.43% and 15.91% for FYE 2020, FYE 2021 and FPE 2022 respectively, which was slightly higher than the build segment of 14.62%, 12.69% and 11.16% for FYE 2020, FYE 2021 and FPE 2022 respectively. Part of our strategy is to expand our design and build segment to address opportunities for our future order book. However, there is no assurance that we will be able to continue to secure design and build contracts to sustain the revenue contribution and garner higher margin compared to build segment.

(vii) Impact of government / economic / fiscal / monetary policies

We are involved in the construction of buildings within the construction industry where our business is subject to the risk relating to government, economic, fiscal or monetary policies. Any adverse developments in the government policies, economic conditions or fiscal or monetary policies in Malaysia could unfavourably affect our financial and business prospects. Please refer to Section 9.2 of this Prospectus for further details.

(viii) Impact of foreign exchange

Our construction contracts are solely denominated in RM and all of our revenue is transacted in RM. As the construction materials that we utilised for our construction activities were sourced from local suppliers and our purchases of construction materials were also transacted in RM, our financial performance for the Financial Years and Period under Review was not affected by any fluctuations in foreign exchange.

(ix) Impact of interest rate

Our exposure to changes in interest rate risk relates primarily to our borrowings from financial institutions. We do not generally hedge interest rate risks. For the Financial Years and Period Under Review, our financial performance was not materially affected by the fluctuations of interest rates.

(x) Impact of inflation

The areas that inflation may affect our financial performance include increase in subcontractor cost, construction material cost and labour cost. Whilst our financial performance for the Financial Years and Period Under Review was not materially affected by the impact of inflation in Malaysia, there can be no assurance this will be the case and that the financial performance will not be materially affected by inflation in the future.

12.4 LIQUIDITY AND CAPITAL RESOURCES

(i) Working capital

Our business is financed by a combination of internal and external sources of funds. Internal sources of funds comprised cash generated from our business operations while our external sources of funds mainly consist of banking facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

Based on our statements of financial position as at 30 June 2022, we have total fixed deposits as well as cash and bank balances of RM38.32 million (including RM13.65 million of fixed deposits and bank balances pledged as security for banking facilities granted to our Group) and total borrowings of RM44.10 million. As at 31 December 2019, 2020, 2021 and 30 June 2022, our current ratios were 1.08 times, 1.46 times, 1.26 times and 1.28 times respectively. As at the LPD, we have available banking facilities amounting to RM118.60 million, of which RM84.39 million are yet to be utilised.

Our Directors are of the opinion that, after taking into consideration our fixed deposits, cash and bank balances, cash generated from our business operations, the amount of unutilised banking facilities and the total proceeds of RM56.10 million to be raised from the Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following is a summary of our statements of cash flows for FYE 2019, FYE 2020 and FYE 2021 as well as FPE 2022. This should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus.

	Audited			
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**FPE 2022 RM'000**
Net cash from / (used in) operating activities	3,306	(6,558)	6,095	6,477
Net cash (used in) / from investing activities	(3,385)	(520)	6,337	7,762
Net cash from / (used in) financing activities	1,421	2,896	(8,281)	6,542
Net increase / (decrease) in cash and cash equivalents	**1,342**	**(4,182)**	**4,151**	**20,781**
Cash and cash equivalents at beginning of the financial year	**2,578**	**3,920**	**(262)**	**3,889**
Cash and cash equivalents at the end of the financial year(1)	**3,920**	**(262)**	**3,889**	**24,670**

Note:

(1) The components of our cash and cash equivalents are set out below:

	Audited			**Audited**
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**FPE 2022 RM'000**
Cash and bank balances	12,489	14,047	11,706	33,354
Fixed deposits with licensed banks	3,450	-	3,029	4,961
Less:				
Bank overdraft	(8,569)	(14,309)	-	-
Pledged deposits	(3,450)	-	(3,029)	(4,961)
Bank balances pledged	-	-	(7,817)	(8,684)
	3,920	**(262)**	**3,889**	**24,670**

(a) Net cash from operating activities

<u>FYE 2019</u>

For FYE 2019, our net operating cash flow was RM3.31 million after taking into account the following:

- Decrease in trade receivables of RM10.46 million mainly due to higher collections (net of certified progress billings) from customers including RM9.17 million from the BSP21 Condominium Project and RM8.68 million from the Zenopy Residences Project which was partly offset by an increase in certified progress billings (net of collections) issued to the customer for the Glenz Mixed Commercial Development Project amounting to RM11.01 million;

- Increase in other receivables of RM2.85 million mainly relating to the placement of deposits in lieu of performance bond for Glenz Mixed Commercial Development Project;

- Decrease in trade and other payables by RM4.18 million which was mainly due to the decrease in accruals for construction works undertaken and payment of GST in FYE 2019;

- Increase in contract assets by RM1.47 million, which was mainly attributable to an increase in unbilled progress billings for the Glenz Mixed Commercial Development Project where the project cost has been incurred but has not been submitted as claims to our customer during the FYE 2019;

- Decrease in contract liabilities by RM6.55 million which was mainly due to timing differences with higher revenue recognised based on the cost incurred method as compared to the certified progress billings in FYE 2019 for the Cameron Fair Project and N53 Super Link House Project;

- Decrease in domestic recourse factoring by RM1.44 million mainly due to repayments of this facility used for the Kalista Park Homes Project; and

- Income tax paid of RM1.51 million.

<u>FYE 2020</u>

For FYE 2020, our Group recorded a net cash used in operating activities of RM6.56 million after taking into account the following:

- An increase in trade and other receivables by RM19.77 million was mainly attributed to the following:

  - Increase in trade receivables of RM17.22 million which was in line with the increase in certified progress billings (net of collections) issued to customers mainly for the Glenz Mixed Commercial Development Project, Residensi Armani Petaling (Cheras) Project and PPA1M Houses Project, which collectively amounted to RM26.28 million. This was partially offset by the payments received mainly from the Three33 Residence Project; and

  - increase in other receivables of RM2.55 million which was mainly due to an increase in placement of deposit for performance bond for the Residensi Armani Petaling (Cheras) Project amounting to RM2.00 million;

- A decrease in trade and other payables by RM0.25 million was mainly due to a reduction in accruals for construction works undertaken and retention sum obtained from subcontractors which was partially offset by the increase in trade and other payables in FYE 2020;

- A decrease in contract assets by RM6.44 million was mainly due to an increase in progress billings issued for the Three33 Residence Project and Glenz Mixed Commercial Development Project. The Three33 Residence Project was completed during the FYE 2020 while a higher proportion of work was billed to our customer for the Glenz Mixed Commercial Development Project in FYE 2020;

- A decrease in contract liabilities by RM5.83 million which was mainly due to the completion of TUDM Army Camp Package 3 Project. This decrease was partially offset by an increase in contract liabilities for the Residensi Armani Petaling (Cheras) Project due to timing differences with higher certified progress billings compared to the revenue recognised based on the cost incurred method in FYE 2020; and

- Income tax paid of RM0.58 million.

For FYE 2020, we recorded a negative operating cash flows of RM6.56 million which was mainly due to an increase in trade receivables of RM17.23 million arising from higher progress billings issued to customers in the last quarter of FYE 2020. This was mainly for the Glenz Mixed Commercial Development Project, Residensi Armani Petaling (Cheras) Project and PPA1M Houses Project. The negative operating cash flow has not materially impacted our operations as we were able to utilise our banking facilities for our working capital purposes. In addition, we had subsequently collected the majority of the aforementioned outstanding trade receivables in FYE 2021.

FYE 2021

For FYE 2021, our net operating cash flows was RM6.09 million after taking into account the following:

- An increase in trade and other receivables of RM34.84 million which was mainly attributed to the following:

  - increase in trade receivables of RM21.66 million mainly attributed to the increase in certified progress billings issued to customers primarily for the design and build projects including Armani Subang SOHO Project, Residensi Armani Bukit Lanjan Project, Beluran Police Camp Project and Residensi Armani Petaling (Cheras) Project as well as build projects including CPL Aromas Pulau Indah Project and PPA1M Houses Project; and

  - increase in other receivables of RM13.18 million mainly due to an increase in cash deposits in lieu of performance bond for the Beluran Police Camp Project and Residensi Armani Bukit Lanjan Project;

- An increase in trade and other payables by RM38.88 million mainly due to increase in billings from our subcontractors and suppliers which corresponds with an increase in construction activities during FYE 2021 as well as a deposit received as advance payment for the Beluran Police Camp Project;

- An increase in contract assets by RM11.16 million mainly due to an increase in unbilled progress billings for our on-going projects including building construction as well as design and build projects namely Glenz Mixed Commercial Development Project, CPL Aromas Pulau Indah Project, KKB Academic Building and Student Accommodation Project, Residensi Armani Petaling (Cheras) Project, PPA1M Houses Project and Residensi Armani Bukit Lanjan Project;

- A decrease in contract liabilities by RM0.66 million which was mainly due to timing differences with higher revenue recognised based on the cost incurred method as compared to the certified progress billings for the Residensi Armani Petaling (Cheras) Project. This decrease was partially offset by an increase in contract liabilities for the D'vine Residences Project, Beluran Police Camp Project and Armani Subang SOHO Project due to timing differences with higher certified progress billings compared to the revenue recognised based on the cost incurred method in FYE 2021; and

- Income tax paid of RM4.10 million.

FPE 2022

For the FPE 2022, our net operating cash flows was RM6.48 million after taking into account the following:

- an increase in trade and other receivables of RM21.93 million mainly attributed to the increase in certified progress billings issued to customers in the second quarter of 2022. These progress billings were mainly for the design and build projects including Beluran Police Camp Project, Permas City Project, D'vine Residences Project and Residensi Armani Bukit Lanjan Project;

- an increase in contract liabilities of RM10.24 million mainly for the Beluran Police Camp Project, D'vine Residences Project and Permas City Project due to the timing differences with higher certified progress billings as compared to the revenue recognised based on the cost incurred method;

- an increase in trade and other payables of RM5.47 million mainly attributed to the increase in billings from our subcontractors and suppliers which was in line with the increase in construction activities during FPE 2022. This was partially offset by the decrease in other payables primarily due to repayments for the amount due to the developer of the office suites at the Glenz Mixed Commercial Development Project; and

- an increase in contract assets of RM1.70 million mainly due to the increase in unbilled progress billings for on-going projects including Residensi Armani Petaling (Cheras) Project, Residensi Armani Bukit Lanjan Project, KKB Academic Building and Student Accommodation Project and Armani Subang SOHO Project. This was partially offset by a decrease in contract assets for the Glenz Mixed Commercial Development Project and PPA1M Houses Project as these projects were completed in FPE 2022.

(b) Net cash used in investing activities

FYE 2019

For the FYE 2019, our Group's net cash used in investing activities was RM3.39 million and this was mainly due to the following:

- RM2.63 million of net advances extended to third party companies. This includes RM1.93 million to Sg. Besi Construction Sdn Bhd which was for a refundable deposit for an intended purchase of units in the Glenz Mixed Commercial Development Project. Sg. Besi Construction Sdn Bhd was one of our major customers during the FYE 2019. The remaining RM0.71 million of net advances was extended to GCPG Holdings Sdn Bhd which was subsequently extended to our then associate company, Le Garden Development Sdn Bhd for working capital purposes. GCPG Holdings Sdn Bhd was then a 50% shareholder of Le Garden Development Sdn Bhd. These advances have been fully settled as at the LPD;

- RM1.50 million of net advances extended, novation arrangement, payments made on behalf, as well as back charges of rental and utilities fees to affiliated companies where our directors have interests including V Group Land, Next Gen Themepark (1U) Sdn Bhd and Next Gen Themepark Sdn Bhd. The advances to these affliated companies have been fully settled as at the LPD. Please refer to Section 10.1 of this Prospectus for further details on the related party transactions;

- RM1.21 million arising from the acquisition of investment properties, namely two units of serviced apartments from the completed Genting Midhill Project arising from Contra Payments. The Contra Payments were the settlement against outstanding receivables from a customer (which is a related company of the developer of the Genting Midhill Project) from a project which was completed prior to Financial Years Under Review;

- RM0.58 million of net advances extended, payments made on behalf, as well as back charges of rental and utilities fees to our then associate companies namely Le Garden Development Sdn Bhd and Grand Golden Development Sdn Bhd where we held 50.00% and 20.00% of equity interest respectively in FYE 2019. Subsequently, we had disposed of our equity interest in these two companies in FYE 2021 and FYE 2020 respectively; and

- RM0.44 million for the subscription of shares in our then associate company, namely Grand Golden Development Sdn Bhd.

The net cash used in investing activities was partially offset by proceeds from the disposal of a piece of leasehold industrial land of RM2.96 million in Puchong, which was previously acquired through Contra Payment.

FYE 2020

For FYE 2020, our Group's net cash used in investing activities was RM0.52 million. This was mainly attributed to advances of RM3.63 million to affiliated companies in FYE 2020 including RM2.05 million to Pujaan Harmoni Sdn Bhd, one of our customers and a wholly-owned subsidiary of Le Garden Development Sdn Bhd which was our then associate company. Furthermore, our Group also extended RM1.12 million to Next Gen Themepark Sdn Bhd, a company held by persons connected to our directors and substantial shareholders. The advances to Next Gen Themepark Sdn Bhd have been fully settled as at the LPD. Please refer to Section 10.1 of this Prospectus for further details on the related party transactions.

The net cash used in investing activities was partially offset by the following:

- RM2.30 million received from the net repayment of advances by our then associate companies namely Le Garden Development Sdn Bhd and Grand Golden Development Sdn Bhd pertaining to the advances extended to these companies;

- RM0.67 million received from the net repayment of advances by a third party, namely Sg. Besi Construction Sdn Bhd; and

- Interest income of RM0.18 million mainly from the fixed deposits placed with licensed banks.

FYE 2021

For FYE 2021, our Group's net cash from investing activities was RM6.34 million. This was mainly attributed to the following:

- RM5.02 million received from the repayment of advances by third party companies including GCPG Holdings Sdn Bhd and Sg. Besi Construction Sdn Bhd pertaining to advances extended to these companies as mentioned above in FYE 2019 as well as repayment of advances by Awana JV Suria Saga Sdn Bhd which was previously extended for purposes of defraying expenses for a potential project. As at the LPD, the advances to GCPG Holdings Sdn Bhd, Sg. Besi Construction Sdn Bhd and Awana JV Suria Saga Sdn Bhd have been fully settled; and

- RM2.23 million of proceeds received including RM1.73 million from the disposal of a unit of condominium in Kuala Lumpur as well as RM0.50 million from the disposal of investment in an associate company, Le Garden Development Sdn Bhd.

The net cash from investing activities was partially offset by RM1.05 million of cash used as partial payment for the purchase of property, plant and equipment mainly for the purchase of 10 units of offices in the Glenz Mixed Commercial Development Project to be used as our new head office.

FPE 2022

For the FPE 2022, our net cash from investing activities was RM7.76 million which was mainly attributed to the following:

- RM4.19 million received from the repayment of advances from affiliated companies where our directors have interests including Next Gen Themepark Sdn Bhd, Next Gen Themepark (1U) Sdn Bhd and V Group Land;

- RM1.92 million of proceeds received from the disposal of a leasehold land with a 3-storey semi-detached residential house and a leasehold land with a double storey terrace house, both which are located in Selangor;

- RM1.30 million received from the repayment of advances from a third party company namely Awana JV Suria Saga Sdn Bhd pertaining to the advances previously extended for the purposes of defraying expenses for a potential project; and

- RM0.55 million of proceeds received from the disposal of one unit of serviced apartment in Bentong, Pahang.

(c) Net cash from financing activities

FYE 2019

For FYE 2019, our net cash from financing activities of RM1.42 million was mainly attributable to the following:

- advances of RM3.21 million from third parties, namely Wong Ngok Lim and Golden Armani Sdn Bhd, being business associates of our Group. These advances were provided upon request by our Group, taking into consideration that during FYE 2019, we had just commenced one of our major mixed development project in FYE 2019, namely the Glenz Mixed Commercial Development Project. Such advances were cost beneficial to our Group, i.e. without having to incur additional interest costs as compared to bank borrowings and will further supplement our working capital requirements. Nonetheless, as at the LPD, these advances have been fully settled and we have ceased to accept advances from third parties for working capital purposes; and

- net drawdown of term loans of RM2.49 million for working capital purposes.

The net cash from financing activities was partially offset by the following:

- payment of dividends of RM2.25 million in FYE 2019 to the shareholders of Vestland Resources; and

- others include an increase of RM0.96 million in fixed deposits that was pledged with licensed banks as securities for banking facilities granted, interest payments of RM0.65 million as well as RM0.44 million used for the repayment of lease liabilities mainly for hire purchases of motor vehicles and tower cranes.

FYE 2020

For FYE 2020, our net cash generated from financing activities of RM2.90 million was mainly attributed to the following:

- RM3.45 million from the withdrawal of fixed deposits which was previously pledged for project financing purposes; and

- net drawdown of term loans of RM2.38 million which include a drawdown of RM13.06 million of term loans for the purchase of 8 shop units at Glenz Mixed Commercial Development Project and for working capital purposes which was partially offset against a decrease in amount due to the developer of the said 8 shop units.

The net cash from financing activities was partially offset by the following:

- RM1.31 million, being part repayment of advances to third parties as mentioned above where total advances of RM3.21 million was previously obtained for working capital purposes; and

- Other payments included an interest payment of RM0.99 million and RM0.68 million used for the repayment of lease liabilities mainly for hire purchases of motor vehicles and tower cranes.

FYE 2021

For FYE 2021, our net cash used in financing activities of RM8.28 million was mainly attributed to the following:

- RM7.82 million of bank balance that was pledged with a licensed bank as security for banking facilities granted;

- RM3.03 million of fixed deposit that was pledged with licensed banks as securities for banking facilities granted;

- RM1.91 million of repayment of advances to third parties as mentioned above. As at the LPD, the said third party advances have been fully settled; and

- Other payments included interest payments of RM1.70 million and RM1.22 million used for the repayment of lease liabilities mainly for hire purchases of motor vehicles and tower cranes.

The net cash used was partially offset by the net drawdown of revolving credit of RM5.54 million and term loans of RM1.90 million mainly for working capital purposes.

FPE 2022

For the FPE 2022, our net cash from financing activities was RM6.54 million and this was mainly attributed to the drawdown of revolving credit of RM15.20 million for working capital purposes.

The net cash from financing activities was partially offset by the following:

- repayment of term loans of RM3.87 million mainly relating to our Group's investment properties which were disposed of and are in the midst of being disposed as at 30 June 2022;

- RM1.93 million of fixed deposit and RM0.87 million of bank balances pledged with licensed banks as securities for banking facilities granted;

- RM1.22 million used for the repayment of lease liabilities mainly for the hire purchase of motor vehicles and tower cranes; and

- interest payments of RM0.77 million.

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(iii) Borrowings

As at 30 June 2022, our total outstanding borrowings (including lease liabilities owing to financial institutions for the purchase of motor vehicles, machinery and equipment) amounted to RM44.10 million can be analysed further as follows:

Type of borrowings	As at 30 June 2022 Payable within 12 months RM'000	 Payable after 12 months RM'000	 Total RM'000
Term loans	1,462	20,970	22,432
Revolving credit	20,743	-	20,743
Lease liabilities	435	488	923
Total borrowings	**22,640**	**21,458**	**44,098**

Type of borrowings	Purpose of borrowings	Tenure	Interest rate per annum (%)	As at 30 June 2022 RM'000
Term loans	Mainly to finance purchase of our properties and working capital purposes	5 years to 25 years	0.89% to 6.49%	22,432
Revolving credit	Mainly to finance working capital as project financing	6 months	4.35% to 4.85%	20,743
Lease liabilities	Mainly to finance purchase of motor vehicles, machinery and equipment	3 years to 7 years	3.95% to 13.96%	923
			Total borrowings	**44,098**
			Gearing ratio (times)[(1)]	**0.77**

Note:

(1) Computed based on total borrowings over total equity as at 30 June 2022.

The maturity profile of our total outstanding borrowings as at 30 June 2022 is set out below:

	RM'000
Within 1 year	22,640
1 to 5 years	6,493
More than 5 years	14,965
Total borrowings	**44,098**

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of either interest and/or principal sum in respect of any borrowings throughout the Financial Years and Period Under Review and up to the LPD. As at the LPD, we are not in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of securities in our Company.

For the Financial Years and Period Under Review, we have not experienced any claw back or reduction in the facilities granted to us by our lenders.

(iv) Treasury policies and objectives

We have been funding our operations through cash generated from our operations, and external sources of funds. The external sources of funds consist primarily of borrowings from financial institutions. The normal credit terms granted by our suppliers are mainly cash term and up to 90 days.

As at the LPD, our Group's borrowings from financial institution consist of the following:

- term loans used to fund the purchase of properties and project financing;
- bank overdraft for working capital and project financing;
- revolving credit for working capital and project financing; and
- lease for purchase of motor vehicles, machinery and equipment.

As at the LPD, our Group has banking facilities amounting to approximately RM118.60 million, where approximately RM84.39 million has yet to be fully utilised.

The interest rates of our borrowings as at the LPD are based on fixed and floating rates.

The main objective of our capital management is to maintain a strong credit rating and healthy capital ratio in order to support our business and maximise shareholders' value. We review and maintain our capital structure to maintain the gearing ratio at an optimal level based on the business requirements and prevailing economic conditions.

(v) Financial instruments for hedging purposes

For FYE 2019, FYE 2020, FYE 2021, FPE 2022 and as at the LPD, our Group does not have any financial instrument for hedging purposes.

However, from an accounting perspective, our financial instruments comprised cash and cash equivalents, borrowings, trade and other receivables as well as trade and other payables, as shown in our Group's statements of financial position. We use these financial instruments in the ordinary course of our business.

(vi) Financial guarantee contracts

Our financial guarantee as at LPD stood at RM10.00 million, the details of which are as set out below. The financial guarantee is secured, non-interest bearing and denominated in RM.

Type of facility	Purpose	Tenure	Interest rate per annum	Total RM'000
Bank Guarantee	Advance payment bond[(1)] for the Beluran Police Camp Project	On-demand	N/A	10,000

Note:

(1) The advance payment bond is a form of security provided by our Group for the deposit received as advance payment for the Beluran Police Camp Project. For information purposes, whilst our Group had not previously provided bank guarantees of such nature, nonetheless the said bank guarantee was provided in accordance with the terms of the Beluran Police Camp Project.

(vii) Contingent liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

(viii) Material litigation, claims or arbitration

As at the LPD, we are not involved in any legal action, proceeding, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or our financial position, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact to give rise to any legal proceeding which may have a material adverse effect on our business or financial position.

(ix) Capital expenditure and divestitures

Capital expenditure

Our Group's capital expenditure for FYE 2019, FYE 2020, FYE 2021, FPE 2022 and as at LPD, are as follows:

		Audited				Unaudited
	Method of financing	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	1 July 2022 up to LPD RM'000
Properties under construction	Term loan	12,100	-	7,651	1,726	-
Machinery and equipment	Cash	11	26	804	163	55
Office equipment, furniture and fittings	Cash	8	19	130	15	60
Others[(1)]	Cash	-	-	114	166	10
Total		**12,119**	**45**	**8,699**	**2,070**	**125**

Note:

(1) Refers to renovation and motor vehicles.

FYE 2019

For FYE 2019, our Group's capital expenditure of RM12.12 million was mainly contributed by RM12.10 million for the purchase of 8 shop units at the Glenz Mixed Commercial Development Project from our customer where the properties were under construction then. The purchase of these shop units was intended to support our customer's business as well as after taking into consideration the commercial value of these properties. For the avoidance of doubt, the acquisition of these properties was not by way of any contra arrangement. The remaining RM0.02 million was utilised for the purchase of portable cabins which were used at our construction sites as well as office equipment namely air conditioners.

FYE 2020

For FYE 2020, our Group's capital expenditure of RM0.05 million was mainly for the purchase of a measurement equipment for use at construction site as well as office equipment comprising mainly computers and softwares.

FYE 2021

For FYE 2021, our Group's capital expenditure of RM8.70 million was mainly contributed by RM7.65 million for the purchase of 10 units of office suites at the Glenz Mixed Commercial Development Project from our customer to be used as our new head office. The remaining RM1.05 million was mainly utilised for the purchase of portable cabins for the use at our construction sites.

FPE 2022

For FPE 2022, our Group's capital expenditure of RM2.07 million was mainly contributed by RM1.73 million for the purchase of 2 units of office suites at the Glenz Mixed Commercial Development Project from our customer to be used as our new head office. The remaining RM0.34 million was mainly utilised for the purchase of motor vehicles and machinery and equipment such as bar cutters, bar benders and concrete mixer as well as portable cabins at our construction sites.

1 July 2022 and up to LPD

Between 1 July 2022 and up to the LPD, our Group's capital expenditure of RM0.13 million was mainly contributed by RM0.06 million for the purchase of furniture and fittings for our new head office and RM0.06 million for the purchase of machinery and equipment such as a measurement equipment, demolition hammers and rotary hammers for use at construction site.

Capital divestitures

Our Group's capital divestitures for FYE 2019, FYE 2020, FYE 2021, FPE 2022 and as at LPD, are as follows:

	Audited				Unaudited
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000	1 July 2022 up to LPD RM'000
Land	2,333	-	-	789	-
Building	-	-	1,703	1,648	2,592
Associate company	-	640	500	-	-
Motor vehicles	429	24	-	-	-
Others(1)	-	-	-	120	40
Total	**2,762**	**664**	**2,203**	**2,557**	**2,632**

Note:

(1) Refers mainly to the disposal of machinery and equipment for FPE 2022 and renovation cost for a building which was disposed between 1 July 2022 and up to the LPD.

For the FYE 2019, our capital divestitures of RM2.76 million was mainly contributed by the following:

- disposal of a piece of leasehold land located in Puchong amounting to RM2.33 million; and

- disposal of motor vehicles amounting to RM0.43 million.

For the FYE 2020, our capital divestitures of RM0.66 million was mainly contributed by the disposal of our 20% equity interest in an associate company namely Grand Golden Development Sdn Bhd which had a net carrying amount of RM0.64 million.

For FYE 2021, our capital divestitures of RM2.20 million comprised the disposal of one unit of condominium in Kuala Lumpur amounting to RM1.70 million as well as the disposal of our 50% equity interest in an associate company namely Le Garden Development Sdn Bhd which had a net carrying amount of RM0.50 million.

For FPE 2022, our capital divestitures of RM2.56 million mainly comprised the disposal of a 3-storey semi-detached residential house on a leasehold land in Selangor amounting to RM1.50 million, a leasehold land with a double storey terrace house in Selangor amounting to RM0.33 million and a serviced apartment from the Genting Midhill Project amounting to RM0.61 million.

From 1 July 2022 and up to the LPD, our capital divestitures were RM2.63 million mainly comprising the disposal of 3 units of condominiums in Kuala Lumpur amounting to RM1.63 million and 2 units of serviced apartments from the Genting Midhill Project amounting to RM0.96 million.

For information purposes, prior to our Group's disposal of the equity interest in Grand Golden Development Sdn Bhd and Le Garden Development Sdn Bhd (which in turn held 100% equity interest in Pujaan Harmoni Sdn Bhd, a property developer), both of these companies were involved in the property development business. We had disposed our equity interest in these companies in order to streamline our efforts to our construction business and considering we had only held an associate stake in these companies.

(x) Material capital commitment

As at the LPD, we do not have any material capital commitment that may have a material adverse impact on our financial position.

(xi) Key financial ratios

The key financial ratios are as follows:

	As at 31 December			**As at**
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**30 June 2022 RM'000**
Trade receivables turnover period (days)[(1)]	83	119	107	85
Trade payables turnover period (days)[(2)]	107	112	99	89
Current ratio (times)[(3)]	1.08	1.46	1.26	1.28
Gearing ratio (times)[(4)]	0.54	0.95	0.61	0.77

Notes:

(1) Computed based on net average trade receivables (excluding retention sums) over total revenue and multiplied by 365 days/181 days. Average trade receivables is calculated by adding the closing balance of net trade receivables of the financial year/period with that of the previous financial year, and dividing the total by 2.

(2) Computed based on net average trade payables (excluding retention sums) over total cost of sales and multiplied by 365 days/181 days. Average trade payables is calculated by adding the closing balance of net trade payables of the financial year/period with that of the previous financial year, and dividing the total by 2.

(3) Computed based on the current assets over the current liabilities as at the respective financial year/period.

(4) Computed based on the total borrowings (including lease liabilities owing to financial institutions) over the total equity as at the respective financial year/period.

(a) Trade receivables

	As at 31 December			As at
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**30 June 2022 RM'000**
Trade receivables	40,357	57,590	79,252	102,169
Less: Retention sums	(19,339)	(15,081)	(21,632)	(28,781)
Net trade receivables	21,018	42,509	57,620	73,388
Average net trade receivables	22,341	31,764	50,065	65,504
Revenue	98,707	97,124	171,081	139,914
Trade receivable turnover period (days)	83	119	107	85

Generally, we deal with our customers mainly on credit terms. The credit terms that we generally grant to our customers are mainly 90 days. Other credit terms are assessed and approved on a case-by-case basis upon considering the background and creditworthiness of the customer, the scope of the project, as well as the macroeconomic factors including the default risk associated with the industry.

Although the credit period as per contractual terms is 90 days, there is still a gap between contractual terms and actual collections as indicated in the trade receivable turnover days. This is mainly due to our customers' internal payment process involving verification of our progress billings before payment is processed. Notwithstanding the above, we have retained the 90 days credit period in our contracts to be consistent with our normal practice as customers may take even longer to pay if longer credit periods were granted.

Our trade receivables turnover period was computed excluding retention sums in relation to our construction services. Depending on terms of the construction contract, our customers will retain the entire retention sum throughout the contract period until the issuance of CPC, upon which 50% of the retention sum will be released. The remaining balance will be released to us at the end of the contracted defect liability period or upon the issuance of the CMGD. As such, the exclusion of the retention sums in the computation of trade receivables turnover period presents a more realistic measure of the average number of days that requires for the collection of debts that are due.

Our average trade receivables turnover period increased from 83 days for FYE 2019 to 119 days for FYE 2020. This was mainly due to the increase in receivables arising from the increase in certified progress billings issued to customers during the last quarter of FYE 2020 mainly for the Glenz Mixed Commercial Development Project, Residensi Armani Petaling (Cheras) Project, TUDM Army Camp Package 3 Project and PPA1M Houses Project.

Our average trade receivables turnover period improved from 119 days for FYE 2020 to 107 days for FYE 2021. This was mainly attributed to higher collections from customers mainly for the Residensi Armani Petaling (Cheras) Project, Glenz Mixed Commercial Development Project and TUDM Army Camp Package 3 Project.

Our average trade receivables turnover period improved from 107 days for FYE 2021 to 85 days for FPE 2022 which falls within the credit terms of 90 days granted to customers. This was mainly due to timely collections from customers.

The ageing analysis of our trade receivables as at 30 June 2022 and the subsequent collections up to the LPD are set out below:

	Within credit period	Exceed credit period (past due days)				Total
		1 – 30	31 - 60	61 - 90	Over 90	
Net trade receivables as at 30 June 2022 (RM'000)	66,941	1,090	568	2,307	2,482	73,388
Proportion of total trade receivables (%)	91.22	1.49	0.77	3.14	3.38	100.00
Subsequent collections as at LPD (RM'000)	49,296	670	473	2,298	1,640	54,377
Net trade receivables after subsequent collections (RM'000)	17,645	420	95	9	842	19,011
Proportion of trade receivables after subsequent collections (%)	92.81	2.21	0.50	0.05	4.43	100.00

As at the LPD, RM54.38 million or 74.10% of the total trade receivables as at 30 June 2022 has been subsequently collected. Of the remaining outstanding amount, 92.81% (RM17.65 million) falls within the credit period, while the remaining 7.19% has exceeded credit period.

Appropriate debt recovery process has been carried out by the project management and finance team to minimise the likelihood of these outstanding trade receivables turning into bad debts. Our Directors are of the view that the remaining trade receivables are recoverable and no provision for impairment is required after taking into consideration our relationship with these customers, their payment history and their credentials.

(b) Trade payables

	As at 31 December			As at
	2019 RM'000	2020 RM'000	2021 RM'000	30 June 2022 RM'000
Trade payables	36,593	37,521	68,272	77,715
Less: Retention sums	(11,315)	(11,951)	(13,880)	(14,272)
Net trade payables	25,278	25,570	54,392	63,443
Average net trade payables	25,202	25,424	39,981	58,918
Cost of sales	86,198	82,795	147,556	119,878
Trade payable turnover period (days)	107	112	99	89

The normal payment period granted to us by our creditors are mainly cash term and up to 90 days save for FYE 2021 whereby one of our creditors has granted us a credit term of 180 days.

Retention sum is excluded in arriving at our trade payables turnover period. In general, we will release half of the retention sum to our subcontractors upon the issuance of the CPC, whilst the remaining half will be released at the end of the DLP or upon the issuance of the CMGD.

Our trade payables turnover period for the FYE 2019, FYE 2020 and FYE 2021 were 107 days, 112 days and 99 days respectively, which exceeded the credit period granted to us by our suppliers.

The trade payable turnover days for FYE 2019, FYE 2020 and FYE 2021 were beyond the normal credit terms granted by our creditors as a result of our working capital management taking into account, among others, collections from our customers. Whilst the longer trade payable credit period benefits our Group from a capital management position, nonetheless as noted from our trade payables turnover above, we had managed to improve our turnover days in FYE 2021 as compared to FYE 2020 and FYE 2019.

The increase in trade payables turnover period from 107 days for FYE 2019 to 112 days for FYE 2020 was mainly due to payables of RM13.18 million or 51.54% that exceeded the credit period as a result of our working capital management to conserve our cash flows as a result of the COVID-19 pandemic. These past due outstanding payables were mainly payables to our suppliers and subcontractors.

Our trade payables turnover period improved from 112 days for FYE 2020 to 99 days for FYE 2021 mainly attributed to improvement in payments from our customers in 2021 which resulted in improvements in prompt payments to our creditors.

Our average trade payables turnover period decreased from 99 days for FYE 2021 to 89 days for FPE 2022 which falls within the credit term of 90 days granted by creditors. This was mainly due to timely payments to suppliers and subcontractors.

The ageing analysis of our trade payables as at 30 June 2022 and the subsequent payments up to the LPD are set out as below:

	Within credit period	**Exceed credit period (past due days)**				**Total**
		1 - 30	**31 - 60**	**61 - 90**	**Over 90**	
Net trade payables as at 30 June 2022 (RM'000)	45,169	9,697	3,161	4,452	964	63,443
Proportion of total trade payables (%)	71.20	15.28	4.98	7.02	1.52	100.00
Subsequent payment as at LPD (RM'000)	42,121	9,697	3,161	4,401	559	59,939
Net trade payables after subsequent payment as at LPD (RM'000)	3,048	-	-	51	405	3,504
Proportion of trade payables after subsequent payment as at LPD (%)	86.99	-	-	1.45	11.56	100.00

As at the LPD, RM59.94 million or 94.48% of the total trade payables as at 30 June 2022 has been subsequently paid. Of the remaining outstanding amount, 86.99% (RM3.05 million) falls within the credit period, while the remaining 13.01% has exceeded credit period.

There was no matter in dispute with respect to our trade payables, as well as no legal action has been initiated by any of our suppliers and/or subcontractors to demand for payment for the Financial Years and Period Under Review.

(c) Current ratio

	As at 31 December			**As at**
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**30 June 2022 RM'000**
Current assets	82,911	98,303	128,956	167,861
Current liabilities	76,558	67,102	102,001	130,695
Current ratio (times)	1.08	1.46	1.26	1.28

As at 31 December 2020 our current ratio was 1.46 times, an increase from 1.08 times as at 31 December 2019. The increase was mainly attributable to the following:-

- Higher trade receivables of RM57.59 million as at 31 December 2020 (31 December 2019: RM40.36 million), which was attributed to the increase in certified progress billings issued to customers in the last quarter of FYE 2020 mainly for the Glenz Mixed Commercial Development Project, Residensi Armani Petaling (Cheras) Project and PPA1M Houses Project.

- Higher other receivables of RM20.66 million as at 31 December 2020 (31 December 2019: RM17.46 million) mainly due to the increase in placement of deposits, being performance bonds provided by Vestland for the Residensi Armani Petaling (Cheras) Project and an increase in amount due from companies in which certain Directors have interest in and from associate companies.

- Lower other payables of RM7.57 million as at 31 December 2020 (31 December 2019: RM20.63 million), mainly associated with the settlement of RM12.10 million, being the outstanding amount for the purchase of 8 shop units at the Glenz Mixed Commercial Development Project by way of term loan drawdowns.

- Lower contract liabilities of RM3.48 million as at 31 December 2020 (31 December 2019: RM9.31 million) mainly due to the adjustments to the contract value for TUDM Army Camp Package 3 Project.

The aforementioned increase was offset by the following:-

- Lower contract assets of RM6.01 million as at 31 December 2020 (31 December 2019: RM12.61 million), mainly associated with the increase in progress billings issued for Three33 Residence Project and Glenz Mixed Commercial Development Project.

- Higher loans and borrowings of RM33.88 million as at 31 December 2020 (31 December 2019: RM15.43 million), mainly due to increase in bank overdraft for the Glenz Mixed Commercial Development Project and term loans mainly for the purchase of 8 shop units at the Glenz Mixed Commercial Development Project.

- Higher tax payable arising from our Group's operations in FYE 2020.

As at 31 December 2021, our current ratio was 1.26 times, a marginal decrease from 1.46 times as at 31 December 2020. The decrease was mainly attributable to the higher trade and other payables of RM88.96 million as at 31 December 2021 (31 December 2020: RM45.09 million), mainly due to increase in billings from our subcontractors and suppliers arising from the increase in construction activities undertaken in FYE 2021 such as Glenz Mixed Commercial Development Project, Armani Subang SOHO Project and Residensi Armani Petaling (Cheras) Project as well as the commencement of the Residensi Armani Bukit Lanjan Project and Beluran Police Camp Project. Additionally, the higher trade and other payables was also contributed by the deposit received as advance payment for the Beluran Police Camp Project and amount due to developer for the acquisition of our new head office at the Glenz Mixed Commercial Development Project. In addition, the marginal decrease in the current ratio was also caused by the decrease in cash and cash equivalents by RM10.16 million.

The aforementioned decrease was partially offset by the following:-

- Higher trade and other receivables of RM107.98 million as at 31 December 2021 (31 December 2020: RM78.25 million), mainly due to the increase in certified progress billings issued to customers for the on-going construction projects as well as the increase in deposits, being performance guarantees provided by Vestland to its customers.

- Higher contract assets of RM17.08 million as at 31 December 2021 (31 December 2020: RM6.01 million), mainly due to the increase in unbilled progress billings for the work done for the Glenz Mixed Commercial Development Project, CPL Aromas Pulau Indah Project, KKB Academic Building and Student Accommodation Project, Residensi Armani Petaling (Cheras) Project, PPA1M Houses Project and Residensi Armani Bukit Lanjan Project.

Our current ratio increased slightly from 1.26 times as at 31 December 2021 to 1.28 times as at 30 June 2022. Notwithstanding the aforementioned, there was an increase of RM38.91 million in current assets which was mainly attributed to higher trade receivables of RM102.17 million as at 30 June 2022 (31 December 2021: RM79.25 million). The higher trade receivables were mainly attributed to the increase in certified progress billings issued to customers in the second quarter of FPE 2022 mainly for the design and build projects including Beluran Police Camp Project and Residensi Armani Bukit Lanjan Project, as well as the Permas City Project. The increase in current assets was also due to the increase in cash and cash equivalents by RM20.78 million.

The effects of the increase in current assets on the current ratio was partially offset by the increase of RM28.69 million in current liabilities primarily arising from the drawdown of revolving credit of RM15.20 million for our Group's working capital purposes and an increase in contract liabilities of RM10.24 million mainly contributed by the Beluran Police Camp Project, D'vine Residences Project and Permas City Project.

(d) Gearing ratio

	As at 31 December			**As at**
	2019 RM'000	**2020 RM'000**	**2021 RM'000**	**30 June 2022 RM'000**
Total borrowings	15,426	33,878	28,247	44,098
Total equity	28,805	35,814	46,450	57,115
Gearing ratio (times)	0.54	0.95	0.61	0.77

Our gearing ratio increased from 0.54 times as at 31 December 2019 to 0.95 times as at 31 December 2020 despite an increase in retained earnings of RM7.01 million or 25.91% to RM34.06 million as at 31 December 2020 mainly due to an increase in borrowings by RM18.45 million or 119.62% to RM33.88 million as at 31 December 2020 (31 December 2019: RM15.43 million). The increase in borrowings was attributed to the higher utilisation of bank overdrafts for our project financing and term loans mainly for the purchase of 8 shop units at the Glenz Mixed Commercial Development Project.

Our gearing ratio decreased from 0.95 times as at 31 December 2020 to 0.61 times as at 31 December 2021 mainly due to higher retained earnings of RM44.70 million as at 31 December 2021 compared to RM34.06 million as at 31 December 2020. Our borrowings also decreased by RM5.63 million or 16.62% to RM28.25 million as at 31 December 2021. This was mainly due to lower utilisation of bank overdrafts as the Glenz Mixed Commercial Development Project was nearing completion.

Our gearing ratio increased from 0.61 times as at 31 December 2021 to 0.77 times as at 30 June 2022 despite an increase in retained earnings of RM10.67 million or 23.86% to RM55.37 million as at 30 June 2022. This was mainly due to an increase in the borrowings by RM15.85 million to RM44.10 million as at 30 June 2022. The higher borrowings were mainly due to the higher utilisation of revolving credits for our Group's working capital purposes.

12.5 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There was no accounting policy adopted which is peculiar to our Group because of the nature of our business or the industry we operate in during the Financial Years and Period Under Review. The Accountants' Report did not contain any audit qualification for the Financial Years and Period Under Review.

12.6 TREND ANALYSIS

As at the LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this section and Sections 7.12, 9, 12.2 and 12.3 of this Prospectus;

(ii) material commitment for capital expenditure;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Sections 7.12, 9, 12.2 and 12.3 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section and Sections 7.12, 9, 12.2 and 12.3 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 7.12, 9, 12.2 and 12.3 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the construction industry in Malaysia where according to Bank Negara Malaysia, the real gross domestic product of the construction industry is estimated to grow by 2.3% in 2022, despite the value of construction work completed between 2017 (RM138.45 million) and 2021 (RM111.98 million) experiencing a decline at an average annual rate of 5.2% as set out in Section 8 of this Prospectus, our financial performance during the Financial Years and Period Under Review, our competitive strengths as set out in Section 7.3 of this Prospectus and our strategies and plans as set out in Section 7.18 of this Prospectus which includes, inter-alia, growing our business by capitalising on our design and build capabilities, taking into consideration the advantages of the design and build segment (as highlighted under Section 7.2.2.1) and overall higher GP margins recognised by our Group for FYE 2020, FYE 2021 and FPE 2022.

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12. FINANCIAL INFORMATION *(cont'd)*

12.7 ORDER BOOK

Project Name	Customer	Approximate Percentage of Completion as at the LPD (%)	Expected Completion Date[1]	Total Contract Value (RM million)	Outstanding Order Book as at LPD (RM million)
Design and Build Segment					
Residential					
Residensi Armani Petaling (Cheras) Project	Mercu Majuniaga Sdn Bhd[4]	98.31	December 2022	58.00	0.98
Residensi Armani Bukit Lanjan Project	Mercu Majuniaga Sdn Bhd[4]	98.34	March 2023	35.50	0.59
Selangor Cyber Valley (Phase 1) Project	Splendid Forte Development Sdn Bhd	-	December 2026	234.86	234.86
Non-residential					
Beluran Police Camp Project	Hawa Teknik Sdn Bhd	27.50	February 2025	332.82	241.30
Raja Uda Project	Mercu Majuniaga Sdn Bhd[4]	0.03	May 2025	80.00	79.98
Armani Subang SOHO Project	Mercu Majuniaga Sdn Bhd[4]	96.56	March 2023	43.00	1.48
Tanah Rata Cameron Project	Mercu Majuniaga Sdn Bhd[4]	4.15	January 2025	40.00	38.34
KKIP Warehouse Project	Armani KPF2 Development Sdn Bhd[4]	5.75	March 2024	59.50	56.08

12. FINANCIAL INFORMATION *(cont'd)*

Project Name	Customer	Approximate Percentage of Completion as at the LPD (%)	Expected Completion Date(1)	Total Contract Value (RM million)	Outstanding Order Book as at LPD (RM million)
Build Segment					
Non-residential					
D'vine Residences Project	Binastra Construction (M) Sdn Bhd	9.47	December 2024	216.62	196.10
KKB Academic Building and Student Accommodation Project	Kelola Handal Sdn Bhd	33.37	May 2024	28.38	18.91
Permas City Project(2)	Tafi Industries Berhad(4)	78.89	January 2023(5)	21.50	4.54
Civil Engineering Works Segment					
Plot 10	Binastra Construction (M) Sdn Bhd	2.27	September 2024(5)	56.00	54.73
Habu Cameron Infrastructure Project(2)	Tafi Industries Berhad(4)	1.86	March 2024	14.50	14.23
Plot 9D	Binastra Construction (M) Sdn Bhd	0.19	July 2023(3)	5.31	5.31
TOTAL				**1,225.99**	**947.43**

Notes:

(1) Expected completion date is based on the letters of award of the respective projects or revised completion date based on the EOT granted by our customers as at the LPD.

(2) The Permas City Project and the Habu Cameron Infrastructure Project were awarded by Tafi Home & Office Sdn Bhd and Tafi Development Sdn Bhd respectively, both of which are wholly-owned subsidiaries of Tafi Industries Berhad.

(3) Based on the terms of the letter of award dated 5 January 2022, the commencement of site works for Plot 9D is subject to the Site Possession. The expected completion date shall be 9 months commencing from Site Possession. We have obtained the Site Possession in October 2022 and the expected completion date is July 2023.

(4) Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd, Tafi Industries Berhad and Armani KPF2 Development Sdn Bhd have a common shareholder. For information purposes, the aggregate revenue contribution from Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd, Tafi Industries Berhad and Armani KPF2 Development Sdn Bhd collectively accounted for 22.85% (RM22.56 million), 64.72% (RM62.86 million), 72.82% (RM124.57 million) and 59.96% (RM83.88 million) of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Notwithstanding the significant aggregate revenue contribution from Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd, Tafi Industries Berhad and Armani KPF2 Development Sdn Bhd, our Group is not dependent on them as our customers as the projects awarded by Sg. Besi Construction Sdn Bhd, Mercu Majuniaga Sdn Bhd, Tafi Industries Berhad and Armani KPF2 Development Sdn Bhd represent approximately 20.71% of the Group's outstanding order book as at the LPD and the Glenz Mixed Commercial Development Project and CPL Aromas Pulau Indah which is awarded by Sg. Besi Construction has been completed in March 2022 and August 2022 respectively.

(5) Being the revised expected completion date based on the EOT granted by our customer as at the LPD.

The above outstanding order book relates to the contract value of projects which are on-going less revenue recognised up to the LPD. This outstanding order book is expected to be recognised progressively over the next 4 financial years as follows:

Financial year/period	**Outstanding Order Book (RM million)**
Subsequent to the LPD up to 31 December 2022	46.94
FYE 2023	396.74
FYE 2024	366.49
FYE 2025	122.20
FYE 2026	15.06
Total	**947.43**

There may be variations from the amount awarded as compared to the final works to be performed resulting from, amongst others, changes in project requirements, which may take place during the implementation of the project.

Although our current outstanding order book will be gradually recognised in the next few financial years, our Group continues to participate in tenders to secure new contracts. As at LPD, we have participated in tenders and/or submitted proposals for various building construction projects. These projects, if awarded, will increase our order book.

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12.8 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) the level of cash and level of indebtedness;

(ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(iii) our expected results of operations and future level of operations;

(iv) our projected levels of capital expenditure and other investment plans; and

(v) prior written consent from financial institutions, where required, for financial covenants in which Vestland Resources is subject to, in relation to the ability of our subsidiary to transfer funds in the form of cash dividend, loans or advances to us.

Our Group presently does not have any formal dividend policy.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the CA 2016, our Company, in general meeting, may from time to time approve a dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the CA 2016, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

During the Financial Years and Period Under Review and up to the LPD, we have declared and paid for the following dividend:

	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**	**1 July 2022 and up to the LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Dividend declared and paid	2,250	-	-	-	-
PAT	7,165	7,009	10,635	10,665	-
Dividend payout ratio[(1)] (%)	31.40%	-	-	-	-

Note:

(1) Computed based on dividend declared divided by PAT.

Please refer to Note 25 of the Accountants' Report set out in Section 14 of this Prospectus for further details.

The dividends declared in FYE 2019 were paid from the funds within our Group in excess of our Group's funding requirements for our business operations. The declaration and payment of such dividends would not affect the execution and implementation of the Group's strategies and plans as set out in Section 7.18 of this Prospectus.

There is no dividend declared or paid subsequent to 30 June 2022 and prior to our Listing.

Kindly refer to Section 9.3.4 of this Prospectus for risks relating to payment of dividends.

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

12.9 SIGNIFICANT CHANGES

There are no significant changes that have occurred which may have material effect on the financial position and results of our Group subsequent to 30 June 2022 and up to the LPD.

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12.10 CAPITALISATION AND INDEBTEDNESS

The following table sets out the capitalisation and indebtedness:

(i) as at 31 October 2022, before our Public Issue and utilisation of proceeds; and

(ii) after adjusting for the effects of the proceeds arising from our Public Issue and utilisation of proceeds.

	Unaudited As at 31 October 2022	**After Public Issue and utilisation of proceeds**
	RM'000	**RM'000**
Indebtedness:		
Current		
Secured and guaranteed		
Term loans	1,527	1,285 (2)
Revolving credit	22,391	22,391
Lease liabilities	287	287
Non-current		
Secured and guaranteed		
Term loans	21,459	14,770 (2)
Lease liabilities	635	635
Total indebtedness	**46,299**	**39,368**
Capitalisation:		
Shareholders' equity	72,467	125,096
Total capitalisation	**72,467**	**125,096**
Total capitalisation and indebtedness	**118,766**	**164,464**
Gearing ratio (times) (1)	0.64	0.31

Notes:

(1) Computed based on the total indebtedness divided by shareholders' equity.

(2) This amount was derived upon taking into consideration the utilisation of proceeds for the repayment of bank borrowings utilised for the acquisition of the New Head Office.

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group which may have a substantial impact on the financial position of our Group.

VESTLAND BERHAD
(Registration No: 202101037563 (1437863-M))
(Incorporated in Malaysia)

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

REPORTING ACCOUNTANTS' ASSURANCE REPORT ON COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022
(Prepared for inclusion in the Prospectus)

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

T +603 2692 4022
F +603 2691 5229

Date: 30 November 2022

The Board of Directors
Vestland Berhad
D-08-03 Menara Mitraland
No.13A, Jalan PJU5/1
Kota Damansara PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

VESTLAND BERHAD ("COMPANY" OR "VESTLAND")
REPORT ON THE COMPILATION OF THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

We have completed our assurance engagement to report on the compilation of the Pro Forma Statements of Financial Position of the Company and its subsidiary ("Group" or "Vestland Group") as at 30 June 2022 together with the notes and assumptions thereto (which we have stamped for the purpose of identification), have been compiled and prepared by the Directors of the Company for inclusion in the prospectus of the Company ("Prospectus") in connection with the initial public offering ("IPO") and the listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The Pro Forma Statements of Financial Position as at 30 June 2022 have been compiled by the Directors of Vestland Group based on the requirements of Chapter 9 of the Prospectus Guidelines-Equity issued by Securities Commission Malaysia ("Prospectus Guidelines"), the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants and described in the notes as set out in Basis of Preparation of Pro Forma Statements of Financial Position ("Applicable Criteria").

The Pro Forma Statements of Financial Position as at 30 June 2022 have been compiled by the Directors of the Company, for illustrative purposes only, to illustrate the impact of the IPO on the Statements of Financial Position had the IPO been effected on 30 June 2022. As part of this process, information about the Group's Statements of Financial Position has been extracted by the Directors of the Company from the Group's audited statements of financial position as at 30 June 2022, on which was reported by us to the members of Vestland Group on 30 November 2022 without any modification.

Directors' Responsibility for the Pro Forma Statements of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Statements of Financial Position on the basis set out in Applicable Criteria.

Audit | Tax | Advisory

Chartered Accountants
Grant Thornton Malaysia PLT [201906003682 (LLP0022494-LCA) & AF 0737] is a Limited Liability Partnership and is a member firm of Grant Thornton International Ltd (GTIL), a private company limited by guarantee, incorporated in England and Wales.
Grant Thornton Malaysia PLT was registered on 1 January 2020 and with effect from that date, Grant Thornton Malaysia (AF 0737), a conventional partnership was converted to a Limited Liability Partnership.

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Our Independence and Quality Control

We are independent in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Statements of Financial Position have been properly compiled, in all material respect, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance *with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

The purpose of the Pro Forma Statements of Financial Position included in the Prospectus is solely to illustrate the impact as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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Reporting Accountants' Responsibilities (cont'd)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

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

Opinion

In our opinion, the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria.

Other Matter

This letter has been prepared at your request for inclusion in the Prospectus in connection with the IPO and the Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

LUI LEE PING
(NO: 03334/11/2023(J))
CHARTERED ACCOUNTANT

Kuala Lumpur

13. REPORTING ACCOUNTANTS' ASSURANCE REPORT ON COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION *(cont'd)*

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

The Pro Forma Statements of Financial Position of Vestland Berhad as at 30 June 2022 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 on the assumption that these transactions were completed on 30 June 2022, and should be read in conjunction with the accompanying notes to the Pro Forma Statements of Financial Position.

	Note	Statement of Financial Position as at 30 June 2022	Pro Forma I After After Proposed Listing Scheme	Pro Forma II After Utilisation of Proceeds
		RM	RM	RM
ASSETS				
Non-current assets				
Property, plant and equipment	3.01	11,218,259	11,218,259	11,218,259
Right-of-use assets	3.02	1,169,675	1,169,675	1,169,675
Investment properties	3.03	12,100,000	12,100,000	12,100,000
Cash and cash equivalents	3.04	13,645,858	13,645,858	13,645,858
Deferred tax assets	3.05	11,000	11,000	11,000
Total non-current assets		38,144,792	38,144,792	38,144,792
Current assets				
Trade receivables	3.06	102,168,905	102,168,905	102,168,905
Other receivables	3.07	22,254,726	22,254,726	27,229,726
Contract assets	3.08	18,767,690	18,767,690	18,767,690
Cash and cash equivalents	3.04	24,669,734	80,769,734	64,821,434
Total current assets		167,861,055	223,961,055	212,987,755
Assets classified as held-for-sale	3.09	3,262,018	3,262,018	3,262,018
Total assets		209,267,865	265,367,865	254,394,565
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the Company:-				
Share capital	3.10	46,458,616	102,558,616	100,518,616
Merger deficit	3.11	(44,708,516)	(44,708,516)	(44,708,516)
Retained earnings	3.12	55,364,872	55,364,872	53,933,572
Total equity		57,114,972	113,214,972	109,743,672
Liabilities				
Non-current liabilities				
Borrowings	3.13	20,970,161	20,970,161	15,437,492
Lease liabilities	3.14	487,811	487,811	487,811
Total non-current liabilities		21,457,972	21,457,972	15,925,303
Current liabilities				
Trade payables	3.15	77,714,829	77,714,829	77,714,829
Other payables	3.16	12,697,452	12,697,452	10,907,442
Contract liabilities	3.17	13,062,457	13,062,457	13,062,457
Borrowings	3.13	22,205,080	22,205,080	22,025,759
Lease liabilities	3.14	435,155	435,155	435,155
Tax payable	3.18	4,579,948	4,579,948	4,579,948
Total current liabilities		130,694,921	130,694,921	128,725,590
Total liabilities		152,152,893	152,152,893	144,650,893
Total equity and liabilities		209,267,865	265,367,865	254,394,565
Issued ordinary share capital (Unit)	3.10	774,308,700	944,308,700	944,308,700
Net assets per share (sen)		7.38	11.99	11.62
Borrowings (included lease liabilities)		44,098,207	44,098,207	38,386,217
Gearing ratio (times)		0.77	0.39	0.35

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VESTLAND BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

1. BASIS OF PREPARATION

The Pro Forma Statements of Financial Position of the Group has been prepared for illustrative purposes only.

The Applicable Criteria on the basis of which the Directors of the Company have compiled the Pro Forma Statements of Financial Position are as described below. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Statements of Financial Position of the Group has been prepared on the basis consistent with the accounting policies adopted by the Group for the financial period ended 30 June 2022, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Prospectus Guidelines.

The audited financial statements of the Group as at 30 June 2022 were not subject to any audit qualification.

The Pro Forma Statements of Financial Position, because of its nature, may not reflect the actual financial position of the Group. Further, such information does not predict the future financial position of the Group.

The Pro Forma Statements of Financial Position as at 30 June 2022 are adjusted for the impact of the Listing Scheme as set out in Note 2.

2. LISTING SCHEME

2.1 Pro Forma I: Proposed Listing Scheme

(a) Public Issue

Public issue of 170,000,000 new Vestland ordinary shares ("Issued Shares") at the IPO price of RM0.33 per share, representing approximately 18.00% of the Company's enlarged total number of shares.

(b) Offer for Sale

Offer for sale of 70,800,000 existing ordinary shares in Vestland ("Offer Shares"), representing approximately 7.50% of the Company's enlarged total number of shares at an IPO price of RM0.33 per share.

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PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

2. LISTING SCHEME (CONT'D)

2.2 Pro Forma II: Proposed Utilisation of Proceeds from the Listing

The proceeds of approximately RM56,100,000 to be raised from the public issue is expected to be utilised in the following manner:-

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM
Acquisition of new head office/ refinancing of borrowings of acquisition of new head office (Note [a])	Within 3 months	7,502,000
Performance bonds and/or cash deposits for construction projects (Note [b])	Within 15 months	10,800,000
Working capital (Note [c])	Within 12 months	33,498,000
Estimated listing expenses (Note [d])	Within 3 months	4,300,000
Total estimated proceeds		**56,100,000**

(a) Acquisition of the New Head Office/Refinancing of Borrowings for Acquisition of the New Head Office

A sum of RM7,502,000 has been earmarked for the repayment of the bank borrowings relating to the acquisition of 12 parcels of office suites at The Glenz Mixed Commercial Development Project, being the new head office of the Group.

However, as at 30 June 2022, the said bank borrowings have yet to be fully drawn down, hence, in order to incorporate the pro forma effects on the utilisation proceeds from the Listing, the acquisition of the new head office was settled by RM5,711,990 from borrowings and the remaining of RM1,790,010 will be set off against other payables.

(b) Performance Bonds and/or Cash Deposits for Construction Projects

The Group has earmarked RM10.80 million of the proceeds to be utilised for the performance bonds and/or cash deposits for its on-going and future construction projects as follows:-

Project	Amount (RM'000)	Expected construction commencement date	Timing of submission of performance bond/cash deposit
Raja Uda Project	2,000	4th quarter of 2022	Within 6 months from construction commencement date
KKIP Warehouse Project	2,975	4th quarter of 2022	Within 6 months from construction commencement date
Future projects*	5,825	-	
Total	**10,800**		

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