6.13 LICENCES AND PERMITS

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD:

	Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
1.	Glostrext Technology / CIDB Malaysia	Certificate of Registration	19 September 2022 / 7 October 2025	Issued under Part VI of Construction Industry Development Board Act 1994. To certify that Glostrext Technology has been granted the following grade: Grade – Category – Scope G6 – B – B04 G6 – CE – CE21 G6 – ME – M15 Grade G6 allows the company to tender for projects not more than RM10 million. Category B is for building construction works and the scope B04 allows the company to tender for construction works of any kind of building and plant. Category CE is for civil engineering construction and the scope CE21 allows the company to tender for construction works, maintenance and repair any civil engineering construction. Category ME is for mechanical equipment and the scope M15 allows the company to tender for inter alia, works relating to installation, testing and maintenance and repair of mechanical equipment.	Complied and our workers and site supervisors have been accredited, certified and issued with valid CIDB cards

Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
			Material conditions: (i) This certificate is not transferrable. (ii) The contractor is not allowed to participate in any tender or conduct any construction work after the expiry date of the certificate until it is renewed. (iii) The contractor is prohibited to undertake to build any construction project which exceeds the value of the construction work stated under the registered grade and is not allowed to carry out any construction project outside its registered category. (iv) The contractor shall submit information relating to any construction work or contract in within 14 days after being awarded or before the commencement of the work or whichever is earlier. (v) The contractor shall exhibit its Certificate of Registration issued by CIDB or a copy of the Certificate of Registration certified by CIDB at its place of business. (vi) The contractor shall apply to renew the registration within 60 days before the expiry date stated in the Certificate. (vii) The contractor shall exhibit the registration number on the signage at each of its construction site. (viii) The contractor shall employ skilled construction worker and site supervisor which is accredited and certified by CIDB. (ix) All workers at the building site shall have a valid Construction Personnel Card.	

	Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
2.	Glostrext Technology / Department of Occupational Safety & Health	Lifting Machine Qualification Certificate	12 June 2023 / 11 September 2024	Overhead Travelling Crane Issued under the Factories and Machinery Act 1967 ("FMA 1967") to certify that the crane has been inspected and qualified for operation.	Complied
3.	Glostrext Technology / Department of Occupational Safety & Health	Lifting Machine Qualification Certificate	12 June 2023 / 11 September 2024	Single Girder Overhead Travelling Crane Issued under the FMA 1967 to certify that the crane has been inspected and qualified for operation.	Complied
4.	Spectest / CIDB Malaysia	Certificate of Registration	19 September 2022 / 7 October 2025	Issued under Part VI of Construction Industry Development Board Act 1994. To certify that Spectest has been granted the following grade: Grade / Category / Scope: G6 / B / B04 G6 / CE / CE21 G6 / ME / M15 Grade G6 allows the company to tender for projects not more than RM10 million. Category B is for building construction works and the scope B04 allows the company to tender for construction works of any kind of building and plant. Category CE is for civil engineering construction and the scope CE21 allows the company to tender for	Complied and our workers and site supervisors have been accredited, certified and issued with valid CIDB cards

Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
			construction works, maintenance and repair any civil engineering construction. Category ME is for mechanical equipment and the scope M15 allows the company to tender for inter alia, works relating to installation, testing and maintenance and repair of mechanical equipment. Material conditions: (i) This certificate is not transferrable. (ii) The contractor is not allowed to participate in any tender or conduct any construction work after the expiry date of the certificate until it is renewed. (iii) The contractor is prohibited to undertake to build any construction project which exceeds the value of the construction work stated under the registered grade and is not allowed to carry out any construction project outside its registered category. (iv) The contractor shall submit information relating to any construction work or contract in within 14 days after being awarded or before the commencement of the work or whichever is earlier. (v) The contractor shall exhibit its Certificate of Registration issued by CIDB or a copy of the Certificate of Registration certified by CIDB at its place of business. (vi) The contractor shall apply to renew the registration within 60 days before the expiry date stated in the Certificate.	

	Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
				(vii) The contractor shall exhibit the registration number on the signage at each of its construction site. (viii) The contractor shall employ skilled construction worker and site supervisor which is accredited and certified by CIDB. (ix) All workers at the building site shall have a valid Construction Personnel Card.	
5.	Glostrext Singapore / Building and Construction Authority of Singapore (BCA)	Builder's Licence (Site Investigation Work)	7 June 2022 – 7 June 2025	Issued under the Building Control Act 1989 and Building Control (Licensing of Builders) Regulations 2008 for specialist builder specialising in site investigation work. Material conditions: Where any general building works or specialist building works are carried out by a licensed builder which is a corporation, the corporation must ensure that the execution and performance of the general building works or specialist building works (as the case may be) are personally supervised by: (a) At least one director of the corporation or a member of its board of management; or (b) At least one of its employees who is employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management,	Complied and Ir Dr Lee Sieng Kai (our Managing Director) and Loo Hee Fatt (our Senior Project Manager - Glostrext Singapore) are the technical controllers. Li Haigang (Director / General Manager – Glostrext Singapore) is the approved person

Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
			who has the prescribed qualifications and prescribed practical experience referred to in Section 29F(3) or 29G(3)(f) of the Building Control Act 1989, as the case may be. Pursuant to the above, the personnel required are a technical controller and an approved person. The prescribed qualifications and prescribed practical experience for a technical controller are a degree in civil or structural engineering from a recognised institution with at least 60 months of post-degree experience. The prescribed qualifications and prescribed practical experience for an approved person are a degree in any field or a diploma in construction or construction related field with at least 36 months of post-degree or diploma experience. It is a condition of every builder's licence granted to a partnership or a corporation that the management of the business of the partnership or corporation insofar it relates to general building works or specialist works (as the case may be) must at all times be under the charge and direction of: (a) A partner in the case of the partnership; or (b) In the case of a corporation, a director or a member of the board of management of the corporation or an employee of the corporation	

	Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
				who is employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management.	
6.	Glostrext Singapore / BCA	Contractors Registration	18 October 2022 – 1 December 2025	Registered under the Contractors Registration System administered by the BCA for the registration of Workhead CR01 (Minor Construction Works) Single Grade to tender or undertake construction and construction-related public sector projects in Singapore. Registration of Workhead CR01 (Minor Construction Works) Single Grade allows the company to tender for minor building and civil engineering works that are not governed by the Building Control Act such as drainage, minor road works, aprons and minor additions and alteration works.	Complied
7.	Glostrext Singapore / BCA	Contractors Registration	18 October 2022 – 1 December 2025	Registered under the Contractors Registration System administered by the BCA for the registration of Workhead CR15 (Site Investigation Works) Single Grade to tender or undertake construction and construction-related public sector projects in Singapore. Registration of Workhead CR15 (Site Investigation Works) Single Grade allows the company to tender for site investigation works comprising inter alia, field investigations, in-situ plate-loading tests, pressure meter tests, penetration tests, as well as installation and monitoring of instruments measuring forces.	Complied

	Licence holder / Issuing authority	Nature of approval or licences	Date of issue / Date of expiry	Licence content / Material conditions imposed	Compliance status
8.	Glostrext Singapore / Workplace Safety and Health Council (Ministry of Manpower of Singapore)	BizSAFE Certificate	29 September 2022 – 21 September 2025	BizSAFE is a nationally recognised capability building programme designed to aid companies to build workplace safety and health capabilities. According to the guideline issued by the BCA, a contractor is required to hold a BizSAFE certificate in order to be registered with the Contractors Registration System. BizSAFE Level Star Certificate which recognises that Glostrext Singapore identifies, manages and controls workplace risks or hazards in compliance with the Workplace Safety and Health (WSH) Act 2006 and international standards such as ISO 45001.	Complied

Service engagements in Cambodia

We do not need any licence by Cambodian authorities to specifically provide the pile instrumentation and structural and ground instrumentation and monitoring services in Cambodia as our role is to support the pilling activities of our customers in Cambodia who already have the requisite licence to carry out piling works and all ancillary or works related to piling. Nevertheless, all our employees despatched to Cambodia hold valid work visas issued by the government of Cambodia.

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6.14 RESEARCH AND DEVELOPMENT ("R&D")

We recognise the importance of continuously enhancing our offerings with on-going R&D. As at the LPD, the focus of our R&D activities is to enhance the automation levels in our service provision to increase our operational efficiency. As such, we launched Glostrext WiNA platform in 2022 and automated hydraulic jack pump system in 2023. Further details are set out below:

Past R&D achievement	Description	Year of commencement	Year of completion
Glostrext WiNA platform	A web-based platform which leverages on a series of sensors including IoT-enabled sensors and data visualisation software for remote and real time structural and ground monitoring. With the use of IoT technology, data collection is automated and continuous, therefore reducing the labour required as well as enabling better and data-driven analysis based on large amount of data collected. Please refer to Section 6.6.1(ii)(b) for further details of our Glostrext WiNA platform.	First quarter of 2020	First quarter of 2022
Automated hydraulic jack pump system	A system comprising a series of instruments (e.g. hydraulic jacks, hydraulic pump, pressure transducer and hydraulic hoses) that are connected to a computer software. This is aimed to digitalise and automate the pumping of hydraulic jacks (which is presently carried out manually) to further enhance and improve the accuracy of loads created by the hydraulic jacks for pile static load test services.	Second quarter of 2021	Second quarter of 2023

Moving forward, we will continue to undertake R&D activities as detailed in Section 6.19.2. Apart from this, we will continue to stay abreast with industry trends and latest technologies to continuously enhance our services. For the past 4 FYEs 2020 to 2023, the expenses for our R&D activities, which comprise purchase of instruments and subscription of third party data visualisation software, amounted to 0.54%, 1.58%, 3.08% and 1.27% of our Group's revenue respectively. These R&D expenses incurred by our Group were expensed off as part of our materials, instruments, equipment and consumable costs. Further, we do not incur staff cost as part of our R&D expenses as our R&D activities are carried out by our engineers on an ad-hoc basis, whereby the key responsibilities of these engineers are on the service provision of our piling, structural and geotechnical related services. However, moving forward we intend to hire 5 additional software / system engineers to support our R&D activities, where they will work together with our existing engineers to carry out the R&D activities.

6.15 QUALITY ASSURANCE/CONTROL MANAGEMENT AND TECHNOLOGY USED

6.15.1 Quality assurance and quality control procedures

As at the LPD, we have obtained the following certificates through our subsidiaries:

Spectest

Name of certificate	Certificate body	First certification date	Current validity period	Details/ scope of certificate
ISO 9001: 2015 – Quality management system	CARE Certification International (M) Sdn Bhd	27 January 2022	27 January 2022 – 26 January 2024	Provision of geotechnical instrumentation monitoring (vibration monitoring services)

Glostrext Technology

Name of certificate	Certificate body	First certification date	Current validity period	Details/ scope of certificate
MS ISO/IEC 17025 – General requirements for the competence of testing and calibration laboratories (Scope of calibration: Dimensional and Force)	Department of Standards Malaysia	28 February 2020	28 February 2020 – 28 February 2028	Conforms to the technical competence requirements and management system requirements that are necessary to consistently deliver technically valid test results and calibrations for extensometers, transducers, linear variable displacement transducers, vibrating wire strain gauge and force measuring instruments
ISO 9001: 2015 – Quality management system	CARE Certification International (M) Sdn Bhd	27 January 2022	27 January 2022 – 26 January 2024	Provision of geotechnical instrumentation monitoring (rental of load cell services)

Glostrext Singapore

Name of certificate	Certificate body	First certification date	Current validity period	Details/ scope of certificate
ISO/IEC 17025 – General requirements for the competence of testing and calibration laboratories (Scope of calibration: Dimensional)	Singapore Accreditatio n Council	2 October 2021	2 October 2021 – 1 October 2025	Conforms the technical competence requirements and management system requirements that are necessary to consistently deliver technically valid test results and calibrations for extensometers, transducers and linear variable displacement transducers

Name of certificate	Certificate body	First certification date	Current validity period	Details/ scope of certificate
ISO 9001: 2015 – Quality management system	SOCOTEC Certification Singapore Pte Ltd	31 August 2017	31 August 2020 - 30 August 2023*	Provision of pile tests instrument services
ISO 45001: 2018 – Occupational health and safety management system	SOCOTEC Certification Singapore Pte Ltd	22 September 2022	22 September 2022 – 21 September 2025	Provision of geotechnical instrumentation, pile testing and dimensional calibration services

Note:

* This ISO 9001: 2015 certifies that the Glostrext Singapore has a quality management system in relation to organisation structure, responsibilities and procedures that conforms to the ISO 9001: 2015 standards. This is an additional certification and is not a certification made mandatory by the authorities in order for Glostrext Singapore to operate. As such, any late or non-renewal of this certification does not prevent Glostrext Singapore from operating. SOCOTEC Certification Singapore Pte Ltd had in July 2023 carried out an audit for this renewal and the issuance of a new certificate is pending. The new certificate is expected to be obtained in third quarter of 2023.

Prior to the expiry of the certificate, our Group will submit the relevant renewal documents to the certificate body. Subsequently, auditors appointed by the certificate body will conduct an on-site audit of our laboratories. After the audit, the certificate body will issue a renewal certificate. The process of renewal from the on-site audit to the issuance of the renewal certificate is approximately 1 month.

The certifications above are for our Group's quality assurance and quality control measures and having these certifications reflect our quality standards. It is not an industry or customers' requirement for the Group to obtain the certificates disclosed above.

6.15.2 Technology used

Our Group uses the following technologies for our business operations:

Technology	Description
IoT	• IoT refers to the interconnectivity between human and devices to transmit data and information. • IoT-enabled devices are fitted with sensors to collect data, and transmit data to other devices through the internet for further usage or analysis. • Sensors used in our Glostrext WiNA platform for off-site structural and ground instrumentation and monitoring services are equipped with IoT feature to perform data collection and transmission automatically. • Our Glostrext WiNA platform has the ability to receive the data transmitted from the IoT-enabled sensors installed on-site.

Technology	Description
Vista Data Vision*	• A data visualisation software that organises and displays data collected from data loggers for our structural and ground instrumentation and monitoring services using Glostrext WiNA platform. • The data collected can be displayed in chart, or in an interactive form which allows users to easily access and understand the data, on our Glostrext WiNA platform. It can also be presented together with several alert levels to alert our customers when outlier data are collected on a real time basis, thereby simplifying the monitoring process.
Canary Systems	• A data acquisition software to collect, view, and analyse data.

Note:

* Notwithstanding that our Group uses third party visualisation software in our Glostrext WiNA platform for the provision of off-site structural and ground instrumentation and monitoring services, and that the software provider of the third party visualisation software was not amongst our top 5 major suppliers in the past 4 FYEs 2020 to 2023 due to minimal costs incurred, we are not dependent on the software provider as there are other similar software readily available in the market.

6.16 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during the past 4 FYEs 2020 to 2023 and up to the date of this Prospectus:

(i) Option to purchase dated 20 June 2019 entered into between Glostrext Singapore and Gin Chia Co Pte Ltd for the purchase of a property bearing postal address 30 Kaki Bukit Road 3 #01-02 Singapore 417819 for a purchase consideration of SGD0.86 million (equivalent to RM2.60 million). The option to purchase was completed on 29 July 2019.

(ii) Sale and purchase agreement dated 23 August 2019 entered into between Glostrext Technology and Solid Fine Food Services (M) Sdn Bhd for the acquisition of 1 unit of 3-storey shop lot bearing postal address No. 57, Jalan Matahari Z U5/Z, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor for a purchase consideration of RM1.38 million. This sale and purchase agreement was completed on 31 December 2019.

(iii) Sale and purchase agreement dated 26 June 2020 entered into between Spectest and Jet Trading Sdn Bhd for the disposal of a leasehold 1 1/2-storey terrace factory lot bearing postal address No. 40, Jalan Desa Serdang 4, Taman Desa Serdang, 43300 Seri Kembangan, Selangor to Jet Trading Sdn Bhd at a disposal consideration of RM0.92 million. This sale and purchase agreement was completed on 12 November 2020.

(iv) Sale and purchase agreement dated 26 June 2020 entered into between Spectest and Yet Air Cooling System Sdn Bhd for the disposal of a leasehold 1 1/2-storey terrace factory lot bearing postal address No. 38, Jalan Desa Serdang 4, Taman Desa Serdang, 43300 Seri Kembangan, Selangor to Yet Air Cooling System Sdn Bhd for a disposal consideration of RM0.92 million. This sale and purchase agreement was completed on 12 November 2020.

(v)(a) Debt settlement agreement dated 3 February 2021 entered into between Glostrext Technology and a customer, ZhongJi Construction Sdn Bhd ("ZhongJi") for the settlement of a RM0.51 million debt owed by ZhongJi to Glostrext Technology. The RM0.51 million debt was settled by way of set-off whereby the property bearing postal address A6-2-15-05, Jalan Tanjung Puteri 1, R&F Tanjung Puteri, 80300 Johor Bahru, Johor will be transferred to Glostrext Technology.

ZhongJi and Glostrext Technology further agreed that the set-off value of the said property shall be RM0.52 million where, upon completion of the settlement, ZhongJi's debt of RM0.51 million shall be deemed settled as between ZhongJi and Glostrext Technology and the remaining value of RM0.01 million will be used to set-off against future jobs between ZhongJi and Glostrext Technology.

The debt settlement agreement was completed on 6 April 2021.

(v)(b) Pursuant to the debt settlement set out in (v)(a) above, ZhongJi had procured the developer of the property, R & F Development Sdn Bhd to enter into the sale and purchase agreement directly with Glostrext Technology on 6 April 2021 where the purchase consideration of the property amounting to RM0.53 million due to the developer was deemed fully settled and the property transferred to Glostrext Technology. The purchase consideration includes a rebate of RM0.01 million granted by the developer.

The sale and purchase agreement was completed on 6 April 2021.

(vi) Share sale agreement dated 10 March 2022 entered into between Li Haigang, Chia Meng Hua, Glostrext Technology and Spectest for the acquisition by Glostrext Technology of 9% equity interest in Glostrext Singapore from Li Haigang and Chia Meng Hua at a total consideration of RM1.25 million (equivalent to SGD0.40 million) which was satisfied via the issuance of 43,314 new ordinary shares in Spectest at an issue price of RM28.9255 per share. This share sale agreement was completed on 22 March 2022.

(vii) Share sale agreement dated 28 July 2022 entered into between our Company and the Vendors (namely Lee Sieng Kai, Tan Ah Huat, Li Haigang, Chia Meng Hua, Aniza Binti Md Din and Tan Chze Keong) for the Acquisition of Spectest. The Acquisition of Spectest was completed on 28 February 2023.

(viii) Option to purchase dated 8 November 2022 executed by Glostrext Singapore making an offer to dispose to Voltrium Systems Pte Ltd the property bearing postal address 15 Yishun Industrial Street 1 #06-28 Singapore 768091 for a disposal consideration of SGD0.58 million (equivalent to RM1.96 million). Voltrium Systems Pte Ltd had on 11 November 2022 accepted the offer. The option to purchase was completed on 20 January 2023.

(ix) Underwriting agreement dated 7 June 2023 entered into between our Company and M&A Securities for an underwriting of 30,528,000 Issue Shares as set out in Section 4.11.1. Please refer to Section 4.12 for the salient terms of the Underwriting Agreement.

6.17 MATERIAL PROPERTIES OF OUR GROUP

6.17.1 Properties owned by our Group

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

	Details	Location	Purpose	Reference
(1)	1 unit of 1-storey detached factory with 3-storey office block with a mezzanine floor, a covered storage area and a guard house	Shah Alam, Selangor	For use as our head office in Malaysia, laboratory and to store our inventory and equipment	Section 6.17.1(i)
(2)	1 unit of 1-storey detached factory annexed with 3-storey office block	Shah Alam, Selangor	Investment property	Section 6.17.1(ii)
(3)	3 units of 3-storey shop lots	Shah Alam, Selangor	Investment property	Sections 6.17.1(iii), (iv) and (v)
(4)	1 unit of 3-storey shop lot	Nusajaya, Johor	Used to store our inventory and equipment	Section 6.17.1(vi)
(5)	1 unit of serviced apartment	Johor Bahru, Johor	Investment property	Section 6.17.1(vii)
(6)	1 unit of industrial building unit	Singapore	For use as Glostrext Singapore's office and laboratory	Section 6.17.1(viii)
(7)	1 unit of industrial building unit	Singapore	For use to store our inventory and equipment	Section 6.17.1(ix)

(i) No. 11A, Jalan Apollo U5/194, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor

Particulars of title / Address	:	PN 50292, Lot 36621, Pekan Baru Subang, Daerah Petaling, Negeri Selangor
Registered proprietor	:	Glostrext Technology
Land area based on title	:	16,404.20 sq ft
Tenure / category of land use	:	Leasehold for 99 years expiring 7 December 2093 with a remaining leasehold period of approximately 70 years / Industrial
Description, existing use and age of building	:	The property comprises 1-storey detached factory with 3-storey office block with a mezzanine floor, a covered storage area and a guard house. The property has a built-up area of 13,956.60 sq ft. The age of the building is 25 years. As at the LPD, it is used as our head office in Malaysia, laboratory and to store our inventory and equipment.

NBV as at 31 March 2023	:	RM6.25 million
Building compliance	:	(a) Certificate of Fitness dated 12 May 1998 (b) Certificate of Completion and Compliance dated 16 March 2020 (c) Temporary building permit dated 24 June 2022 (1)
Encumbrances	:	Charged to Public Bank Berhad

(ii) No. 9, Jalan Apollo U5/194, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor

Particulars of title	:	PN 50290, Lot 36619, Pekan Baru Subang, Daerah Petaling, Negeri Selangor
Registered proprietor	:	Spectest
Land area based on title	:	16,404.20 sq ft
Tenure / category of land use	:	Leasehold for 99 years expiring 7 December 2093 with a remaining leasehold period of approximately 70 years / Industrial
Description, existing use and age of building	:	The property comprises 1-storey detached factory annexed with 3-storey office block. The office has a built-up area of 9,102.30 sq ft. The age of the building is 25 years. As at the LPD, it is rented to a third party tenant. We have no plans to dispose this property and will continue to hold it as an investment property.
NBV as at 31 March 2023	:	RM4.41 million
Date of acquisition	:	13 December 2018
Building compliance	:	Certificate of Fitness dated 12 May 1998
Encumbrances	:	Charged to Public Bank Berhad

(iii) No. 57, Jalan Matahari Z U5/Z, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor

Particulars of title	:	HS(M) 9781, PT No. 31549, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor
Registered proprietor	:	Glostrext Technology
Land area based on title	:	3,400 sq ft
Tenure / category of land use	:	Leasehold for 99 years expiring 25 January 2095 with a remaining leasehold period of approximately 72 years / Building

Description and existing use	:	3-storey shop lot with a built-up area of 10,200 sq ft. The age of the building is 24 years. As at the LPD, it is rented to a third party tenant. We have no plans to dispose this property and will continue to hold it as an investment property.
NBV as at 31 March 2023	:	RM1.32 million
Date of acquisition	:	23 August 2019
Building compliance	:	Certificate of Fitness dated 13 May 1999
Encumbrances	:	Charged to Public Bank Berhad

(iv) No. 37, Jalan Matahari Z U5/Z, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor

Particulars of title	:	HS(M) 9771, PT No. 31539, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor
Registered proprietor	:	Spectest
Land area based on title	:	1,760.17 sq ft
Tenure / category of land use	:	Leasehold for 99 years expiring 25 January 2095 with a remaining leasehold period of approximately 72 years / Building
Description and existing use	:	3-storey shop lot with a built-up area of 5,232 sq ft. The age of the building is 24 years. As at the LPD, it is rented to third party tenants. We have no plans to dispose this property and will continue to hold it as an investment property.
NBV as at 31 March 2023	:	RM0.68 million
Date of acquisition	:	5 October 2016
Building compliance	:	Certificate of Fitness dated 13 May 1999
Encumbrances	:	Charged to Public Islamic Bank Berhad

(v) No. 26, Jalan BT U5/BT, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor

Particulars of title	:	HS(D) 116347, PT No. 35722, Pekan Baru Subang, Daerah Petaling, Negeri Selangor
Registered proprietor	:	Glostrext Technology
Land area based on title	:	3,200 sq ft
Tenure / category of land use	:	Leasehold for 99 years expiring 30 December 2096 with a remaining leasehold period of approximately 73 years / Building
Description, existing use and age of building	:	3-storey shop lot with built-up area of 9,600 sq ft. The age of the building is 25 years. As at the LPD, it is rented to a third party tenant. We have no plans to dispose this property and will continue to hold it as an investment property.
NBV as at 31 March 2023	:	RM1.71 million
Date of acquisition	:	13 April 2016
Building compliance	:	Certificate of Fitness dated 23 December 1998
Encumbrances	:	Charged to Public Bank Berhad

(vi) No. 90, Jalan Sentral 28, Taman Nusa Sentral, Iskandar Puteri, 79100 Nusajaya, Johor

Particulars of title	:	Geran 509033, Lot 152085, Mukim Pulai, Daerah Johor Bahru, Negeri Johor
Registered proprietor	:	Spectest
Land area based on title	:	1,650 sq ft
Tenure / category of land use	:	Freehold / Building
Description, existing use and age of building	:	3-storey shop lot with a built-up area of 4,699 sq ft. The age of the building is 9 years. As at the LPD, it is used to store our inventory and equipment for projects in Johor Bahru.
NBV as at 31 March 2023	:	RM1.27 million
Building compliance	:	Certificate of Completion and Compliance dated 22 May 2014
Encumbrances	:	Charged to Maybank Islamic Berhad

(vii) A6-2-15-05, Jalan Tanjung Puteri 1, R&F Tanjung Puteri, 80300 Johor Bahru, Johor

Particulars of title	:	Geran 571248, Lot 49507, Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor
Registered proprietor / Beneficial owner	:	R&F Development Sdn Bhd / Glostrext Technology
Tenure / category of land use	:	Freehold / Building
Description, existing use and age of building	:	Serviced apartment. The property has a built-up area of 502 sq ft. The age of the building is 5 years. As at the LPD, it is rented to a third party tenant. We have no plans to dispose this property and will continue to hold it as an investment property.
NBV as at 31 March 2023	:	RM0.50 million
Date of acquisition	:	6 April 2021
Building compliance	:	Certificate of Completion and Compliance dated 8 November 2018
Encumbrances	:	Nil

(viii) 30 Kaki Bukit Road 3 #06-09 Singapore 417819

Particulars of title	:	Subsidiary Strata Certificate of Title Volume 806 Folio 163
Registered proprietor	:	Glostrext Singapore
Land area based on title	:	2,325 sq ft
Tenure / category of land use	:	Leasehold for 60 years expiring 8 January 2055 with a remaining leasehold period of approximately 32 years / Industrial
Description, existing use and age of building	:	A factory unit located on the 6th storey in a 7-storey multi-user light industrial building (known as Empire Technocentre) with ramp-up direct vehicular access to each floor. The property has a built-up area of 2,325 sq ft. The age of the building is 21 years old. As at the LPD, it is used as Glostrext Singapore's office and laboratory.
NBV as at 31 March 2023	:	SGD0.68 million or equivalent to RM2.25 million
Building compliance	:	Certificate of Statutory Completion dated 6 February 2002
Encumbrances	:	Nil

(ix) 30 Kaki Bukit Road 3 #01-02 Singapore 417819

Particulars of title	:	Subsidiary Strata Certificate of Title Volume 806 Folio 117
Registered proprietor	:	Glostrext Singapore
Land area based on title	:	1,970 sq ft
Tenure / category of land use	:	Leasehold for 60 years expiring 8 January 2055 with a remaining leasehold period of approximately 32 years / Industrial
Description, existing use and age of building	:	A factory unit located on the 1st storey in a 7-storey multi-user light industrial building (known as Empire Technocentre) with ramp-up direct vehicular access to each floor. The property has a built-up area of 1,970 sq ft. The age of the building is 21 years. As at the LPD, it is used to store our inventory and equipment.
NBV as at 31 March 2023	:	SGD0.79 million or equivalent to RM2.62 million
Building compliance	:	Certificate of Statutory Completion dated 6 February 2002
Encumbrances	:	Nil

Note:

(1) Temporary building permit ("TBP")

During 2021, we erected a canopy rooftop at the rear compound of our factory to create a covered storage area. This covered storage area measures approximately 2,633.82 sq ft and is used to store our inventory and equipment.

Under the Street, Drainage and Building Act 1974 ("Street, Drainage and Building Act"), prior written permission of the local authority is required among others for any partition, compartment, loft, roof, ceiling or other structures built in a building, any deviation from any plans or specifications approved by the local authorities, or any alteration to a building otherwise than allowed by the local authority or by-laws made under the Street, Drainage and Building Act. Failure to obtain the local authorities' prior written approval for the above may subject the person in breach to fines or imprisonment or both, if convicted. Depending on the applicable provisions of the Street, Drainage and Building Act in breach, the maximum fines may range from RM25,000 to RM50,000 and additional daily fines for continuing offences after conviction, and the maximum imprisonment term may be up to 3 years. The Street, Drainage and Building Act also stipulates that any person who occupies a building or any part of a building without a Certificate of Completion and Compliance may be subject to a fine of RM250,000 or imprisonment for up to 10 years or both, if convicted.

Pursuant to the Selangor Uniform Building Bylaws 1986, a temporary permit may be issued at the discretion of the local authority for the erection of a temporary building for a limited period to be specified upon the expiration of which the building shall be demolished.

We had obtained a TBP for the canopy rooftop, which is valid from 29 May 2023 to 28 May 2024 and is renewable annually. We were not subject to any any fines, compounds or additional fees by Majlis Bandaraya Shah Alam.

As at the LPD, the renewal fee for the TBP is RM1,620 for each year. If we fail to renew the TBP upon expiry, we will be required to remove the canopy rooftop. The cost of removal is estimated to be RM15,000 and is not expected to materially affect our financial position. In such event, we will utilise one of our shop lots in Shah Alam, Selangor for the storage of our inventory and equipment and there will be no material impact to our operations.

As at the LPD, all of our properties are not in breach of any land use condition or permissible land use and is in conformity to all relevant property laws, rules and regulations.

6.17.2 Property rented by our Group

Details of the property rented by us as at the LPD are set out below:

No.	Description	Owner / Tenant	Existing Use	Built-up area	Period of tenancy / Rental
1.	4-room flat located at Block 309, Tampines Street 32, #02-116, Singapore 520309	Li Haigang [(1)] / Glostrext Singapore	Employees' lodging	1,561 sq ft	1 September 2022 to 31 August 2024 / (i) SGD3,200 or equivalent to RM10,369 per month from 1 September 2022 to 31 August 2023; (ii) SGD4,000 or equivalent to RM13,752 per month from 1 September 2023 to 31 August 2024

Note:

(1) Li Haigang is our Director / General Manager – Glostrext Singapore. He holds 14,275,400 Shares, representing 4.74% equity interest in our Company as at the LPD.

The rental of the above-mentioned property is deemed related party transaction. Our Directors have reviewed the above related party transaction and are of the view that the transaction was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and was not to the detriment of our minority shareholders.

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

The following is an overview of the regulatory requirements governing our Group which are material to our business:

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

In general, the CIDB Act established the CIDB to regulate, develop, and facilitate the construction industry in Malaysia. Some of CIDB's functions are to register and accredit contractors, to impose any conditions and accreditation of the contractors, to revoke, suspend or reinstate the registration and accreditation.

Pursuant to Section 25 of the CIDB Act, no person shall carry out or complete, undertake to carry out or complete any construction work or hold himself out as a contractor, unless he is registered with CIDB and holds a valid certificate of registration issued by CIDB under the CIDB Act.

As at LPD, Spectest and Glostrext Technology are registered with the CIDB and hold valid Certificates of Registration issued by CIDB.

(ii) Factories and Machinery Act 1967 ("FMA") and Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970 ("FMR")

The FMA and FMR regulates factories on matters relating to the safety, health and welfare of persons and the registration and inspection of machinery, such as boilers, unfired pressure vessels, passenger lifts and lifting equipment. Such machineries must be inspected and certified by the Department of Safety and Health ("DOSH").

As at LPD, our cranes have been issued with valid certificates of fitness by the DOSH.

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

The OSHA requires employers to secure the safety, health, and welfare of persons at work and protection against risks to safety or health in connection with the activities of persons at work.

Pursuant to Section 16 of OSHA, it shall be the duty of every employer to prepare and as often as may be appropriate revise a written statement of his general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all his employees.

Since most of our services are performed physically on construction sites, we have, as at the LPD, developed a written safety and health policy for our employees especially when they are physically on site at the construction site.

(iv) Income Tax Act 1967 ("ITA")

Pursuant to Section 3 of the ITA, the income of any person accruing in, or derived from Malaysia or, received in Malaysia from outside Malaysia is subject to income tax. Income received in Malaysia from outside Malaysia is known as foreign source income, or FSI.

Although Section 3 of the ITA states that foreign source income is subject to income tax, Paragraph 28, Schedule 6 of the ITA ("Para 28") provided an income tax exemption to any person, other than a resident company carrying on the business of banking, insurance, or sea or air transport for foreign source income. This means foreign source income is exempt from income tax pursuant to Para 28 save for banking, insurance or sea or air transport FSI.

During the Budget 2022 of Malaysia announcement on 29 October 2021, it was announced that the income tax exemption under Para 28 will no longer be made available with effect from 1 January 2022. This was then effected by the Finance Act 2021 which amended Para 28 and removed such income tax exemption. The amendment to Para 28 by the Finance Act 2021 means that dividends received by us from our subsidiary, Glostrext Singapore will be subject to income tax.

Notwithstanding the amendment to Para 28 by the Finance Act 2021, the Ministry of Finance of Malaysia had on, 30 December 2021 announced that the income tax exemption on foreign source income will be available for a period of 5 years from 1 January 2022 to 31 December 2026 subject to certain eligibility requirements to be issued by the Inland Revenue Board of Malaysia. Further to this announcement, the Income Tax (Exemption) (No. 6) Order 2022 ("Exemption Order") was made on 18 July 2022 and takes effect from 1 January 2022 to 31 December 2026 ("Exemption Period"). Subsequently, the Inland Revenue Board of Malaysia had on 29 December 2022 issued a Technical Guideline in addition to the Exemption Order.

Pursuant to the Technical Guideline, a company is exempted from payment of income tax in respect of the gross income of that company from dividend income which is received from outside Malaysia. However, there are qualifying conditions which are as follows:

(a) The dividend income exempted shall have been subjected to foreign tax;

(b) The highest tax rate of the foreign tax charged is not less than 15%; and

(c) The resident company complies with economic substance requirements, and it shall be regarded as having economic substance if it has:

  (aa) Employed adequate number of employees with necessary qualifications to carry out the specified economic activities in Malaysia; and

  (bb) Incurred adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.

We had sought and have obtained an opinion from our tax consultants. They are of the view that we have met the qualifying conditions as follows:

(a) The tax rate in Singapore is 17% on chargeable income thus fulfilling 2 of the qualifying conditions; and

(b) The resident company, Glostrext Technology has fulfilled the economic substance requirements as it is an operating company with qualified employees and has incurred operating expenditures in carrying out its business operations.

Nevertheless, our tax consultants had further highlighted that the fulfilment of the economic substance requirements is subject to the Inland Revenue Board of Malaysia's discretion.

Our Group had in November 2022 submitted the tax returns in respect of FYE 2022 whereby the dividend income from Glostrext Singapore from 1 January 2022 to 31 March 2022 was filed as tax exempted pursuant to the Exemption Order. As at the LPD, the tax computation has not been disputed by the Inland Revenue Board of Malaysia. Our Group shall continue to be eligible to file the dividend income from Glostrext Singapore as tax exempted during the Exemption Period provided that the conditions for the exemption as stipulated in the Exemption Order continues to be fulfilled.

(v) Building Control Act 1989

In Singapore, the Building and Construction Authority (BCA) oversees the building and construction industry. Licensing requirements for builders are set out in the Building Control Act 1989 and its subsidiary legislations, in particular, the Building Control (Licensing of Builders) Regulations 2008.

Builders who carry out building works where plans are required to be approved by the BCA and builders who work in specialist areas which have a high impact on public safety (a "Specialist Builder") require a builder's licence from the BCA ("Builder's Licence"). "Specialist areas" refer to piling works, ground support and stabilisation works, site investigation work, structural steelwork, pre-cast concrete work and in-situ post-tensioning work.

As at LPD, Glostrext Singapore holds a valid Builder's Licence (Site Investigation Work) issued by BCA. Kindly refer to Section 6.18(vi) on additional requirement relating to the to the renewal of this licence.

Contractors Registration System

In addition to obtaining a Builder's Licence, a builder who intends to undertake construction and construction-related public sector projects in Singapore must register under the Contractors Registration System maintained by the BCA.

Glostrext Singapore is registered for CR01 Workhead (Minor Construction Works) (Single Grade) and CR15 (Site Investigation Works) (Single Grade) under the Contractors Registration System and both registrations are valid as at the LPD.

The CR01 Workhead covers minor building and civil engineering works that are not governed by the Building Control Act 1989, such as drainage, minor road works, aprons and minor addition and alteration works. The CR15 covers site investigation work comprising field investigations, exploratory drilling or boring, logging, sampling, coring, in-situ plate loading tests, pressure meter tests, penetration tests, vane shear tests, probing tests, permeability tests, geological mapping and geophysical surveys, and installation and monitoring of instruments measuring forces, deformation, displacements, pore and earth pressures, and ground levels.

(vi) Accreditation for Inspection Body Scheme

Our operations in Singapore is dependent on our Builder's Licence (Site Investigation Work) issued by BCA which allows us to provide pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services. This licence shall expire on 7 June 2025.

On 30 June 2022, the Singapore Accreditation Council (SAC) announced that the existing field under Site Investigation will be renamed to (i) Site Investigation and (ii) Instrumentation and Monitoring. It was also announced by the SAC that BCA will, tentatively from January 2024, require all registered specialist builders for Instrumentation and Monitoring to be accredited by the SAC as part of the conditions for renewal of their licences.

As such, our Builder's Licence (Site Investigation Work) to be renewed shall include 2 separate scope of services as follows:

(i) Site Investigation, which allows us to undertake the provision of pile instrumentation and static load test services. The renewal for this scope of service is not subject to accreditation by the SAC; and

(ii) Instrumentation and Monitoring, which allows us to undertake the provision of structural and ground instrumentation and monitoring services. The renewal for this scope of service is subject to accreditation by the SAC.

Based on the above, Glostrext Singapore is required to be accredited under the Accreditation for Inspection Body Scheme under the SAC in order for it to renew its Builder's Licence for Instrumentation and Monitoring issued by the BCA (upon expiry of its Builder's Licence on 7 June 2025).

The application under the Accreditation for Inspection Body Scheme shall be assessed based on the following:

(i) ISO/IEC 17020; and

(ii) SAC Technical Note: IM 01 – Specific Requirements for the Accreditation of Inspection Bodies for Instrumentation & Monitoring ("SAC Technical Note").

Key requirements under the SAC Technical Note are set out below:

Approved signatories

(a) Approved signatories shall be assessed by the assessment team prior to award of accreditation. Subsequent assessments will comprise of sampling of approved signatories;

(b) The assessment team will assess the nominated signatories. Those assessed to be competent in their area of inspection will be submitted to the Council Committee for Inspection for endorsement as approved signatories;

(c) Approved signatories shall possess a degree in civil engineering with at least 8 years experience in instrumentation and monitoring works and possess a valid Geotechnical Instrumentation for Engineer Certificate issued by Geotechnical Society of Singapore (GeoSS);

Note: Ir Dr Lee Sieng Kai and Li Haigang are also qualified to be the approved signatories. Nevertheless, the approved signatories submitted to the Council Committee for Inspection for endorsement are Loo Hee Fatt and Ho Kah Kit, our Senior Project Managers. Both Loo Hee Fatt and Ho Kah Kit have Degrees in Civil Engineering and more than 8 years experience in instrumentation and monitoring works.

In addition, they are required to attend and pass the Certification Course for Geotechnical Instrumentation for Engineers which is a 12 hours course conducted by the BCA Academy in order to obtain the Geotechnical Instrumentation for Engineer Certificate issued by GeoSS. As at the LPD, Loo Hee Fatt and Ho Kah Kit have attended the Certification Course and obtained the Geotechnical Instrumentation Engineer Certificate issued by GeoSS.

Calibration of equipment

(d) Inspectors shall ensure that all equipment, including equipment not under the charge of the inspection body, used for inspection and monitoring works are calibrated and traceable to the site investigation unit;

(e) Such calibration shall be performed by recognised accredited laboratories who were accredited by the SAC or its Mutual Recognition Arrangement (MRA) partners or the National Measurement Institute who is a member of the Bureau of Weights and Measures MRA where possible;

(f) Where independent calibration facilities are not available, the equipment may be calibrated using in-house facility. The in-house calibration shall be validated using well recognised methods endorsed by the approved signatory and each in-house validation report shall be endorsed by the approved signatory;

Note: Our instruments are calibrated by Malayan Daching Co Pte Ltd which has been accredited by the SAC. Nevertheless, it is billed under MDC Tech Centre Pte Ltd, which is a subsidiary of Malayan Daching Co Pte Ltd. In addition, we may utilise our in-house accredited calibration centres for calibration of instruments to be used in our services. However, in the event of limited resources in our in-house accredited calibration centres or that the instruments do not fall within our accredited calibration scheme, we can source instrument calibration services from other accredited calibration centres.

Inspectors, instrumentation supervisor and manager

(g) Inspectors shall be suitably qualified and have sufficient relevant experience in their scope of inspection as well as be familiar with the relevant standards or codes used in the inspection activities. Inspection bodies must maintain records of inspectors' qualifications, training and experience. Such records shall include how and when each inspector is authorised by inspection bodies to perform specific inspection for instrumentation and monitoring firms;

(h) An instrumentation supervisor or engineer shall have at least a diploma in civil engineering or geology with at least 1 year experience in instrumentation and monitoring works; or 5 years experience in instrumentation and monitoring works for other qualification levels and shall also possess a valid Geotechnical Instrumentation for Engineer Certificate issued by Geotechnical Society of Singapore (GeoSS);

(i) An instrumentation manager shall possess at least a degree in civil engineering or geology with at least 5 years experience in instrumentation and monitoring works; or a diploma in civil engineering or geology with at least 8 years experience in instrumentation and monitoring works and shall possess a valid Geotechnical Instrumentation for Engineer Certificate issued by GeoSS;

Note: The personnel to be submitted as instrumentation engineer or supervisor shall comprise 3 engineers and 2 technicians. These personnel of Glostrext Singapore has also met the requirements of least a diploma in civil engineering or geology with at least 1 year experience in instrumentation and monitoring works; or 5 years experience in instrumentation and monitoring works for other qualification levels.

The personnel submitted as instrumentation manager are Loo Hee Fatt and Ho Kah Kit, our Senior Project Managers. Both Loo Hee Fatt and Ho Kah Kit have Degrees in Civil Engineering and have more than 8 years experience in instrumentation and monitoring works.

In addition, they are required to attend and pass the Certification Course for Geotechnical Instrumentation for Engineers which is a 12 hours course conducted by the BCA Academy in order to obtain the Geotechnical Instrumentation for Engineer Certificate issued by GeoSS. As at the LPD, Loo Hee Fatt and Ho Kah Kit have attended the Certification Course and obtained the Geotechnical Instrumentation Engineer Certificate issued by GeoSS.

Other requirements

(j) Inspection reports shall be a SAC-endorsed report that contains compulsory information which amongst others, are as follows:

(aa) Quality manual which sets out the specifications for all instrument sensors and recording equipment, valid calibration certificates for all instrument sensors and recording equipment, where applicable, details of automated monitoring system and wireless data transmission protocols, method statements for the installation and monitoring of all instruments, organisation chart and contact numbers of personnel, flowcharts and sample installation and monitoring report;

(bb) Installation reports containing information which includes information on project owners, name and location of project, name of instrumentation and monitoring company, date of submission of report, name of approved signatories, installation record incorporating graphical illustration of instrument installation which includes instrument number, location, personnel responsible for installation, details of instrument installation, instrument readings, details of breakdowns or delays; and (cc) Monitoring reports which contains amongst others, summary highlighting readings that breached review levels, readings that exhibit abnormal trends, instruments not read due to damage or obstruction, any other areas of concern and such information which includes information on monitoring zone, reporting period, date of report submission, name of approved signatory responsible for the project, instrument number and location and as-built instrumentation plans which will be prepared in according with requirements such as color coding to illustrate all instruments, endorsed by resident surveyor, updated and submitted monthly or whenever there is a change in instrumentation status on site, review levels for each type of instrument, outline of structures being built and other details such as instrument installation depth.

The aforesaid list is not exhaustive and may include requirements specified by customers. Non-accredited inspection procedures/methods/products are to be clearly shown or identified in inspection report.

(k) Critical equipment used in the field of instrumentation and monitoring such as load cells, strain gauges, inclinometers, extensometers, piezometers, total pressure cells and water standpipes must be calibrated annually;

(l) Inspection bodies must have detailed procedures and instructions for the application of the appropriate regulations, codes of practice, standards, specifications, guidance documents and customer requirements. An instrumentation supervisor/engineer must not supervise more than 2 rigs which involve in installation of borehole instruments concurrently;

(m) The inspection body which prepares instrumentation and monitoring works must be accredited to perform geotechnical borehole instrumentation and monitoring works and instrumentation and monitoring for struts works. The inspection body shall subcontract those works to an accredited inspection body if it is not accredited for those particular type of works; and

(n) Staff on-site shall have the requisite personal protection equipment and any other safety equipment as deem necessary by site safety officer. The company shall have procedures for safety and ensuring safety of its staff and general public and the company shall ensure that they comply with relevant regulatory requirement with regards to environmental issue.

Glostrext Singapore has submitted its application for ISO/IEC 17020 and accreditation under the Accreditation for Inspection Body Scheme to the SAC in the first quarter of 2023. The SAC is expected to conduct its assessment in the third quarter of 2023. After the completion of the assessment, the decision of the SAC is expected to be 1 month from the assessment.

Our Group is confident in securing these accreditations as the requirements are well achievable and within the means of our Group. The expected timeframe for the approval of the accreditation is expected to be between 3 to 6 months. This is further supported by the accreditations currently obtained by Glostrext Singapore (including ISO/IEC 17025, ISO 9001: 2015 and ISO 45001: 2018) and the various licences as set out in Section 6.13.

(vii) Workplace Safety and Health Act 2006

Under the Workplace Safety and Health Act 2006 of Singapore and its subsidiary legislations, every employer must take such measures as are necessary and reasonably practicable to ensure the safety and health of its employees at work.

The Workplace Safety and Health (Risk Management) Regulations 2006 made pursuant to Section 65 of the Workplace Safety and Health Act 2006 imposes a general duty on employers to conduct risk assessments and take all reasonably practicable steps to eliminate, minimise or control safety and health risks posed to any employees at the workplace.

As at LPD, Glostrext Singapore has a valid BizSAFE Level Star Certificate issued by the Ministry of Manpower of Singapore which recognises that Glostrext Singapore identifies, manages and controls workplace risks or hazards in compliance with the Workplace Safety and Health (WSH) Act 2006 and international standards such as ISO 45001.

There are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our assets as at LPD.

6.19 BUSINESS STRATEGIES

6.19.1 We intend to expand our structural and ground instrumentation and monitoring business into Singapore

As at the LPD, our pile instrumentation and static load test services are mainly provided to customers in Singapore and Malaysia, while our structural and ground instrumentation and monitoring services are mainly provided to customers in Malaysia (including a service engagement in Cambodia secured through a Malaysian customer and with the exception of a service engagement in Cambodia secured through a local customer in Cambodia). This is due to our Group's limitations in human resources (i.e. engineers and technicians) to carry out sales and marketing, as well as operations, in ground instrumentation and monitoring services in Singapore, as our existing resources have been focused on growing our pile instrumentation and static load test services in Singapore over the past 14 years.

With our Listing, and leveraging on our success and existing presence in Singapore as well as our experience in the provision of structural and ground instrumentation and monitoring services in Malaysia, we intend to expand our service offerings in Singapore by offering structural and ground instrumentation and monitoring services as part of our business growth and expansion plans. This is also in line with the requirements on structural and ground instrumentation and monitoring for all construction of buildings and infrastructure in Singapore which was made mandatory in 2008 under the Building Control Regulations 2003, as we believe that we will be well-positioned to benefit from these requirements to secure sales and further grow our business in Singapore.

Our operations in Singapore is dependent on our Builder's Licence (Site Investigation Work) issued by BCA which allows us to provide pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services. This licence shall expire on 7 June 2025.

On 30 June 2022, the Singapore Accreditation Council (SAC) (the national accreditation body of Singapore) announced that the existing field under Site Investigation will be renamed to (i) Site Investigation and (ii) Instrumentation and Monitoring. It was also announced by the SAC that BCA will, tentatively from January 2024, require all registered specialist builders for Instrumentation and Monitoring to be accredited by the SAC under the Accreditation for Inspection Body Scheme as part of the conditions for renewal of their licences. Please refer to Section 6.18(vi) for further details on this matter.

As such, our Builder's Licence to be renewed shall include 2 separate scope of services as follows:

(i) Site Investigation, which allows us to undertake the provision of pile instrumentation and static load test services. The renewal for this scope of service is not subject to accreditation by the SAC; and

(ii) Instrumentation and Monitoring, which allows us to undertake the provision of structural and ground instrumentation and monitoring services. The renewal for this scope of service is subject to accreditation by the SAC.

In the event that Glostrext Singapore fails to successfully secure the Accreditation for Inspection Body Scheme (which shall be assessed based on ISO/IEC 17020 and SAC Technical Note: IM 01) on our first attempt, we will engage with ISO/IEC 17020 consultants to assist on rectifying any non-compliance issues under the ISO/IEC 17020 standards. This is to ensure that we will successfully obtain the ISO/IEC 17020 certification and thereon the Accreditation for Inspection Body Scheme during our next application attempt. If, despite these efforts, we remain unsuccessful in securing the Accreditation for Inspection Body Scheme, we will focus our expansion in Singapore on the provision of pile static load test services using the BDSLT method, as pile static load test services currently do not fall under the Accreditation for Inspection Body Scheme under the SAC. Please refer to Section 8.1.2 for details on the risk and impact to our Group if we are not able to obtain the accreditations and renew the Builder's Licence for Instrumentation and Monitoring.

We will primarily focus on promoting our off-site structural and ground instrumentation and monitoring services using our Glostrext WiNA platform, where such offering is in line with the current trend as many businesses and companies are seeking automation to, amongst others, increase operational efficiency and reduce reliance on manpower. We target to provide such services to completed and on-going construction projects for commercial buildings, residential buildings, industrial buildings and infrastructures.

With our IPO proceeds, our Group will have the necessary resources to facilitate this business expansion. We will purchase the required instruments and equipment for the provision of such services. Further, we also plan to hire approximately additional 5 employees consisting of 2 civil engineers and 3 technicians to carry out service planning, installation and monitoring works. We intend to utilise RM11.71 million from our IPO proceeds in the following manner:

No.	**Details**	**RM'000**	**%**
(a)	Purchase of instruments and equipment	6,783	57.94
(b)	Hiring of additional engineers and technicians	2,000	17.08
(c)	Working capital	2,925	24.98
		11,708	**100.00**

Please refer to Section 4.10.1(i) for further details on the utilisation of our IPO proceeds. In addition to the above, we will purchase up to 5 units of pickup trucks which will be utilised by our employees for the provision of structural and ground instrumentation and monitoring services in Singapore. We will also purchase 1 unit of forklift for use in our warehouse in Singapore. These will be funded via a combination of internally generated funds and hire purchase arrangement.

In addition, we will engage in sales and marketing activities with existing customers in Singapore for cross-selling of our new service offerings. Between August 2022 and January 2023, we have undertaken 2 structural and ground instrumentation and monitoring services engagements in Singapore through minor service engagements with existing customers with an approximate total contract value of RM2,100. Moving forward, we will increase our sales and marketing activities to create greater awareness for geotechnical instrumentation services as detailed in Section 6.19.3. The execution of this business strategy will be led by Li Haigang.

Our plan to expand our service offerings in Singapore is expected to contribute positively to our financial performance. Further, it is also expected to enhance our industry reputation as we provide a more comprehensive suite of service offerings in Singapore.

6.19.2 We intend to enhance our service offerings with R&D

Our Group recognises the importance of continuously enhancing our offerings with R&D. As at the LPD, the focus of our R&D activities is to enhance the automation levels in our service provision to increase our operational efficiency. Further details of our past R&D efforts are set out in Section 6.14.

Moving forward, as part of our growth and expansion plans, we will continue to undertake R&D activities to further enhance the automation and accuracy of our service provision. Our on-going R&D initiatives are as follows:

R&D initiatives / Status / Estimated cost / Source of funding	**Description**
Improvement of Glostrext WiNA platform / Commenced second quarter of 2023 / Expected completion fourth quarter of 2025 / RM0.90 million / IPO proceeds	- To continue enhancing our Glostrext WiNA platform to enable more data to be collected from a wider range of sensors, including IoT enabled sensors and visualised on our Glostrext WiNA platform. - This also includes modification and/or configuration of our Glostrext WiNA platform to enable these additional data to be visualised on our Glostrext WiNA platform.

We intend to hire additional 5 software / system engineers who will be involved in R&D activities, as well as other software / system related matters in addition to R&D activities. Further, we intend to purchase instruments and equipment dedicated for these R&D activities. To this end, we intend to utilise RM1.80 million from our IPO proceeds, where RM0.90 million will be allocated for the hiring of 5 additional software / system engineers and RM0.90 million will be allocated for the purchase of instruments and equipment for improvement of Glostrext WiNA platform, all of which will be utilised over a period of 36 months upon our Listing. Please refer to Section 4.10.1(ii) for further details on the utilisation of our IPO proceeds.

Our continued focus on R&D for the on-going enhancement of our service offerings will enable our Group to remain competitive in the industry for future business expansion and growth.

6.19.3 We intend to increase our sales and marketing activities to create greater awareness for geotechnical instrumentation services

We plan to grow our sales by increasing our sales and marketing activities, which include participating in exhibitions, seminars and webinars to raise the awareness of geotechnical instrumentation services, particularly awareness of structural and ground instrumentation and monitoring services using remote off-site method. This is in line with our plan to expand our off-site structural and ground instrumentation and monitoring services with the use of our Glostrext WiNA platform, which was launched in 2022, in Malaysia, as well as into Singapore as detailed in Section 6.19.1.

We plan to promote and market this service offering to construction companies, property developers and piling companies as well as high-rise building owners and management offices and individual customers, through continuous and active participation of exhibitions, seminars and webinars. Furthermore, we also plan to ride on the recent increase of natural disasters in Malaysia, such as floods and landslides to raise the awareness of regular monitoring amongst the public. These events have begun to increase awareness and demand towards the structural health and safety of buildings and infrastructure as well as requirement for immediate remedial actions to prevent such catastrophic events.

As such, we plan to capture the anticipated demand for our off-site structural and ground instrumentation and monitoring services by setting up a dedicated sales and marketing team to be led by our Business Development Manager, Lee Ming Jean. He will be supported by 2 dedicated sales and marketing employees. Total additional cost to be incurred shall be RM0.10 million per annum which shall be funded via internally generated funds. Our sales and marketing team will promote this service offering by, amongst others, approaching potential customers such as high-rise building owners and management offices, as well as undertaking advertising activities such as organising media campaigns and publishing newsletters and articles. All of which will be funded through internally generated funds. We do not intend to hire any dedicated employees for sales and marketing in Singapore. On top of our dedicated sales and marketing team in Malaysia, our sales and marketing activities in Singapore and Malaysia will continue to be supported by our key senior management and engineers.

With increasing sales and marketing activities to raise awareness for geotechnical instrumentation services, it is expected to drive the demand for our service offerings which will contribute to our business growth.

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6.20 EMPLOYEES

As at the LPD, we have a total workforce of 59 employees, all of which are permanent employees. The following depicts the number of employees in our Group according to department as at the LPD:

Department/ business function	Malaysian	Non-Malaysian	Total employees
Directors	4	-	4
Key senior management	2	1	3
Finance, administration and human resources	10	-	10
Engineers	8	1	9
Technicians	28	1	29
General workers	-	4	4
TOTAL	**52**	**7**	**59**

Countries	Malaysian	Non-Malaysian	Total employees
Malaysia	52	-	52
Singapore	-	2	2
India	-	4	4
Bangladesh	-	1	1
TOTAL	**52**	**7**	**59**

As at the LPD, Malaysian employees accounted for approximately 88.14% of our total workforce while the remaining 11.86% are foreign employees from Singapore, India and Bangladesh. Out of the 7 foreign employees, 1 is residing in Malaysia and have a valid working permit issued in compliance with immigration laws, 2 are local citizens in Singapore who are based in our Singapore office while the remaining 4 are Indian Nationals who are general workers based in our Singapore office.

If our Malaysian employees are required to travel to Singapore to perform services, we will apply a work pass (also known as work visa) from the Ministry of Manpower of Singapore.

The installation of instruments for the provision of our service offerings is carried out by our Group's technicians, whereby these technicians have an average experience of 6 years. As at the LPD, our Group does not have a sales and marketing department. Our sales and marketing is carried out by our key senior management and engineers.

None of our employees belong to any labour union. During the past FYEs and up to the LPD, there was no major dispute involving our employees. For the past FYEs, our Group's employees turnover rate stands at 3.57%, 5.36%, 5.17% and 6.78% respectively. During the same period, we did not face any labour shortage that led to any disruption to our business operations.

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.21 MAJOR CUSTOMERS

Our top 5 major customers for each of the past 4 FYEs 2020 to 2023 are as follows:

FYE 2020

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2020 RM'000	Revenue contribution in FYE 2020 %	Length of relationship as at the LPD Years
1.	Pintary Foundations Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	3,323	13.87	10
2.	Aneka Jaringan Sdn Bhd	Malaysia	Provision of foundation and basement construction as well as other civil engineering works	(a) and (b)	Infrastructure and property developments	2,117	8.83	20
3.	ZAP Piling Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as building construction works	(a)	Infrastructure, airport and property developments	1,873	7.82	10
4.	Asia Piling Co Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as wholesale of industrial, construction and related machinery/equipment	(a)	Infrastructure and property developments	1,609	6.71	6

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2020 RM'000	%	Length of relationship as at the LPD Years
5.	TPW Engineering Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as non-building construction works	(a)	Infrastructure and property developments	1,400	5.84	5
				Sub-total		**10,322**	**43.07**	
				Total		**23,963**	**100.00**	

FYE 2021

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2021 RM'000	%	Length of relationship as at the LPD Years
1.	Pintary Foundations Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	1,672	9.86	10
2.	ZAP Piling Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as building construction works	(a)	Infrastructure and property developments	1,668	9.83	10
3.	TPW Engineering Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as non-building construction works	(a)	Infrastructure and property developments	1,583	9.33	5

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2021 RM'000	Revenue contribution in FYE 2021 %	Length of relationship as at the LPD Years
4.	JF Foundation Pte Ltd	Singapore	Provision of building construction and foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	1,368	8.06	8
5.	Aneka Jaringan Sdn Bhd	Malaysia	Provision of foundation and basement construction as well as other civil engineering works	(a) and (b)	Hospital and property developments	1,287	7.59	20
				Sub-total		**7,578**	**44.67**	
				Total		**16,966**	**100.00**	

FYE 2022

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2022 RM'000	Revenue contribution in FYE 2022 %	Length of relationship as at the LPD Years
1.	Asia Piling Co Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as wholesale of industrial, construction and related machinery/equipment	(a)	Infrastructure and property developments	4,169	15.69	6

6. INFORMATION ON OUR GROUP *(Cont'd)*

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2022 RM'000	%	Length of relationship as at the LPD Years
2.	TPW Engineering Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as non-building construction works	(a)	Infrastructure and property developments	3,457	13.01	5
3.	Pintary Foundations Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	2,217	8.34	10
4.	CS Bored Pile System Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	1,904	7.16	12
5.	Econpile (M) Sdn Bhd	Malaysia	Provision of general construction and piling works	(a)	Property developments	1,730	6.51	20
				Sub-total		**13,477**	**50.71**	
				Total		**26,574**	**100.00**	

6. INFORMATION ON OUR GROUP *(Cont'd)*

FYE 2023

No.	Customer	Country	Business activities	Services provided*	Projects involved	Revenue contribution in FYE 2023 RM'000	%	Length of relationship as at the LPD Years
1.	Asia Piling Co Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as wholesale of industrial, construction and related machinery/equipment	(a)	Infrastructure and property developments	2,990	13.83	6
2.	TPW Engineering Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning as well as non-building construction works	(a)	Infrastructure and property developments	2,401	11.11	5
3.	CS Bored Pile System Pte Ltd	Singapore	Provision of foundation works including micropiling, conventional piling and underpinning	(a)	Infrastructure and property developments	1,900	8.79	12
4.	Econpile (M) Sdn Bhd	Malaysia	Provision of general construction and piling works	(a) and (b)	Property developments	1,537	7.11	20
5.	Aneka Jaringan Sdn Bhd	Malaysia	Provision of foundation and basement construction as well as other civil engineering works	(a) and (b)	Property developments	1,057	4.89	20
				Sub-total		**9,885**	**45.73**	
				Total		**21,616**	**100.00**	

Note:

* Categories of services provided:
(a) Provision of pile instrumentation and/or static load test services
(b) Provision of structural and ground instrumentation and monitoring services

For the past 4 FYEs 2020 to 2023, we have 111 customers, 102 customers, 108 customers and 110 customers respectively. Over the same period, our top 5 major customers contributed to 43.07%, 44.67%, 50.71% and 45.73% of our Group's revenue, respectively. The revenue contribution from our major customers were mainly derived from the provision of pile instrumentation and/or pile static load test services. Our major customers are mostly piling companies which are mainly involved in the provision of foundation works.

The major contributors of our revenue were from the following customers:

(i) Asia Piling Co Pte Ltd, where we provided pile instrumentation and static load test services for the Tuas Water Reclamation Plant project and a residential project.

(ii) Pintary Foundations Pte Ltd (a subsidiary of Pintaras Jaya Berhad, a company listed on Main Market of Bursa Securities), where we provided pile instrumentation and static load test services for the Sengkang Mall project.

(iii) Aneka Jaringan Sdn Bhd (a subsidiary of Aneka Jaringan Holdings Berhad, a company listed on the ACE Market), where we provided pile instrumentation and static load test services in relation to mixed commercial projects.

(iv) TPW Engineering Pte Ltd, where we provided pile instrumentation and static load test services for the Tuas Water Reclamation Plant project and a residential project.

(v) Econpile (M) Sdn Bhd (a subsidiary of Econpile Holdings Berhad, a company listed on the Main Market of Bursa Securities), where we provided pile instrumentation and static load test services for the Naga 3 Integrated Entertainment Complex project.

Our sales are generated based on service engagements received from our customers and the revenue contribution from customers varies from year to year given the nature of our business. We are not dependent on any major customers as we typically secure service engagements from these customers when they secure projects from main contractors or property developers. In the event that any of the major customers do not engage us for our services for any particular year, we will strive to secure service engagements from other customers to provide our services to other construction projects.

Since commencement of our business and up to the LPD, our Group has not experienced any loss of customers or material disputes.

6.22 MAJOR SUPPLIERS

Our top 5 major suppliers for the past 4 FYEs 2020 to 2023 are as follows:

FYE 2020

No.	Supplier	Country of origin	Products and services sourced	Value of purchases in FYE 2020 RM'000	%	Length of relationship as at the LPD Years
1.	Hidrolik Makina San Ve Tic Ltd Sti	Türkiye [(i)]	Hydraulic jacks	2,253	38.54	10
2.	Geokon, Inc	USA	Strain gauges, hardware and tools, and other consumables	900	15.40	30
3.	MDC Tech Centre Pte Ltd	Singapore	Instrument calibration services	510	8.72	6
4.	Hy Flo Pte Ltd	Singapore	Hydraulic hoses, pipes and other consumables	437	7.48	6
5.	Jit Hoe Resources Sdn Bhd	Malaysia	Mild steel plates, hardware and tools, and other consumables	396	6.77	9
			Sub-total	**4,496**	**76.91**	
			Total	**5,846**	**100.00**	

FYE 2021

No.	Supplier	Country of origin	Products and services sourced	Value of purchases in FYE 2021 RM'000	%	Length of relationship as at the LPD Years
1.	Hidrolik Makina San Ve Tic Ltd Sti	Türkiye [(i)]	Hydraulic jacks	1,355	31.91	10
2.	Geokon, Inc	USA	Strain gauges, hardware and tools, and other consumables	832	19.59	30

6. INFORMATION ON OUR GROUP *(Cont'd)*

No.	Supplier	Country of origin	Products and services sourced	Value of purchases in FYE 2021 RM'000	%	Length of relationship as at the LPD Years
3.	MDC Tech Centre Pte Ltd	Singapore	Instrument calibration services	418	9.84	6
4.	Hy Flo Pte Ltd	Singapore	Hydraulic hoses, hardware and tools, mild steel plates and other consumables	216	5.09	6
5.	Jit Hoe Resources Sdn Bhd	Malaysia	Mild steel plates, hardware and tools, and other consumables	210	4.95	9
			Sub-total	**3,031**	**71.38**	
			Total	**4,246**	**100.00**	

FYE 2022

No.	Supplier	Country of origin	Products and services sourced	Value of purchases in FYE 2022 RM'000	%	Length of relationship as at the LPD Years
1.	Hidrolik Makina San Ve Tic Ltd Sti	Türkiye (i)	Hydraulic jacks	2,312	34.65	10
2.	Geokon, Inc	USA	Strain gauges, hardware and tools, and other consumables	1,007	15.10	30
3.	MDC Tech Centre Pte Ltd	Singapore	Instrument calibration services	580	8.69	6
4.	Jit Hoe Resources Sdn Bhd	Malaysia	Mild steel plates, hardware and tools, and other consumables	467	7.00	9
5.	Hy Flo Pte Ltd	Singapore	Hydraulic hoses and mild steel plates	349	5.23	6
			Sub-total	**4,715**	**70.67**	
			Total	**6,672**	**100.00**	

FYE 2023

No.	Supplier	Country of origin	Products and services sourced	Value of purchases in FYE 2023 RM'000	%	Length of relationship as at the LPD Years
1.	Hidrolik Makina San Ve Tic Ltd	Türkiye [(i)]	Hydraulic jacks	1,523	33.55	10
2.	Daedong Instruments Co Ltd	South Korea	Strain gauges	698	15.37	2
3.	MDC Tech Centre Pte Ltd	Singapore	Instrument calibration services	336	7.40	6
4.	Jit Hoe Resources Sdn Bhd	Malaysia	Mild Steel Plate, Hardware and tools, and other consumables	316	6.96	9
5.	B & Lee Electronics Pte Ltd	Singapore	Electrical cables	252	5.55	9
			Sub-total	**3,125**	**68.83**	
			Total	**4,540**	**100.00**	

Note:

(i) Formerly known as Turkey.

For the past 4 FYEs 2020 to 2023, our top 5 major suppliers contributed to 76.91%, 71.38%, 70.67% and 68.83% of our Group's purchases respectively.

Our largest supplier in the past 4 FYEs 2020 to 2023 was Hidrolik Makina San Ve Tic Ltd Sti with purchase contribution of 38.54%, 31.91%, 34.65% and 33.55% to our purchases respectively. Notwithstanding that, we are not dependent on Hidrolik Makina San Ve Tic Ltd Sti as we can source for hydraulic jacks from other suppliers in the event of Hidrolik Makina San Ve Tic Ltd Sti ceases selling to us. In the past FYEs, we purchased hydraulic jacks from other suppliers in China at comparable terms. Hence, we do not foresee any material impact to our Group if Hidrolik Makina San Ve Tic Ltd Sti ceases selling hydraulic jacks to us.

Our second largest supplier in the FYEs 2020 to 2022 was Geokon, Inc with purchase contribution of 15.40%, 19.59% and 15.10% to our purchases respectively. Notwithstanding that, we are not dependent on Geokon, Inc as we can source for strain gauges from other suppliers in the event of Geokon, Inc ceases selling to us. In the past FYEs, we purchased strain gauges from other suppliers in South Korea at comparable terms, which includes Daedong Instruments Co Ltd who became our second largest supplier in FYE 2023 with purchase contribution of 15.37% to our purchases. Hence, we do not foresee any material impact to our Group if Geokon, Inc ceases selling strain gauges to us.

Our third largest supplier in the past 4 FYEs 2020 to 2023 was MDC Tech Centre Pte Ltd with purchase contribution of 8.72%, 9.84%, 8.69% and 7.40% to our purchases respectively. Our instruments are calibrated by Malayan Daching Co Pte Ltd which has been accredited by the SAC. Nevertheless, it is billed under MDC Tech Centre Pte Ltd, which is a subsidiary of Malayan Daching Co Pte Ltd. Notwithstanding that, we are not dependent on MDC Tech Centre Pte Ltd as we can utilise our in-house accredited calibration centres for calibration of instruments to be used in our services. In the event of limited resources in our in-house accredited calibration centres or that the instruments do not fall within our accredited calibration scheme, we can source instrument calibration services from other accredited calibration centres if MDC Tech Centre Pte Ltd ceases providing instrument calibration services to us, as accredited calibration centres are widely available in Singapore. In the past 4 FYEs 2020 to 2023, our Group engaged several other accredited calibration centres, whereby amongst the major calibration centres include Setsco Services Pte Ltd, Cambrian Engineering Corporation Pte Ltd and Shikra Engineering Pte Ltd, to carry out calibration services for instruments used in our services. As such, we do not foresee any material impact to our Group if MDC Tech Centre Pte Ltd ceases providing instrument calibration services to us.

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6.23 EXCHANGE CONTROLS

(1) MALAYSIA

The Financial Services Act 2013 and Islamic Financial Services Act 2013 are the principal legislations which govern, amongst others, exchange control in Malaysia. The governing authority for Foreign Exchange Administration in Malaysia is Bank Negara Malaysia ("BNM").

Pursuant to Notice 4 of the current foreign exchange notice ("FE") issued by BNM, a resident is allowed to make or receive payment in RM in Malaysia to or from a non-resident for, amongst others, settlement of trade in goods and services.

In relation to payment in foreign currency, Notice 4 of the FE allows a resident to make or receive payment to or from a non-resident for any purposes excluding the transactions listed as follows:

(i) A foreign currency denominated derivative offered by a resident unless approved by BNM under Notice 5 of the FE or approved by BNM;

(ii) A foreign currency-denominated derivative offered by a non-resident except for transactions listed in paragraph 5(2) of Notice 4 of the FE; and

(iii) A derivative which is derived from, reference to or based on RM unless approved by BM under Part B of Notice 5 of the FE or otherwise approved writing by BNM.

As at the LPD, we comply with the exchange control requirement in relation to our settlement of payments with foreign customers and suppliers. In view of the above, foreign exchange control does not have an impact on the ability of cash and cash equivalents for us by our Group and the remittance of dividends, interest or other payments to our shareholders.

(2) SINGAPORE

The Exchange Control Act 1953 is the principal legislation which governs, amongst others, exchange control in Singapore. The governing authority in Singapore is the Monetary Authority of Singapore ("MAS").

Pursuant to Notice 754 and Notice 1103 issued by MAS, each issued on 25 May 1978 and titled "Exchange Control Liberalisation", Glostrext Singapore will be exempted from the provisions and obligations imposed by the Exchange Control Act 1953.

In relation to the remittance of profits by way of distribution of dividends by Glostrext Singapore to Glostrext Technology, there are no significant restrictions on the remittance subject to Glostrext Singapore adhering to the applicable provisions of Singapore's Companies Act 1967 ("SCA 1967") and the constitution of Glostrext Singapore.

Subject to the SCA and the constitution of Glostrext Singapore, (a) capital can be returned to Glostrext Technology if Glostrext Singapore is solvent and conducts a capital reduction exercise; (b) dividends may be paid to Glostrext Technology if Glostrext Singapore has profits available for distribution; and (c) the directors of Glostrext Singapore may from time to time pay to Glostrext Technology such interim dividends as justified by the profits of Glostrext Singapore as they deem fit.

Dividends received by Glostrext Technology as a non-Singapore resident shareholder in respect of its ordinary shares held in Glostrext Singapore are not subject to Singapore withholding tax. This is because Singapore has adopted a "one-tier" corporate tax system, under which tax collected from corporate profits is the sole and final tax, and any dividends paid from Glostrext Singapore to its shareholders, including Glostrext Technology, will not be subject to a further and second tax under the laws of Singapore.

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SMITH ZANDER

Date: 10 July 2023

The Board of Directors

Glostrext Berhad
Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Dear Sir/ Madam,

Independent Market Research Report on the Geotechnical Instrumentation and Testing Industry in Singapore and Malaysia ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the draft Prospectus in conjunction with the proposed listing of Glostrext Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Glostrext Berhad and its subsidiaries ("Glostrext Group") operate and to offer a clear understanding of the industry dynamics. As Glostrext Group is a geotechnical instrumentation service provider which provides piling, structural and geotechnical related services, covering instrumentation, testing and monitoring services to construction projects as well as completed buildings and infrastructures in Singapore and Malaysia, the scope of work for this IMR Report will thus address the following areas:

(i) The geotechnical instrumentation and testing industry in Singapore and Malaysia, which is the industry in which Glostrext Group operates;

(ii) Key industry drivers, risks and challenges; and

(iii) Competitive landscape.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 4 July 2023.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 THE GEOTECHNICAL INSTRUMENTATION AND TESTING INDUSTRY IN SINGAPORE AND MALAYSIA

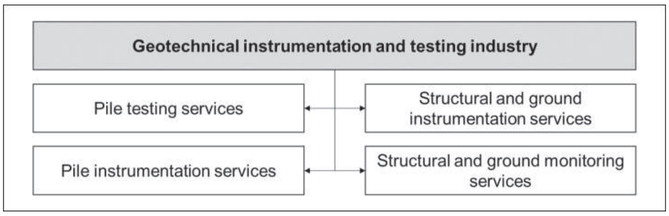
Introduction

The construction of buildings and infrastructure is essential to support business operations, manufacturing, housing and transportation, which contribute significantly to the growth of the economy. Construction involves several stages, amongst others, site preparation and levelling; piling; framing; slab, beam, column, wall and roof construction; mechanical and electrical engineering; and interior and exterior finishing.

Piling stage is an essential part of construction as it provides steady support and forms a solid foundation for building structures and infrastructure.

During piling stage, pile testing services are provided to test, amongst others, the load carrying or bearing capacity of piles, while pile instrumentation services are provided to install instruments for collection of pile testing data.

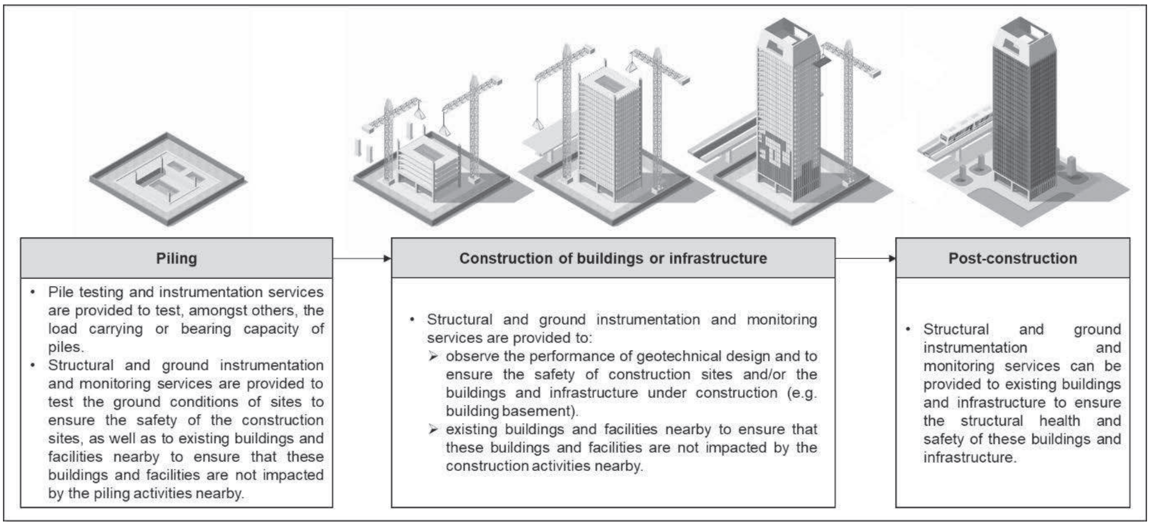
Segmentation of the geotechnical instrumentation and testing industry



Source: SMITH ZANDER

Structural and ground instrumentation and monitoring services are provided throughout the construction process from piling to construction of buildings and infrastructure as well as post-construction. Pile testing services, pile instrumentation services, and structural and ground instrumentation and monitoring services constitute geotechnical instrumentation and testing services, and are driven by the piling industry as well as the construction and infrastructure sectors.

Below is an illustration of the construction stages where the different segments of geotechnical instrumentation and testing services are carried out:



Note:

- *Glostrext Group is a geotechnical instrumentation service provider, where its service offerings can be categorised into 2 segments, namely provision of pile instrumentation and static load test services; and provision of structural and ground instrumentation and monitoring services. Their services are being employed during the piling stage, construction and post-construction of buildings and infrastructure.*

Source: SMITH ZANDER

Pile testing is crucial in forming a solid foundation for construction works, as it examines the ground conditions as well as the design parameters and installation techniques of piles to ensure the piles bored or driven into the ground can withstand the designated load of the structure built on top. Pile testing is conducted during the piling stage of construction, where several piles that have been bored or driven into the ground are selected by the project owners or project consultants for pile testing (i.e. test piles).

There are several types of pile testing, such as:

- Pile static load testing – a type of pile testing method which applies static weights, pressure or reactions created through hydraulic jacks on test piles over a certain duration of time to measure the displacement as well as to test the capacity of the piles in withstanding certain level of loads.

  Instrumentations such as strain gauges, extensometers, displacement transducers, precise levels and vertical scale rulers are installed within the pile body or on the ground to collect reaction data of the test piles against the weights, pressure or reactions applied, in terms of, amongst others, the level of settlement and displacement. These data will be used to determine the conformance of pile specifications to the ground conditions, and to determine the remedial actions required if the pile does not perform as anticipated.
- Pile dynamic load testing – a type of pile testing method which applies dynamic loads onto the piles and a pile driving analyser is used to collect and analyse force and velocity data under the drop-weight impacts of the dynamic loads.

Structural and ground instrumentation and monitoring services are provided to ensure the safety of the construction sites and/or the building under construction as the construction progresses. It is carried out to assess the structural health of buildings and facilities, to ensure that ground conditions of a site are safe from hazardous events such as collapse of buildings and/or structures and landslides due to soil erosion. Structural and ground instrumentation and monitoring services may also be provided to existing buildings, bridges, tunnels, dams and slopes to ensure the structural health and safety of these buildings and infrastructure.

Structural and ground instrumentation and monitoring services are carried out through the setup and installation of numerous instruments and measuring devices such as tilt sensors, vibration meters, extensometers, inclinometers, crack meters and piezometers at predetermined locations within the sites to collect geotechnical data, which will be used for analysis to derive results in relation to the geotechnical structure and conditions of the site.

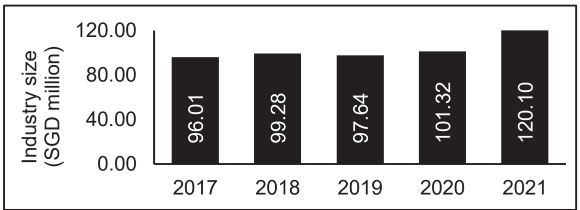
The governance and requirement for geotechnical instrumentation and testing services differs for every country. Please refer to Chapter 2 of the IMR Report for the regulatory requirements for geotechnical instrumentation and testing services in Singapore (specified under the Building Control Regulations 2003) and Malaysia (specified under the Standard Specifications for Building Works 2020).

Industry Performance and Size

The geotechnical instrumentation and testing industry comprises companies whose business activities include geotechnical instrumentation and testing services. The key industry players in Singapore and Malaysia are as shown in Chapter 3 of this IMR Report. The size of the geotechnical instrumentation and testing industry is measured based on the segmental revenue for pile instrumentation supply and pile testing, and/or structural and ground instrumentation and monitoring services related activities, of industry players.

Based on latest available data, the geotechnical instrumentation and testing industry in Singapore grew from SGD96.01 million (RM298.91 million)[1] in 2017 to SGD120.10 million (RM370.34 million)[2] in 2021, registering a compound annual growth rate ("CAGR") of 5.76%.

The geotechnical instrumentation and testing industry size (Singapore), 2017 – 2021



Note: Latest available as at 4 July 2023.

Source: SMITH ZANDER

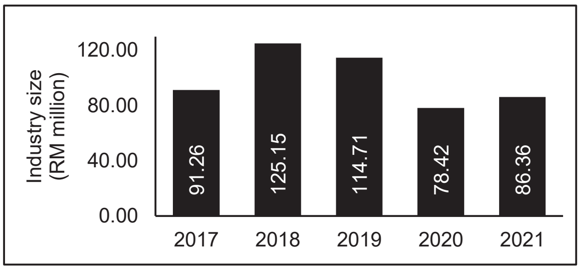
Despite the COVID-19 pandemic, the geotechnical instrumentation and testing industry in Singapore recorded a year-on-year ("YOY") increase of 3.77% and 18.54% in 2020 and 2021 respectively. The strong rebound in 2021 was contributed by the revival of the construction sector as evidenced by the growth in value of construction contracts awarded of 42.19%.

[1] *Exchange rate from SGD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.1133.*

[2] *Exchange rate from SGD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0836.*

Based on latest available data, the geotechnical instrumentation and testing industry in Malaysia declined from RM91.26 million in 2017 to RM78.42 million in 2020, registering a negative CAGR of 4.93%. In 2020, the geotechnical instrumentation and testing industry recorded a YOY decline of 31.64%, mainly due to the slowdown in construction activities as a result of the movement restrictions imposed by the Government of Malaysia to curb the spread of COVID-19, as well as outbreaks of COVID-19 cases at construction sites which caused temporary closures of construction sites.

The geotechnical instrumentation and testing industry size (Malaysia), 2017 – 2021



Note: Latest available as at 4 July 2023.

Source: SMITH ZANDER

In 2021, despite the continued slowdown in the construction sector overall as restrictions on construction activities persisted, the geotechnical instrumentation and testing industry in Malaysia recorded a YOY increase of 10.12%. The increase in the geotechnical instrumentation and testing industry in Malaysia in 2021 was mainly contributed by an increase in segmental revenue of local industry players in East Malaysia. Such increase is likely attributed to an increase in the provision of geotechnical instrumentation and testing services in East Malaysia, which was also in line with the increase in construction work done in East Malaysia at a YOY of 12.55% in the same year.

2 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES

Key Industry Drivers

► **The construction and infrastructure sectors drive demand for geotechnical instrumentation and testing services**

The geotechnical instrumentation and testing industry is driven by construction activities for residential, commercial and industrial properties as well as infrastructure development, as geotechnical instrumentation and testing services are essential to validate the safety factors of construction projects.

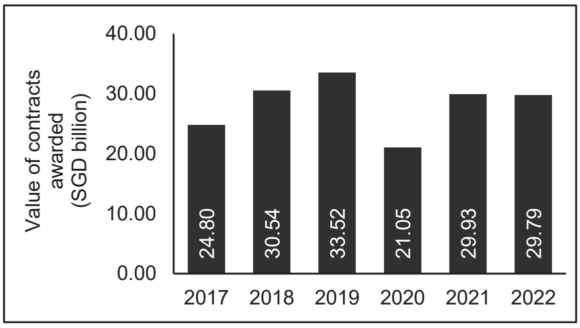
Construction and infrastructure sectors in Singapore

- **Construction sector**

The performance of the construction sector in Singapore, as measured by the value of contracts awarded, recorded a CAGR of 16.26% from SGD24.80 billion (RM77.21 billion) in 2017 to SGD33.52 billion (RM101.79 billion)[3] in 2019.

However, Singapore's value of construction contracts awarded decreased by 37.20% to SGD21.05 billion (RM64.12 billion)[4] in 2020. This was due to the outbreak of the COVID-19 pandemic in Singapore which led to temporary suspension of construction activities, and project owners in the property and construction sector may have put on hold the launching of new property and infrastructure projects.

Value of contracts awarded (Singapore), 2017 – 2022



Source: Department of Statistics, Singapore

To stimulate the property market and provide financial relief to home-buyers, the Government of Singapore introduced several initiatives through the Unity Budget and Resilience Budget announced in 2020, such as housing grants for first-time flat buyers, increase of monthly household income ceilings for subsidised flats and executive condominiums, exemption of property tax for qualifying commercial properties that have been badly affected by the COVID-19 pandemic, and a property tax rebate for businesses affected by the COVID-19 pandemic. With these initiatives in place, consumers and

[3] *Exchange rate from SGD to RM in 2019 was converted based on average annual exchange rates in 2019 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0367.*

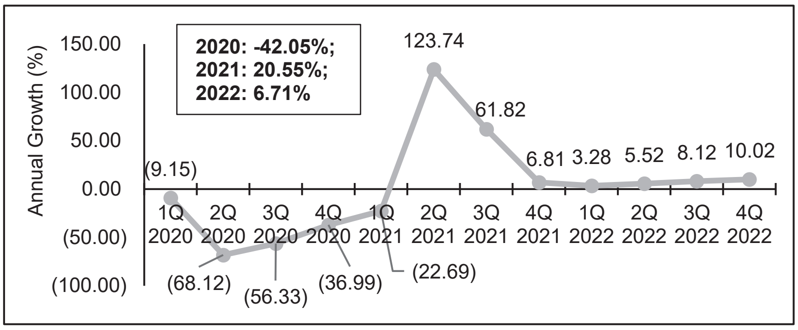
[4] *Exchange rate from SGD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0460.*

businesses were encouraged to purchase properties and thus increased the demand for residential, commercial and industrial properties.

This in turn increased the demand for construction activities as supported by the growth in value of construction contracts awarded by 42.19% to SGD29.93 billion (RM92.29 billion) in 2021.

With the revival of construction activities, the growth in construction gross domestic product ("GDP") was 20.55% in 2021, as compared to -42.05% in 2020.

Construction GDP growth, 1Q 2020 – 4Q 2022



Source: Ministry of Trade and Industry, Singapore

In 2022, the value of contracts awarded in Singapore was SGD29.79 billion (RM95.02 billion)[5], which was lower than the value of contracts awarded in 2021 at SGD29.93 billion (RM92.29 billion). Nevertheless, construction GDP recorded a YOY growth of 6.71% in the same year, which was supported by residential, commercial and/or infrastructure construction activities in both the public and private sectors.[6]

In the Economic Survey of Singapore 2022 announced by the Ministry of Trade and Industry in February 2023, the demand for construction activities in 2023 is expected to be supported by a continued strong pipeline of public housing, institutional building and infrastructure projects in the public sector, as well as construction projects in the private sector which include commercial building re-developments, high-specification industrial buildings, as well as mechanical and electrical contracts for North South Corridor, Cross Island Line (CRL) and Jurong Region mass rapid transit ("MRT") Line. The output of the construction sector is also expected to grow steadily, supported by a steady level of construction demand and some remaining backlogs of construction works that were disrupted during the COVID-19 pandemic. This is in line with the projection of value of construction contracts to be awarded of between SGD27.00 billion and SGD32.00 billion in 2023.[7]

Construction activities are largely economic-driven. The Ministry of Trade and Industry projects the Singapore economy to expand within the range of 0.50% to 2.50% in 2023. As the economy recovers and normalises over time, the construction sector is expected to grow and drive the future growth of the geotechnical instrumentation and testing industry in Singapore.

- **Infrastructure sector**

In 2019, the Government of Singapore announced the Land Transport Master Plan 2040[8]. Several major infrastructure projects were proposed, including the extension of Downtown Line and Thomson-East Coast MRT Line, implementation of the Transit Priority Corridors (TPC) for buses and building of more Integrated Transport Hubs (ITHs).

In 2021, the Singapore Parliament passed the Significant Infrastructure Government Loan Act (Singa) Bill[9], which will allow the Government of Singapore to raise a loan of up to SGD90.00 billion to finance new major infrastructure projects, which would further drive infrastructure development.

[5] *Exchange rate from SGD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.1898.*
[6] *Ministry of Trade and Industry, Singapore*
[7] *Source: Building and Construction Authority, Singapore*
[8] *Source: Land Transport Authority, Singapore*
[9] *Source: Singapore Statutes Online*

In the Budget 2023, the Government of Singapore allocated SGD20.52 billion (RM65.45 billion) [10] for development expenditure to boost economic recovery [11]. The transport subsector has been allocated with SGD9.42 billion (RM30.05 billion), or 45.91%, of the development expenditure, to support development projects such as expansion and renewal of domestic rail network and road improvement works. The allocation for the transport subsector increased from SGD5.33 billion (RM16.24 billion) in 2020 to SGD9.42 billion (RM30.05 billion) in 2023, registering a CAGR of 20.90%.

Development expenditure for transport subsector (Singapore), 2020 – 2023

Year	SGD billion	RM billion	Change (%)
2020	5.33	16.24	-
2021	6.54	20.17	22.70
2022	9.21	29.38	40.83
2023	9.42	30.05	2.28

Source: Ministry of Finance, Singapore

Below are some examples of infrastructure projects which the Government of Singapore has proposed to allocate funds as part of the Budget 2023:

Project	Funds allocated	
	(SGD billion)	(RM billion)
Expansion of rail network and related projects	4.01	12.79
Bus depot projects	0.13	0.41
Bus interchange and integrated transport hub projects	0.11	0.35
Commuter, road-related facilities and traffic management programmes	0.10	0.32
Expressway projects	0.07	0.22
Expansion and improvement of road projects	0.05	0.16

Note: This list is not exhaustive.

Source: Ministry of Finance, Singapore

As the construction activities for these infrastructure projects progress, the demand for geotechnical instrumentation and testing services will improve to support the construction activities required.

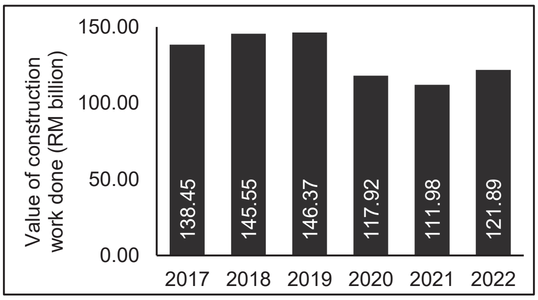
<u>Construction and infrastructure sectors in Malaysia</u>

- **Construction sector**

The performance of the construction sector in Malaysia, as measured by the value of construction work done, recorded a CAGR of 2.82% from RM138.45 billion in 2017 to RM146.37 billion in 2019.

However, Malaysia's value of construction work done decreased by 19.44% to RM117.92 billion in 2020 and by 5.04% to RM111.98 billion in 2021. This was due to the temporary halt of construction activities except those listed under critical services (maintenance and repair works) as a result of the imposition of various degrees of movement restrictions as well as several outbreaks of COVID-19 cases at construction sites throughout the country in 2020 and 2021.

Value of construction work done (Malaysia), 2017 – 2022

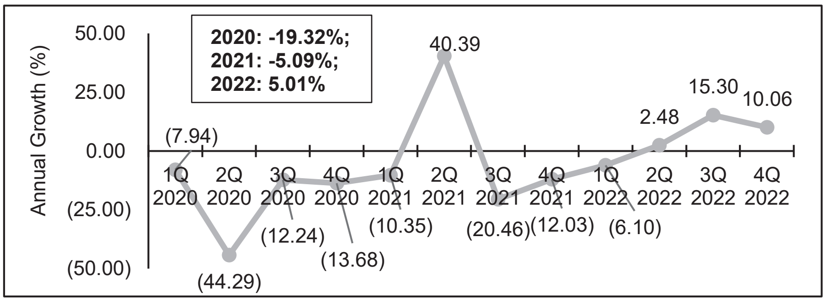


Source: Department of Statistics, Malaysia

As the construction sector slowed down, construction GDP recorded declines of 19.32% and 5.09% in 2020 and 2021 respectively.

In 2022, the value of construction work done recovered by 8.85% to RM121.89 billion, which was in line with the increase in construction GDP by 5.01%.

Construction GDP growth, 1Q 2020 – 4Q 2022



Source: Department of Statistics, Malaysia

[10] *Exchange rate from SGD to RM in 2023 was converted based on average annual exchange rates in 2022 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.1898, as the average annual exchange rates in 2023 is yet to be available.*
[11] *Source: Ministry of Finance, Singapore*

In the Economic and Fiscal Outlook and Federal Government Revenue Estimates 2023 published by the Ministry of Finance, Malaysia in February 2023, the construction GDP growth is projected to increase by 6.10% in 2023, premised on better performance of the construction industry subsectors (e.g. civil engineering, residential buildings and non-residential buildings). The civil engineering subsector is anticipated to be spearheaded by several new projects such as the upgrade of Klang Valley Double Track Phase 2 as well as acceleration of on-going infrastructure projects such as East Coast Rail Link (ECRL), Light Rail Transit 3 ("LRT 3") and the fifth-generation (5G) cellular network rollout. The residential buildings subsector is expected to grow steadily in line with the continuous supply of affordable houses and measures introduced by the Government of Malaysia to encourage home ownership.

Bank Negara Malaysia ("BNM") projects the Malaysian economy to expand within the range of 4.00% to 5.00% in 2023, driven by domestic demand which is supported by improving labour market conditions, higher tourism activities and further progress of multi-year investment projects. As the Malaysian economy strengthens over time, the construction sector is expected to grow and drive the recovery and future growth of the geotechnical instrumentation and testing industry in Malaysia.

- **Infrastructure sector**

In the Budget 2023, the Government of Malaysia allocated RM264.20 billion for development expenditure for 2023 to 2025 to boost economic growth.

For 2022, the transport subsector was allocated with the largest share amongst total development expenditure for the year (RM97.00 billion), at RM17.57 billion or 18.11%, mainly for construction of roads and highways, as well as upgrading of existing roads, ports and airports.

The allocation for the transport subsector increased from RM12.78 billion in 2020 to RM17.57 billion in 2023, registering a CAGR of 11.19%.

Development expenditure for transport subsector (Malaysia), 2020 – 2023

Year	RM billion	Change (%)
2020	12.78	-
2021	12.99	1.64
2022	16.56	27.48
2023	17.57	6.10

Source: Ministry of Finance, Malaysia

Below are some examples of infrastructure projects which the Government of Malaysia has proposed to allocate funds as part of the Budget 2023:

Project	Funds allocated (RM billion)
Acceleration of the implementation of Sabah Pan Borneo Highway and Sarawak-Sabah Link Road	20.00
Repair, replace, upgrade projects for roads, bridges, paths and slopes	3.02
Implementation of public infrastructure projects, including projects for road, street lighting, water and electricity supply in Sabah and Sarawak	2.60
Upgrade of North-South Highway at Senai Utara-Sedenak, Johor Bahru from 4 to 6 lanes	0.53
Construction of new road from Habu to Tanah Rata, Cameron Highlands, Pahang	0.48
Upgrade of Jalan Tun Hamzah up to the intersection of Semabok Lebuh AMJ Central Melaka District	0.30
Construction of road and bridge over Sungai Sepang to connect Bukit Pelandok, Port Dickson and Sungai Pelek, Sepang	0.16
Upgrading of urban infrastructure and drainage as part of the Flood Mitigation Project	0.12

Note: This list is not exhaustive.

Source: Ministry of Finance, Malaysia

As the construction activities for these infrastructure projects progress, the demand for geotechnical instrumentation and testing services will improve to support the construction activities required.

► **Regulatory, safety requirements and awareness drive demand for geotechnical instrumentation and testing services**

Regulatory requirements in Singapore

In Singapore, pile load testing is mandatory for piling activities for all construction of buildings and infrastructure. This is specified under the Building Control Regulations 2003:

- Clause 10(2)(i): The pile layout plans shall show the sectional details of piles and number and type of pile load tests and the location of ultimate pile load tests. Further, the records of pile load tests are required to be submitted to the Commissioner of Building Control ("CBC"), Singapore upon completion of pile testing.

Meanwhile, geotechnical monitoring is also required for all construction of buildings and infrastructure in Singapore. This is specified under the Building Control Regulations 2003:

- Clause 37(2): The supervising qualified person appointed in respect of any building works shall regularly inspect all instrumentation for monitoring, including any settlement or movement or deformation of the ground in relation to which the building works are carried out and the structure of adjacent properties and analyse the results thereof; and report periodically to the CBC the instrumentation monitoring results. A supervising qualified person is defined as the qualified person appointed to supervise the carrying out of any building works.

As pile testing and geotechnical monitoring is required in Singapore under the Building Control Regulations 2003, the growth in demand for geotechnical instrumentation and testing services is expected to be driven by growth and development of the construction and infrastructure sectors.

Regulatory requirements in Malaysia

In Malaysia, geotechnical instrumentation and testing services are mandatory for construction projects that are under the supervision of JKR, and the standards for geotechnical instrumentation and testing services are specified under the Standard Specifications for Building Works 2020:

- Section C: Foundation Works and Works Below Lowest Floor Level
  - 5.10. Static Pile Load Testing
  - 5.11. High Strain Dynamic Pile Testing
- Section V: Ground Improvement
  - 10. Geotechnical Instrumentation

Although pile testing, structural and ground instrumentation and monitoring services are still not mandatory for private construction projects in Malaysia, the awareness to validate the safety factors of ongoing construction projects as well as existing buildings and infrastructure in Malaysia is growing.

In recent years, the occurrence of landslides has become more frequent in Malaysia due to soil erosion caused by heavy and continuous rainfall. Examples of major landslides that have occurred since 2020 are as follows:

Date	Location
March 2020	Mount Jerai, Kedah
May 2020	Taman Kelab Ukay, Bukit Antarabangsa, Selangor
January 2021	Old Bentong-Raub road, Pahang
September 2021	Kemensah Heights, Ampang, Selangor
December 2021	Simpang Pulai-Blue Valley, Cameron Highlands, Pahang
March 2022	Taman Bukit Permai, Ampang, Selangor
May 2022	Kampung Janda Baik, Bentong, Pahang
May 2022	Taman Sri Perkasa, Ipoh
June 2022	Jalan Tun Dr Ismail, Taman Bukit Sentosa, Seremban, Negeri Sembilan
November 2022	Jalan Mantin Batu 8, Negeri Sembilan
December 2022	Father's Organic Farm, Batang Kali, Selangor (near Genting Highlands)

Source: SMITH ZANDER

Landslides result in fatalities or injuries, as well as economic costs due to the destruction of buildings and infrastructure. As such, the awareness for geotechnical instrumentation and testing services is growing to ensure the structural health and safety of buildings and infrastructure, as well as to determine immediate remedial actions required to prevent such catastrophic events. This growing awareness will continue to drive the demand for geotechnical instrumentation and testing services in the long term.

Key Industry Risks and Challenges

► **Dependence on the construction and infrastructure sectors**

The business operations and financial performance of the geotechnical instrumentation and testing industry players are dependent on the performance of the construction and infrastructure sectors. The outlook of the construction and infrastructure sectors may be affected by the supply and demand of properties, government budgets and investments in infrastructure, rate of economic growth, interest rates and inflation. Other factors beyond the control of industry players such as changes in political environment or outbreak of diseases (e.g. COVID-19 pandemic) may also impact construction activities.

The increase in commodity and food prices since 2021 has led to an increase in inflation rate in both Malaysia and Singapore. The inflation rate in Malaysia reached 4.65% in August 2022 from -0.25% in January 2021, and the inflation rate in Singapore reached 7.48% in September 2022 from 0.24% in January 2021. Thereafter, the inflation rate in Malaysia and Singapore has moderated and stood at 2.84% and 5.05% respectively in May 2023, based on latest available data. Any prolonged impact from the increase in inflation rates may pose challenges to businesses and may reduce consumer purchasing power, including the purchase of / investment in properties, which in turn reduces the demand for construction services. Consequently, the demand for geotechnical instrumentation and testing services will decrease, which could have a negative impact on the overall financial performance of geotechnical instrumentation and testing industry players.

Further, construction activities are labour intensive and the construction industry in Malaysia and Singapore relies heavily on foreign labour. Hiring of foreign workers in the construction industry is subject to approvals by the respective governments based on certain conditions which may change from time to time. Any adverse changes to the policies relating to the hiring of foreign workers in the construction industry that lead to shortages in the supply of foreign workers would cause delays in the progress of construction and infrastructure projects, and thus adversely affecting the geotechnical instrumentation and testing industry.

▶ **Rises in interest rates and/or taxes may reduce the demand for new properties**

In Malaysia, BNM announced an increase in overnight policy rate ("OPR") by a total of 125 basis points from 1.75% to 3.00% between 11 May 2022 and 3 May 2023 along with the recovery of the economy. The increase in OPR will increase the interest rates on loans which may subsequently reduce the demand for properties.

On the other hand, the Goods and Sales Tax (GST) in Singapore increased from 7% to 8% starting January 2023, and will be increased from 8% to 9% starting January 2024. The proposed tax raises may dampen buyers' interest in purchasing new properties as the tax hike would inevitably increase construction costs, resulting in higher selling price of new properties.

Meanwhile, property tax rates for non-owner-occupied residential properties including investment properties will be increased from between 11% and 27% (the current range) to between 12% and 36%. For owner-occupied residential properties with annual value in excess of SGD30,000, property tax rates will be increased from between 5% and 23% (the current range) to between 6% and 32% with effect from the year of assessment 2023. These property tax raises may further reduce the demand for new properties as it would increase the entry and holding costs for new properties.

The decrease in demand for new properties may reduce the demand for construction services, which in turn would negatively impact the geotechnical instrumentation and testing industry.

3 COMPETITIVE LANDSCAPE

Competitive Overview

The geotechnical instrumentation and testing industry is specialised in nature and moderately competitive. There are 3 types of industry players:

- Geotechnical instrumentation service providers that are principally involved in geotechnical instrumentation and testing services;
- Test laboratories which are principally involved in various testing services, and geotechnical instrumentation and testing services are one of their service offerings; and
- Piling companies that have geotechnical instrumentation and testing services capabilities.

Industry players compete in terms of technical expertise, range and quality of service offerings, ability to deliver on a timely manner, project track record and pricing. The barriers to entry are moderate as industry players are required to equip themselves with engineering expertise in geotechnical instrumentation and testing; and to sustain in the long term, it is also essential for industry players to build and maintain strong track records and business relationships with property developers, contractors and piling companies to be invited to participate in projects.

Closest competitors to Glostrext Group in Singapore

The basis for selection of the closest competitors to Glostrext Group in Singapore is as follows:

- Companies whose business activities include geotechnical instrumentation and testing services in Singapore; and
- Companies which recorded more than SGD5.00 million in revenue based on their respective latest available financial years.

Test laboratories and piling companies which offer geotechnical instrumentation and testing services as one of their service offerings have been excluded from the basis for selection as these companies are principally involved in various testing services and piling services respectively.

Premised on the basis for selection above, the closest competitors to Glostrext Group in Singapore have been identified as follows:

Company name	Involvement in pile testing and pile instrumentation services	Involvement in structural and ground instrumentation and monitoring services	Latest available financial year	Total revenue (SGD million)	Total revenue (RM million)	Segmental revenue (SGD million)	Segmental revenue (RM million)	GP margin (%)	PAT margin (%)
Ryobi Geotechnique International Pte Ltd *(a subsidiary of SGS S.A., a company listed on the SIX Swiss Exchange)*	No	Yes	30 Jun 2021	44.63	136.74 (i)	44.60 (a)	136.65 (i)	28.36	20.01
Element Geotechnical Testing (S) Pte Ltd (formerly known as Fosta Pte Ltd)	No	Yes	31 Dec 2021	20.08	61.92 (ii)	Not available	Not available	60.69	24.77
Ground Instrumentation & Engineering Pte Ltd	Yes	Yes	31 Dec 2021	16.47	50.79 (ii)	9.38 (a)	28.92 (ii)	17.61	2.20
Tritech Engineering & Testing (Singapore) Pte Ltd *(a subsidiary of Tritech Group Limited, a company listed on the Singapore Exchange)*	No	Yes	31 Mar 2022	15.92	49.28 (iii)	Not available	Not available	47.52	16.94
Geomotion (Singapore) Pte Ltd	No	Yes	31 Dec 2021	13.78	42.49 (ii)	Not available	Not available	15.99	3.76
Aps Asia Pda Enterprise Pte Ltd	Yes	Yes	31 Mar 2022	9.61	29.75 (iii)	9.38 (a)	29.04 (iii)	31.68	14.02
Glostrext Group	Yes	Yes	31 Mar 2023	6.67 (iv)	21.62	6.55 (iv)	21.21	51.79	19.04
- Segmental information for Glostrext Technology (S) Pte Ltd, a Singapore based subsidiary under Glostrext Group				4.29 (iv)	13.91	4.21 (iv)	13.62	49.80	26.48

Notes:

- *The identified closest competitors to Glostrext Group in Singapore include all closest competitors that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of closest competitors is exhaustive.*
- *Several players which are also deemed competitors to Glostrext Group are not included in the table as these players have no publicly available financial reports. These players include Advanced Rapid Geotech Services Pte Ltd, Geonamics (S) Pte Ltd, Allnamics (International) Pte Ltd, Dynamic Testing Services (Singapore) Pte Ltd and SensingTech Pte Ltd.*

(a) *Segmental revenue comprises revenue for pile instrumentation supply and pile testing and/or structural and ground instrumentation and monitoring services related activities. Due to differing segmental revenue definitions of industry players, this may include some revenue derived from businesses other than geotechnical instrumentation and testing services and revenue derived from outside Singapore.*

(i) *Exchange rate from SGD to RM was converted based on average exchange rates from 1 July 2020 to 30 June 2021 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0639.*

(ii) Exchange rate from SGD to RM was converted based on average exchange rates from 1 January 2021 to 31 December 2021 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0836.
(iii) Exchange rate from SGD to RM was converted based on average exchange rates from 1 April 2021 to 31 March 2022 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.0956.
(iv) Exchange rate from SGD to RM was converted based on average exchange rates from 1 April 2022 to 31 March 2023 extracted from published information from Monetary Authority of Singapore at SGD1 = RM3.2386.

Sources: Various company websites, Glostrext Group, Singapore's Accounting and Corporate Regulatory Authority, SMITH ZANDER

Closest competitors to Glostrext Group in Malaysia

The basis for selection of the closest competitors to Glostrext Group in Malaysia is as follows:

- Companies whose business activities include geotechnical instrumentation and testing services in Malaysia; and
- Companies which recorded more than RM5.00 million in revenue based on their respective latest available financial years.

Test laboratories and piling companies which offer geotechnical instrumentation and testing services as one of their service offerings have been excluded from the basis for selection as these companies are principally involved in various testing services and piling services respectively. Premised on the basis for selection above, the closest competitors to Glostrext Group in Malaysia have been identified as follows:

Company name	Involvement in pile testing and pile instrumentation services	Involvement in structural and ground instrumentation and monitoring services	Latest available financial year	Total revenue (RM million)	Segmental revenue (RM million)	GP margin (%)	PAT margin (%)
Geospec Sdn Bhd	Yes	Yes	31 Dec 2021	29.11	Not available	19.58	4.50
Glostrext Group	Yes	Yes	31 Mar 2023	21.62	21.21	51.79	19.04
- Segmental information for Malaysian based subsidiaries under Glostrext Group[(a)]				7.71	7.59	55.37	5.62
Soil Instruments (M) Sdn Bhd	No	Yes	31 Dec 2021	15.85	Not available	29.85	8.76
KL Geotechnics Sdn Bhd	Yes	Yes	30 Sep 2022	14.19	Not available	48.34	17.90
Geonamics (M) Sdn Bhd	Yes	Yes	31 Dec 2021	8.33	Not available	56.86	-4.67

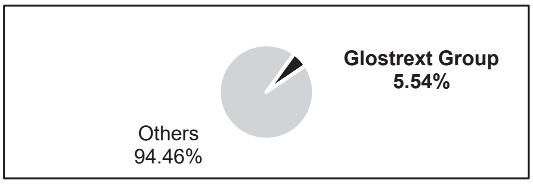
Notes:
- *The identified closest competitors to Glostrext Group in Malaysia include all closest competitors that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of closest competitors is exhaustive.*
- *There is one industry player deemed a competitor to Glostrext Group, namely Dynamic Pile Testing Sdn Bhd, which is not included in the table as it is an exempt private company for the latest available financial year.*

(a) Includes sales to Cambodia.

Sources: Various company websites, Glostrext Group, Companies Commission of Malaysia, SMITH ZANDER

Market Share of Geotechnical Instrumentation and Testing

Singapore (2021)

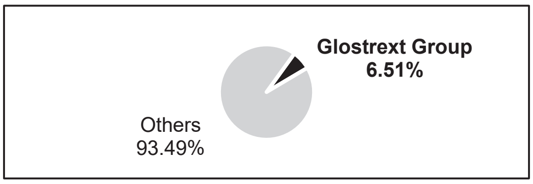


Sources: Glostrext Group, SMITH ZANDER

In 2021, the size of the geotechnical instrumentation and testing industry in Singapore was recorded at SGD120.10 million.

For the year ended 31 March 2022, the revenue of Glostrext Group generated from its Singapore geographical segment was recorded at SGD6.65 million and thereby Glostrext Group captured a market share of 5.54% in Singapore.

Malaysia (2021)



Sources: Glostrext Group, SMITH ZANDER

In 2021, the size of the geotechnical instrumentation and testing industry in Malaysia was recorded at RM86.36 million.

For the year ended 31 March 2022, the revenue of Glostrext Group generated from its Malaysia geographical segment was recorded at RM5.62 million and thereby Glostrext Group captured a market share of 6.51% in Malaysia.

4 OUTLOOK AND PROSPECTS

The growth of the geotechnical instrumentation and testing industry is driven by construction activities for residential, commercial and industrial properties as well as infrastructure development.

Notwithstanding the dependence of the geotechnical instrumentation and testing industry growth on the construction and infrastructure sectors performance, the outlook of the geotechnical instrumentation and testing industry is expected to record positive growth as the economy of Singapore and Malaysia continues to grow over time after the COVID-19 pandemic. The Ministry of Trade and Industry of Singapore projects the Singapore economy to expand within the range of 0.50% to 2.50% in 2023, meanwhile BNM projects the Malaysian economy to expand within the range of 4.00% to 5.00% in 2023. The construction sector is expected to grow and drive the recovery and future growth of the geotechnical instrumentation and testing industry in both Singapore and Malaysia, following the announcement of several initiatives and policies to stimulate the property market and infrastructure development by the Government of Singapore and Malaysia. In their respective Budget 2023, the Government of Singapore allocated SGD9.42 billion (RM30.05 billion), meanwhile the Government of Malaysia allocated RM17.57 billion for the development expenditure of the transport subsector to support development projects such as upgrading, expansion, construction and maintenance of highways, roads, railways, ports and airports.

In addition, the growth of the geotechnical instrumentation and testing industry is driven by the setting of regulatory and safety requirements and increasing awareness for geotechnical instrumentation and testing services. This would further mitigate the aforementioned key industry risk of the dependence on the construction and infrastructure sectors performance.

Further, notwithstanding the rises in interest rates and/or taxes that may reduce the demand for new properties which in turn would negatively impact the geotechnical instrumentation and testing industry, these rises in interest rates and/or taxes are temporary and is not expected to have long term and/or permanent impact on property demand.

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 Our historical PAT margin does not reflect our future PAT margin trend as dividends received by us from our subsidiary, Glostrext Singapore may no longer be tax exempted

Prior to 1 January 2022, dividends received by us from our subsidiary, Glostrext Singapore are exempted from income tax. During the Budget 2022 of Malaysia announcement on 29 October 2021, it was announced that the income tax exemption will no longer be made available with effect from 1 January 2022. Notwithstanding the above, the Ministry of Finance of Malaysia had on, 30 December 2021 announced that the income tax exemption on foreign source income will be available for a period of 5 years from 1 January 2022 to 31 December 2026 subject to certain qualifying conditions ("Exemption Order"). Additional information is set out in Section 6.18(iv).

We had sought and have obtained an opinion from our tax consultants. They are of the view that we have met the qualifying conditions. Our Group had in November 2022 submitted the tax returns in respect of FYE 2022 whereby the dividend income from Glostrext Singapore from 1 January 2022 to 31 March 2022 was filed as tax exempted pursuant to the Exemption Order. The tax computation has not been disputed by the Inland Revenue Board of Malaysia. Our Group shall continue to be eligible to file the dividend income from Glostrext Singapore as tax exempted during the Exemption Period provided that the conditions for the exemption as stipulated in the Exemption Order continues to be fulfilled. Nevertheless, there is no guarantee that our tax computations will not be disputed by the Inland Revenue Board of Malaysia in the future.

An illustration on the effects of dividends received by Glostrext Technology from Glostrext Singapore for the FYEs 2020 to 2023, assuming the dividends received are taxed at 24% is set out below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends received from Glostrext Singapore	3,003	549	4,190	3,272
Less: 24% taxation on dividends received	(721)	(132)	(1,006)	(785)
Net dividends received	**2,282**	**417**	**3,184**	**2,487**

An illustrative effect to our PAT and PAT margin for the FYEs 2020 to 2023 is set out below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	4,427	2,395	7,338	4,115
Less: 24% taxation on dividends received	(721)	(132)	(1,006)	(785)
Adjusted PAT	**3,706**	**2,263**	**6,332**	**3,330**
PAT margin (%)	18.47	14.12	27.61	19.04
Adjusted PAT margin (%)	15.47	13.34	23.83	15.41

Subsequent to 31 December 2026, the Exemption Order will no longer be in effect and dividends received by us from Glostrext Singapore will be taxed at 24% or at the prevailing tax rate and our PAT margin is expected to decrease. As such, our historical trend of PAT margin does not reflect our future PAT margin trend.

8.1.2 We are subject to regulatory requirements for our business operations in countries which we provide our services in

The construction industry in Singapore and Malaysia is highly regulated, with various government bodies governing the approval of relevant licences, permits and certifications. As a geotechnical instrumentation service provider providing services to construction projects in Malaysia and Singapore, our business is subject to various laws, rules and regulations in these countries. We have obtained the necessary licences, permits and certifications from various governmental authorities for our business, namely Certificates of Registration issued by CIDB and Builder's Licence (Site Investigation Work) issued by BCA (a statutory board under the Ministry of National Development of the Government of Singapore which develops and regulates Singapore's building and construction industry). Please refer to Section 6.13 for details on our licences, permits and certifications.

Our operations in Singapore is dependent on our Builder's Licence (Site Investigation Work) issued by BCA which allows us to provide pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services. This licence shall expire on 7 June 2025.

On 30 June 2022, the Singapore Accreditation Council (SAC) (the national accreditation body of Singapore) announced that the existing field under Site Investigation will be renamed to (i) Site Investigation and (ii) Instrumentation and Monitoring. It was also announced by the SAC that BCA will, tentatively from January 2024, require all registered specialist builders for Instrumentation and Monitoring to be accredited by SAC under the Accreditation for Inspection Body Scheme as part of the conditions for renewal of licences. Please refer to Section 6.18(vi) for further details on this matter.

As such, our Builder's Licence to be renewed shall include 2 separate scope of services as follows:

(i) Site Investigation, which allows us to undertake the provision of pile instrumentation and static load test services. The renewal for this scope of service is not subject to accreditation by the SAC; and

(ii) Instrumentation and Monitoring, which allows us to undertake the provision of structural and ground instrumentation and monitoring services. The renewal for this scope of service is subject to accreditation by the SAC.

In the event that Glostrext Singapore fails to renew its Builder's Licence for Instrumentation and Monitoring upon expiry due to failure to be accredited under the Accreditation for Inspection Body Scheme under the SAC, our Group will not be allowed to provide structural and ground instrumentation and monitoring services in Singapore subsequent to 7 June 2025, which will substantially impact our financial performance. In such event the remaining proceeds allocated for the provision to include structural and ground instrumentation and monitoring services in Singapore, if any, shall be reallocated to working capital purposes. In addition, shareholders' approval will be sought if the variations exceed 25% or more of the total proceeds raised.

Furthermore, a key requirement under the SAC Technical Note for the Accreditation of Inspection Body Scheme is that in-house calibration shall be validated using well recognised methods endorsed by the approved signatory and each in-house validation report shall be endorsed by the approved signatory, whereby the approved signatories are subject to assessments and have to comply with the requirements set out under the SAC Technical Note. As such, for endorsement of calibration methods and validation reports, we are required to have at least 1 signatory approved by the SAC. We have identified 2 of our Senior Project Managers (i.e. Loo Hee Fatt and Ho Kah Kit) to be our approved signatories. As at the LPD, Loo Hee Fatt and Ho Kah Kit have attended the Certification Course to obtain the Geotechnical Instrumentation for Engineer Certificate issued by GeoSS. Loo Hee Fatt and Ho Kah Kit have obtained the Geotechnical Instrumentation Engineer Certificate issued by GeoSS. Therefore, we are dependent on the approval of these 2 employees by SAC as our approved signatories; and moving forward once approved, we are dependent on these 2 employees as our approved signatories to endorse our calibration methods and validation reports. A loss of any or both of these employees may pose a negative impact to our Group's business operations. Kindly refer to Section 6.18(vi) for further details of the Accreditation for Inspection Body Scheme under the SAC.

Save for the above, our Group is unaware of any other updates or changes to the current laws and regulations which may affect our existing or future service offerings in Singapore or Malaysia.

Apart from Singapore and Malaysia, our Group had in 2021 secured a service engagement for the provision of pile instrumentation and static load test services for a construction project in Cambodia which have been completed as at the LPD. Moving forward, if we secure service engagements from other countries, we may be subject to regulatory requirements in these countries whereby we will be required to obtain the necessary licences, permits and certifications from the respective local authorities.

These licences, permits and certifications are subject to compliance with relevant conditions, laws and regulations under which they were issued. In the event of non-compliance, these licences, permits and certifications may be revoked or may not be renewed upon expiry. Any revocation or failure to obtain, maintain or renew any of these licences, permits and certifications may adversely affect our ability to continue operations and hence affect our financial performance.

Further, new laws and regulations may also be introduced and enforced from time to time which may require additional licences, permits and/or certifications to be obtained in addition to those we currently have, or additional requirements may be imposed on the operations of our business.

If additional licences, permits and/or certifications are required for the operations of any part of our business and we are not able to obtain such licences, permits and/or certifications in a timely manner, we could be subject to operational disruption and/or penalties which may lead to material adverse impact to our business and financial performance.

As per industry practice, pile instrumentation works in pile static load test are typically performed by independent parties, such as our Group, instead of the piling companies or construction companies to ensure independence in data collection in both Singapore and Malaysia. There is no requirement to hire any other external professional bodies or experts to review or validate our results and/or deliverables prior to any submission/reporting to our customers.

8.1.3 We may not be able to successfully implement our business strategies and future plans

Our business strategies and future plans are as follows:

(i) We intend to expand our structural and ground instrumentation and monitoring business into Singapore;

(ii) We intend to enhance our service offerings with R&D; and

(iii) We intend to increase our sales and marketing activities to create greater awareness for geotechnical instrumentation services.

Please refer to Section 6.19 for further information on our business strategies and future plans.

The implementation of our business strategies and future plans is subject to additional expenditures including staff costs, sales and marketing expenses, R&D expenses as well as other operational expenditures and working capital requirements. Such additional expenditures will increase our Group's operational cost including our overhead costs, and may adversely affect our financial performance if we are unable to gain sufficient revenue by securing more service engagements from existing and/or new customers following the implementation of our business strategies.

Furthermore, Glostrext Singapore is required to be accredited under the Accreditation for Inspection Body Scheme under the SAC in order for it to renew its Builder's Licence for Instrumentation and Monitoring issued by the BCA (upon expiry of its Builder's Licence on 7 June 2025) as set out in Section 8.1.2.

The feasibility and implementation of such business strategies and future plans will also depend on, amongst others, favourable economic conditions and the timing of execution. The implementation of our business strategies could also be adversely affected by a variety of factors such as new and unforeseen technologies used or introduced by our competitors or attractive pricing offered by our competitors, which may affect the attractiveness of our service offerings.

Hence, there is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

8.1.4 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

For the past 4 FYEs 2020 to 2023, our revenue was mainly generated from service engagements in Singapore and Malaysia and denominated in SGD and RM as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
SGD	15,668	65.39	11,083	65.32	20,600	77.52	13,906	64.33
RM	8,295	34.61	5,883	34.68	5,617	21.14	7,567	35.01
USD	-	-	-	-	357	1.34	143	0.66
Total sales	**23,963**	**100.00**	**16,966**	**100.00**	**26,574**	**100.00**	**21,616**	**100.00**

Revenue derived in Singapore contributed 65.39%, 65.32%, 77.52% and 64.33% to our Group's total revenue respectively. Any significant change in foreign exchange rates may affect our Group's financial results. For illustration, assuming the fluctuation of RM against the SGD is 5%, this will result in an increase or decrease in our GP by RM0.78 million, RM0.55 million, RM1.03 million and RM0.70 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively, depending on the direction of the foreign exchange movement between RM and SGD.

Further, some of our supplies such as hydraulic jacks, strain gauges and other instruments are sourced from overseas suppliers in Türkiye, United States of America, South Korea, Spain, China and Singapore, and are mainly denominated in USD and SGD. For the past 4 FYEs 2020 to 2023, our purchases of supplies denominated in foreign currencies are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases dominated in:								
USD	3,254	55.66	2,275	53.58	3,406	51.05	1,830	40.30
SGD	1,759	30.09	1,318	31.04	2,325	34.85	1,984	43.69
RM	833	14.25	639	15.05	935	14.01	719	15.84
EUR	-	-	14	0.33	6	0.09	7	0.15
RMB	-	-	-	-	-	-	1	0.02
Total purchases	**5,846**	**100.00**	**4,246**	**100.00**	**6,672**	**100.00**	**4,541**	**100.00**

From FYEs 2020 to 2023, our purchases of supplies from our overseas suppliers amounted to RM5.01 million, RM3.61 million, RM5.74 million and RM3.82 million, respectively. Any significant change in foreign exchange rates may affect our Group's financial results. For illustration, assuming the fluctuation of RM against the USD, SGD and EUR is 5% and such foreign exchange fluctuations is not passed on to customers, this will result in an increase or decrease in our GP by RM0.25 million, RM0.18 million, RM0.29 million and RM0.19 million for the FYEs 2020 to 2023, respectively, depending on the direction of the foreign exchange movement between RM and the said currencies.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risks for revenue derived from Singapore and any other overseas countries in the future, and the purchase of our supplies from overseas suppliers. A depreciation of the RM against any of the currencies will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher cost of supplies.

8.1.5 Our growth and profitability are dependent on our ability to continuously secure new service engagements

The duration of a pile instrumentation service engagement from confirmation of service engagement to submission of report typically ranges from 1 month to 3 months, while the minimum period of our structural and ground instrumentation and monitoring services is 1 month and is renewable upon request from customers. As at the LPD, we have existing structural and ground instrumentation and monitoring service engagements for up to 4 years.

As at the LPD, our order book comprised unbilled service engagement amounting to a total of RM8.94 million. However, there can be no assurance that we will be able to maintain at least such level of order in the future. In addition, our order book is subject to unexpected service engagement cancellations. As such, our financial performance and prospects will be affected if we are unable to continuously secure new service engagements.

8.1.6 We are dependent on our Managing Director, Executive Directors and Key Senior Management for continued success and growth of our business

We attribute the success of our Group to the experience, technical know-how, industry knowledge and continued service of our Managing Director, Executive Directors and Key Senior Management. The growth and future success of our Group will continue to be dependent on the continuous contribution from our Managing Director, Ir Dr Lee Sieng Kai, for his technical know-how and leadership in setting the strategic directions and driving the business development of our Group. He has accumulated approximately 33 years of industry experience and is actively involved in overseeing our business operations. He plays a vital role in formulating and implementing strategies to drive the growth and expansion of our Group. Please refer to Section 5.1.2(i) for the profile of our Managing Director.

Additionally, we also attribute our continuous success to the abilities, skills, experience and efforts of our Executive Directors and Key Senior Management. A majority of our Executive Directors and Key Senior Management have accumulated years of working experience ranging between 17 years and 35 years in their respective fields. Please refer to Sections 5.1.2(ii), 5.2.2(iv) and 5.3.3 for the profiles of our Executive Directors and Key Senior Management, respectively.

As such, the loss of our Managing Director, or any of our Executive Directors and Key Senior Management simultaneously or within a short period may create an unfavourable impact on our Group's operations and the future growth of our business. Our operations, financial performance and prospects will be affected if we are unable to replace or attract suitable talents in a timely manner.

8.1.7 Our business is exposed to unexpected interruptions or delays caused by instrument failures, damaged/stolen instruments, natural disasters and outbreak of diseases, which may lead to interruptions in our operations

We rely on a series of instruments to provide pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services to our customers. These instruments form an essential part of our operations to collect and/or transmit data which will be used for analysis by our customers to assess, amongst others, the ground condition of construction sites, integrity of test piles, and structural health of buildings and infrastructures. However, these instruments may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. These instruments may also be stolen and thereby disrupting our operations.

Further, our business is subject to losses due to natural disasters such as floods or storms. The occurrence of floods or storms at construction sites may impact our business operations and delay the delivery of our services, as it may be dangerous and may cause difficulties for our personnel to access, set up and install instruments on construction sites and operate the instruments for testing and data collection.

The occurrence of these unexpected events that are beyond our control may cause disruptions to our operations; if worsened, it could also result in prolonged suspension of our services. Further, despite being covered under project insurance purchased by our customers (e.g. construction/piling companies) for amongst others, damaged/stolen instruments, we may incur losses if the losses are not fully covered by the project insurance. Our customers purchase insurance for their construction projects which covers the services rendered by our Group to our customers. Our Group is not required to purchase project insurance for our service engagements. For the past 4 FYEs 2020 to 2023 and up to LPD, there were no occurrences of instrument failures, damaged/stolen instruments or natural disasters which led to material disruptions to our service provisions. However, there can be no assurance that such incidences will not happen in the future.

Our operations were also interrupted due to the various mandatory suspension of construction activities as imposed by the governments of Singapore and Malaysia to contain the spread of COVID-19. During the periods where construction activities were not allowed, we did not provide any services to construction projects and our financial performance was negatively affected. Please refer to Section 6.7.3 for further details on the impact of COVID-19 to our business. Any occurrence of a pandemic or endemic outbreak causing the construction sector to suspend operations in the future, will interrupt our business operations. Consequently, prolonged interruptions to our operations will have an adverse impact on our financial performance.

8.1.8 Our Group may be subject to the risks of possible delays in completing our geotechnical instrumentation service engagements due to circumstances beyond our control

The milestones and completion timeline of our geotechnical instrumentation services are pre-agreed with our customers prior to the confirmation of engagements. However, the timeline and completion of our service engagements may be interrupted due to unforeseen circumstances which are beyond our control. For example, we are dependent on the commencement of the construction projects where we have been engaged to provide our services, as our operations can only commence once the construction sites have been set up. Any delay in the timeline of construction projects may consequently lead to extensions of time in the completion of our service engagements, which may disrupt our resource planning and/or allocations for other service engagements.

Further, any delay in the completion of our service engagements may lead to delay in our revenue recognition. As such, the timely completion of our service engagements is vital in maintaining our Group's financial performance. There can be no assurance that there would not be any delays in the completion of our future service engagements due to unforeseen circumstances which may disrupt our resource planning and allocation and/or adversely impact our Group's future earnings.

As at the LPD, our Group has not experienced any material delays in completing the geotechnical instrumentation service engagement since our incorporation.

8.1.9 Our off-site structural and ground instrumentation and monitoring services using Glostrext WiNA platform may face interruptions due to unforeseen technical issues and/or may be exposed to the risk of security breaches

Our off-site structural and ground instrumentation and monitoring services using our Glostrext WiNA platform relies on the internet for data transmission from IoT-enabled instruments installed on-site to our web-based Glostrext WiNA platform for off-site monitoring. Any technical issues such as interruptions to the internet connection which are not resolved in a timely manner may cause loss of data which may affect the data for analysis. Further, our Glostrext WiNA platform also leverages on a licenced third party data visualisation software to organise and display data collected from monitoring sites on our Glostrext WiNA platform. Any technical issues arising from the third party data visualisation software and/or our Glostrext WiNA platform may lead to inaccurate data display. All of these may lead to complaints and/or claims filed by our customers, and/or loss of customer confidence on our off-site structural and ground instrumentation and monitoring services, which may consequently affect our ability in securing future service engagements from customers. If we receive complaints on inaccurate data display, our technicians will conduct a visual inspection of the instruments involved, as well as carry out additional measurements for verification.

As at the LPD, the licence to the third party data visualisation software used by us is valid and is renewed on a yearly basis. If we fail to renew the licence, the third party data visualisation software can still be used except that we may not receive maintenance, updates and fixes to the software which may in turn, lead to inaccurate data display.

Additionally, data collected from sites are stored on our in-house server, whereby only authorised personnel are allowed to access such data. Despite access control in place, we are still subject to external cyber-attacks, amongst others, malware attacks, hacking, espionage or cyber intrusions, as well as internal security breaches which include unauthorised access to restricted information by our employees. In the event there are security breaches that lead to leakage of data to unauthorised parties, our customers will be duly notified on such cases, and our reputation and relationship with our customers may be adversely affected. The data collected is of no material value to any persons and/or organisations other than our customers and we do not expect any material impact arising from data leakages and/or unauthorised access as our Group has no written obligations (no agreements entered into for this purpose) related to such events. Nevertheless, such events may lead to a loss of customers' confidence in our Group which will adversely affect our Group.

Since the launch of our Glostrext WiNA platform and up to the LPD, our Group has not experienced any significant technical issues, material interruptions or security breaches related to the Glostrext WiNA platform.

8.1.10 We may be subject to impairment loss on receivables or bad debts

We generally grant our customers credit period of 30 days. Kindly refer to Section 11.7.1 for details of our trade receivables turnover for the past FYEs 2020 to 2023. In the event payment is not received within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on trade receivables or writing off of trade receivables as bad debts, which may adversely affect our financial performance.

Our impairment losses on trade receivables for the past 4 FYEs were as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment losses on trade receivables	1,056	891	357	112

Please refer to Section 11.2.8 for further details.

8.1.11 The growth of our off-site structural and ground instrumentation and monitoring services using Glostrext WiNA platform is dependent on its market acceptance

In the past 4 FYEs 2020 to 2023, revenue from our structural and ground instrumentation and monitoring services accounted for 11.37%, 19.37%, 10.09% and 17.23% to our Group's total revenue respectively. In 2022, we began to provide off-site structural and ground instrumentation and monitoring services using Glostrext WiNA platform, which is a web-based platform that leverages on a series of IoT-enabled instruments and data visualisation software for remote and real time structural and ground monitoring as part of our effort to grow this business segment. In FYE 2022 and FYE 2023, we recorded RM15,000 (0.06% of total revenue) and RM1.37 million (6.34% of total revenue), respectively, from the provision of off-site structural and ground instrumentation and monitoring services using the Glostrext WiNA platform. Subsequent to FYE 2023 and up to the LPD, we recorded revenue of RM0.21 million from the Glostrext WiNA platform. As this service is relatively new, we expect to continue incurring R&D expenses for its continuous enhancement.

Further, we expect to continue incurring sales and marketing expenses when building and expanding market presence and awareness of our Glostrext WiNA platform in Singapore and Malaysia. However, the growth and success of our off-site structural and ground instrumentation and monitoring services using Glostrext WiNA platform in Singapore and Malaysia is subject to the demand and acceptance in these markets. While we have built our reputation in the provision of structural and ground instrumentation and monitoring services through on-site monitoring from our 31 years of experience, there is no assurance that we will be able to replicate our success and yield sufficient revenue from our off-site structural and ground instrumentation and monitoring services using our Glostrext WiNA platform. In such circumstances, our sales from structural and ground instrumentation and monitoring business may not see improvement despite continuous investment on R&D expenses and sales and marketing expenses, which may consequently affect our profitability.

8.1.12 We may be subject to liability claims arising from inaccurate instrumentation, testing and monitoring data, which may lead to financial impact and/or result in negative perception towards our Group

Our provision of pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services involves the usage of instruments to collect data, where the data will be used to assess, amongst others, the ground condition of construction sites, integrity of test piles, and structural health of buildings and infrastructures. While all instruments used in our service provision are calibrated prior to installation for use, there can be no assurance that these instruments will function accordingly and collect data accurately, as the functionality and accuracy in data collection are, to a certain extent, dependent on the operators in operating these instruments correctly and/or accuracy of the calibrations done.

In the event that the instruments used in our service engagements do not function accordingly which results in inaccuracy in data collection, our customers may file complaints and/or claims for compensation against our Group for any losses incurred from operational disruptions caused by data inaccuracy in our instrumentation, testing and monitoring services, which may lead to material and adverse financial impact on our Group. Further, in the worst scenario, data inaccuracy could lead to hazardous or catastrophic events which could significantly compromise the safety of the construction sites and/or buildings. This may subsequently affect our Group as litigations could be initiated by our customers or other related parties against us, which could lead to substantial liability claims against our Group and/or unfavourable publicity regarding our services which may harm our reputation. Such liability claims could lead to adverse impact on our financial performance if the liability claims are not fully covered by the insurance subscribed by our Group and such negative publicity could adversely affect our future engagements with new customers and the loyalty of our existing customers, which could adversely affect our financial performance and in turn affect our business.

Since the commencement of our business, we have not encountered any incidents of data inaccuracy that have resulted in liability claims and/or negative perception towards our services and/or our Group.

8.1.13 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at the LPD, the insurance policies taken by our Group in regards to the protection against various losses and liabilities are as follows:

(i) Fire insurance;
(ii) Public liability insurance; and
(iii) Burglary insurance.

However, in the event of claims, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations as a result of any unforeseen circumstances. For example, our public liability insurance may not be adequate to cover all losses or liabilities in the event of serious hazardous or catastrophic events which arise from any unforeseen circumstances such as malfunction of instruments that lead to inaccuracy of data collection.

Further, we are subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant loss or liability for which we were not fully insured, it could have a material adverse effect on our financial performance.

8.1.14 Our ownership rights may be infringed and/or we may inadvertently infringe on third party's ownership rights

We retain the ownership rights of our Glostrext WiNA platform as it was developed in-house by our Group. However, there can be no assurance that the ownership rights will adequately protect our software against any infringement by third parties. We may lose our competitive edge if other industry players implement systems or platforms similar to our Glostrext WiNA platform and/or systems or platforms with more advanced functions.

Further, in the development of our Glostrext WiNA platform including all on-going and future enhancements, there are possibilities that we could inadvertently infringe ownership rights held by third party(ies). This could result in the risk of the third party challenging our Group's ownership rights or taking legal action against us. In the event that a third party has successfully established that we have infringed its ownership rights, we may suffer significant loss arising from financial penalties and/or litigation costs. We may also be exposed to other risks such as adverse reputation and/or being prevented from using our Glostrext WiNA platform.

Since launching our Glostrext WiNA platform in 2022, our Group has not encountered any issues relating to the infringement of our ownership rights, nor as far as management is aware, have we inadvertently infringed on third parties' ownership rights.

8.1.15 We are exposed to the risk of unsuccessful R&D in adapting to the latest requirements and/or technologies for geotechnical instrumentation

Our business is susceptible to changes in industry and customer requirements on geotechnical instrumentation services, which may include enhanced accuracy and expanded scope in data collection, real time data reporting and increased automation. As such, we are required to improve and adapt our instrumentation, testing and monitoring services to the latest industry and customer requirements through continuous R&D efforts. Although we continuously conduct R&D activities to improve our pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services, there is no assurance that our R&D efforts will be successful in adapting to the latest industry and customer requirements.

We compete with our competitors in terms of, amongst others, technical expertise as well as range and quality of service offerings. Should our competitors be ahead of us in providing geotechnical instrumentation services by adapting quicker to the latest industry and customer requirements to achieve enhanced efficiency, automation and accuracy, we may lose business opportunities to our competitors, which could in turn adversely affect our financial performance.

8.2 RISKS RELATING TO THE INDUSTRY

8.2.1 We are dependent on the construction and infrastructure sectors for our success and growth

The performance of our business is dependent on the construction and infrastructure sectors as we provide piling, structural and geotechnical related services to construction projects as well as completed buildings and infrastructures. Thus, our financial performance is likely to move in tandem with the performance of the construction and infrastructure sectors. Growth in the construction and infrastructure sectors generally depends on several factors, including:

(i) Economic growth, which drives the demand for residential, commercial and industrial properties as well as supporting infrastructure; and

(ii) Government initiatives, which drive the property market and infrastructure development.

As such, a decline in the construction and infrastructure sectors may lead to a slowdown in the demand for our pile instrumentation and static load test services as well as structural and ground instrumentation and monitoring services. Further, the construction and infrastructure sectors may be cyclical in nature as they generally move in tandem with economic conditions. A growing economy will give rise to infrastructure development and thereafter create spill-over effects to the construction industry. Hence, a growth in the economic condition may lead to a growth in the construction and infrastructure sectors, which will in turn drive the demand for our geotechnical instrumentation, testing and monitoring services, and vice versa.

In the FYE 2021, our Group experienced a decline in revenue of 29.17% from RM23.96 million in the FYE 2020 to RM16.97 million in the FYE 2021, which was in line with the decline in the construction sectors in Singapore and Malaysia as a result of the mandatory closure and operational restrictions imposed by the respective Governments to curb the spread of the COVID-19 pandemic. As the respective Governments gradually lifted mandatory closure and operational restrictions, the construction sectors in Singapore and Malaysia rebounded from the pandemic induced slump. As a result, our revenue rebounded by 56.57% in the FYE 2022 to RM26.57 million. However, in FYE 2023 our revenue declined by 18.66% mainly due to the decrease in revenue from the provision of pile instrumentation and static load test services in Singapore as we undertook a lower number service engagement in FYE 2023. Kindly refer to Section 11.2.2 for further details on our Group's financial performance in the past 4 FYEs.

8.2.2 We are subject to risk relating to the economic, political and/or legal environment in the markets in which we operate

We principally operate in Singapore and Malaysia. Our business, prospects, financial condition and results of operations may be affected by any adverse developments, changes and / or uncertainties in the economic, political and legal environments that are beyond our control in Singapore and Malaysia. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, import and export restrictions, duties and tariffs, civil unrests, methods of taxation, inflation and foreign exchange controls.

Any changes to the economic, political and legal environments in the countries in which we have on-going service engagements may cause disruptions in the delivery and completion schedules of our services, which may consequently cause a decline in our revenue; or may cause a decline in demand for our Group's services. Such events may have a material adverse impact on our business and financial performance. As set out in Section 8.2.1, our Group experienced a decline in revenue of 29.17% in the FYE 2021 due to economic slowdowns in Singapore and Malaysia, which subsequently adversely impacted the respective construction sectors, as a result of the impact from the COVID-19 pandemic.

8.2.3 We face competition from other industry players

According to the IMR report, the geotechnical instrumentation and testing industry is specialised in nature and moderately competitive. We compete with other geotechnical instrumentation service providers, test laboratories which are principally involved in various testing services but also offer geotechnical instrumentation and testing services as one of their service offerings, as well as piling companies that have their own geotechnical instrumentation and testing services.

We compete with these industry players in terms of technical expertise, range and quality of service offerings, ability to deliver on a timely manner, project track record and pricing. It is also essential for our Group to build and maintain our track record and business relationships with a network of piling companies and construction companies to secure service engagements from them. Further, in the course of carrying out geotechnical instrumentation and testing at construction sites, there may be other industry players engaged by our customer who are present at the same construction sites to carry out similar services. Our financial performance may be affected if we fail to maintain our competitive edge.

8.2.4 We are exposed to risks relating to workplace health, safety and environment ("HSE")

Our customers, who are usually piling companies and construction companies, are generally responsible for ensuring that construction sites are compliant with HSE requirements. As a geotechnical instrumentation service provider, we are required to comply with the HSE requirements in the course of our service delivery. Any failure to comply with the relevant HSE requirements may result in accidents and injuries, as well as penalties and closure of construction sites.

As at the LPD, our Group has not breached any workplace HSE requirements. In the occurrence of accidents or injuries, it may lead to negative publicity and/or suspension of our relevant licences which may adversely impact our reputation, business operations and financial position. Our operations may also be affected as we adapt to any changes in HSE requirements, and the required compliance with new requirements may impose a significant cost to our Group.

8.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

8.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occur:

(i) The selected investors fail to subscribe for or purchase their allocation of our IPO Shares;

(ii) Our Underwriter exercises its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(iii) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% 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 upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any 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 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 Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of the High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution, and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

8.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due 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 variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of the stock market is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on the stock market, thus adding risks to the market price of our Shares.

8.4 OTHER RISKS

8.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 64.04% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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9. RELATED PARTY TRANSACTIONS

9.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, we have not entered into any related party transactions with our Directors, substantial shareholders, key senior management personnel and/or persons connected with them for the past 4 FYEs and up to the LPD.

			Value of transactions					
			FYE 2020		FYE 2021		FYE 2022	
Transacting parties	Interested persons	Nature of transaction	RM	%	RM	%	RM	%
Glostrext Technology, Ir Dr Lee Sieng Kai and Tan Ah Huat	(i) Ir Dr Lee Sieng Kai is our Promoter, substantial shareholder, Managing Director and Director of Glostrext Technology (ii) Tan Ah Huat is our Promoter, substantial shareholder, Executive Director and Director of Glostrext Technology	Repayment of advances by Glostrext Technology to Ir Dr Lee Sieng Kai and Tan Ah Huat (i)	759,900	4.89 (vi)	-	-	-	-
Glostrext Technology and Solid Fine Food Services (M) Sdn Bhd ("Solid Fine Food")	Lee Seng Cheng is a Director and shareholder of Solid Fine Food. He is the brother of Ir Dr Lee Sieng Kai, our Promoter, substantial shareholder and Managing Director	Acquisition of 3-storey shop lot by Glostrext Technology from Solid Fine Food (ii)	1,380,000	3.51 (vii)	-	-	-	-
Glostrext Singapore and Li Haigang	Li Haigang is our key senior management and Director / General Manager of Glostrext Singapore	Rental of apartment by Glostrext Singapore from Li Haigang for used as lodging by our employees (iii)	-	-	RM50,260 (or SGD16,450)	0.55 (viii)	RM101,388 (or SGD32,750)	0.81 (viii)

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

Transacting parties	Interested persons	Nature of transaction	Value of transactions FYE 2020 RM	FYE 2020 %	FYE 2021 RM	FYE 2021 %	FYE 2022 RM	FYE 2022 %
Glostrext Technology, Spectest and Li Haigang	Li Haigang	Acquisition of shares in Glostrext Singapore by Glostrext Technology from Li Haigang (iv)	-	-	-	-	RM835,265 (or SGD268,660)	2.77 (ix)
Spectest and Li Haigang	Li Haigang	Subscription of new shares in Spectest by Li Haigang (v)	-	-	-	-	321,767	1.07 (ix)

Transacting parties	Interested persons	Nature of transaction	Value of transactions FYE 2023 RM	FYE 2023 %	Up to the LPD RM	Up to the LPD %
Glostrext Singapore and Li Haigang	Li Haigang is our key senior management and Director / General Manager of Glostrext Singapore	Rental of apartment by Glostrext Singapore from Li Haigang for used as lodging by our employees (iii)	RM121,184 (or SGD37,400)	1.16 (viii)	RM32,466 (or SGD9,600)	1.05 (viii)

Notes:

(i) The advances were provided by Ir Dr Lee Sieng Kai and Tan Ah Huat to Glostrext Technology prior to FYE 2020 to finance its working capital.

(ii) This property was acquired by our Group for investment purposes and is rented to a third party tenant as at the LPD. Further details of the property are set out in Section 6.17.1(iii). The acquisition price was based on the prevailing market value.

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

(iii) This related party transaction is expected to recur after the Listing. The tenancy is for a period of 2 years effective from 1 September 2020 up to 31 August 2022. The monthly rental is SGD2,350 per month effective from 1 September 2020 to 31 August 2021 and was revised to SGD3,000 per month effective from 1 September 2021 to 31 August 2022. The tenancy was renewed for a period of 1 year with a monthly rental of SGD3,200 per month effective from 1 September 2022 to 31 August 2023. Subsequent to the FYE 2023, the tenancy was further renewed for a period of 1 year with a monthly rental of SGD4,000 per month effective from 1 September 2023 to 31 August 2024. The rental rate is based on the prevailing market rental rates.

(iv) Glostrext Technology and Spectest entered into a share sale agreement with Li Haigang whereby Glostrext Technology acquired shares in Glostrext Singapore from Li Haigang. The acquisition was satisfied via the issuance of 28,876 new shares in Spectest. Kindly refer to Section 6.2.1(i) for further details.

(v) Li Haigang had subscribed for 11,124 new shares in Spectest. Kindly refer to Section 6.2.1(i) for further details.

(vi) Calculated based on our Group's total liabilities for each of the respective financial years and as at the LPD.

(vii) Calculated based on our Group's total assets for each of the respective financial years and as at the LPD.

(viii) Calculated based on our Group's cost of sales for each of the respective financial years and as at the LPD.

(ix) Calculated based on our Group's NA for each of the respective financial years and as at the LPD.

As at the LPD, there are no related party transactions entered into but not yet effected.

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders and our Group.

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(i) Recurrent related party transactions

(a) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or

(b) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(ii) Other related party transactions

(a) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(b) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(c) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

9. RELATED PARTY TRANSACTIONS *(Cont'd)*

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

9.2 OTHER TRANSACTIONS

(i) Transactions which are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the past 4 FYEs and up to the LPD.

(ii) Loans and guarantees

Save as disclosed below, there were no outstanding loans and guarantees made to/by us to or for the benefit of any related party for the past 4 FYEs and up to the LPD:

(a) Personal guarantees

Ir Dr Lee Sieng Kai, our Managing Director and Tan Ah Huat, our Executive Director had extended personal guarantees for banking facilities extended to our Group as at the LPD. In conjunction with the Listing, the respective banks had agreed to discharge the said personal guarantees upon the completion of the Listing.

(iii) Financial assistance provided for the benefit of a related party

There were no financial assistance provided by us for the benefit of any related party for the past 4 FYEs and up to the LPD.

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10. CONFLICT OF INTERESTS

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are:

(i) Carrying on a similar or related trade as our Group; or

(ii) A customer and/or supplier of our Group.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

(a) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit and Risk Management Committee;

(b) Make recommendations to our Board to direct the conflicted Director to:

    (aa) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

    (bb) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

10.2 DECLARATIONS OF CONFLICT OF INTERESTS BY OUR ADVISERS

(i) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;

(ii) Messrs Tay & Helen Wong has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;

(iii) Messrs Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and

10. CONFLICT OF INTERESTS *(Cont'd)*

(iv) Smith Zander International Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Our historical financial information throughout the FYEs 2020 to 2023 have been prepared in accordance with MFRS and IFRS. Our audited combined financial statements for the FYEs 2020 to 2022 and audited consolidated financial statements for the FYE 2023 were not subject to any audit qualifications.

Our Company was incorporated in Malaysia on 15 February 2022 as an investment holding company. All companies acquired by our Company pursuant to the Acquisition of Spectest, which was completed on 28 February 2023 and have been under the common control of our Promoters throughout the past 4 FYEs and are regarded as continuing entities.

The historical financial information of our Group for FYEs 2020 to 2023 comprises the following:

(i) The combined statements of financial position as at 31 March 2020, 2021 and 2022, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for FYEs 2020 to 2022. As our Group has not been in place as at 31 March 2022, there are no consolidated financial statements of our Group for FYEs 2020 to 2022. The combined financial statements of our Group for FYEs 2020 to 2022 have been prepared in a manner as all companies acquired by our Company pursuant to the Acquisition of Spectest have been under the common control of our Promoters throughout FYE 2020, FYE 2021 and FYE 2022 and are regarded as continuing entities; and

(ii) The consolidated statement of financial position as at 31 March 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for FYE 2023. The consolidated financial statements of our Group for FYE 2023 have been prepared based on the audited consolidated financial statements of our Group for FYE 2023 and in a manner as all companies acquired by our Company pursuant to the Acquisition of Spectest under the common control of our Promoters throughout FYE 2023 and are regarded as continuing entities.

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11.1.1 Historical financial information

The following summary should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

(i) Historical combined and consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical audited combined and consolidated statements of profit or loss and other comprehensive income for the FYEs 2020 to 2023:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	23,963	16,966	26,574	21,616
Cost of sales	(11,644)	(9,105)	(12,516)	(10,422)
GP	12,319	7,861	14,058	11,194
Other income	635	2,145	786	1,280
Administrative expenses	(5,206)	(4,662)	(5,191)	(6,244)
Other expenses	(1,028)	(1,099)	(1,142)	(1,124)
Finance costs	(499)	(417)	(418)	(374)
Net (impairment losses)/Reversal of impairment losses on financial assets	(877)	(707)	402	286
PBT	5,344	3,121	8,495	5,018
Income tax expense	(917)	(726)	(1,157)	(903)
PAT	**4,427**	**2,395**	**7,338**	**4,115**
Other comprehensive (expenses)/income	(113)	245	20	979
Total comprehensive income for the financial year	**4,314**	**2,640**	**7,358**	**5,094**
PAT attributable to:				
- Owners of the Company	4,086	2,241	6,762	4,115
- Non-controlling interests	341	154	576	-
	4,427	**2,395**	**7,338**	**4,115**
Total comprehensive income attributable to:				
- Owners of the Company	3,981	2,464	6,782	5,094
- Non-controlling interests	333	176	576	-
	4,314	**2,640**	**7,358**	**5,094**
EBIT (1)	5,843	3,538	8,913	5,392
EBITDA (1)	7,442	5,172	10,700	7,333
GP margin (%) (2)	51.41	46.33	52.90	51.79
PBT margin (%) (3)	22.30	18.40	31.97	23.21
PAT margin (%) (4)	18.47	14.12	27.61	19.04
Effective tax rate (%) (5)	17.16	23.26	13.62	18.00
EPS (sen) (6)	1.36	0.74	2.24	1.37
Diluted EPS (sen) (7)	1.00	0.55	1.66	1.01

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	4,427	2,395	7,338	4,115
Less:				
Finance income	-	-	-	-
Add:				
Finance costs	499	417	418	374
Income tax expense	917	726	1,157	903
EBIT	**5,843**	**3,538**	**8,913**	**5,392**
Add:				
Depreciation	1,599	1,634	1,787	1,941
EBITDA	**7,442**	**5,172**	**10,700**	**7,333**

(2) Calculated based on GP divided by revenue.

(3) Calculated based on PBT divided by revenue.

(4) Calculated based on PAT divided by revenue.

(5) Calculated based on income tax expense divided by PBT.

(6) Calculated based on the PAT attributable to the owners of the Company divided by the share capital of 301,211,000 Shares before the IPO.

(7) Calculated based on the PAT attributable to the owners of the Company divided by the enlarged share capital of 407,041,000 Shares after the IPO.

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11. FINANCIAL INFORMATION *(Cont'd)*

(ii) Historical combined and consolidated statements of financial position

The following table sets out our historical combined and consolidated statements of financial position as at 31 March 2020, 2021, 2022 and 2023:

	Audited			
	As at 31 March			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets				
Property, plant and equipment	13,652	14,327	14,992	15,138
Investment properties	9,894	9,701	9,486	8,632
Right-of-use assets	1,765	1,626	1,405	1,419
Deferred tax assets	-	121	44	44
Total non-current assets	**25,311**	**25,775**	**25,927**	**25,233**
Current assets				
Inventories	1,611	2,185	2,531	3,142
Trade receivables	7,413	6,401	5,225	7,403
Other receivables, deposits and prepayment	170	160	754	2,316
Contract assets (1)	463	497	817	1,385
Current tax assets	24	-	320	304
Cash and bank balances	4,292	5,572	7,820	6,597
Total current assets	**13,973**	**14,815**	**17,467**	**21,147**
TOTAL ASSETS	**39,284**	**40,590**	**43,394**	**46,380**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	-	-	*	30,121
Invested equity	1,000	1,000	2,591	-
Foreign exchange translation reserve	(105)	118	152	1,132
Restructuring reserve	-	-	-	(27,530)
Retained profits	21,942	23,182	27,376	31,491
Equity attributable to owners of the Company	22,837	24,300	30,119	35,214
Non-controlling interests	915	1,037	-	-
TOTAL EQUITY	**23,752**	**25,337**	**30,119**	**35,214**
LIABILITIES				
Non-current liabilities				
Lease liabilities	188	178	65	53
Term loans	12,295	12,001	8,958	8,531
Deferred tax liability	216	121	127	172
Total non-current liabilities	**12,699**	**12,300**	**9,150**	**8,756**
Current liabilities				
Trade payables	711	1,162	477	664
Other payables and accruals	171	254	420	628
Lease liabilities	118	212	111	121
Term loans	647	733	1,872	497
Bank overdrafts	123	203	-	-
Current tax liabilities	1,063	389	1,245	500
Total current liabilities	**2,833**	**2,953**	**4,125**	**2,410**
TOTAL LIABILITIES	**15,532**	**15,253**	**13,275**	**11,166**
TOTAL EQUITY AND LIABILITIES	**39,284**	**40,590**	**43,394**	**46,380**

Notes:

* Represents RM20.00 only.

(1) Contract assets primarily relate to our Group's right to consideration for work completed but not yet billed as at 31 March 2020, 2021, 2022 and 2023. The amount will be transferred to trade receivables when our Group issues billing in the manner as established in the contracts with customers.

(iii) Historical audited combined and consolidated statements of cash flows

The following table sets out our audited combined and consolidated statements of cash flows for the FYEs 2020 to 2023:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating Activities				
PBT	5,344	3,121	8,495	5,018
Adjustments for:				
Depreciation of:				
- property, plant and equipment	1,231	1,215	1,342	1,501
- investment properties	256	222	223	213
- right-of-use assets	112	197	222	227
Impairment losses on trade receivables	1,056	891	357	112
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	26	4	2	-
- term loans	460	402	405	362
Interest expense on lease liabilities	13	11	11	12
Property, plant and equipment written off	62	140	106	13
Unrealised loss/(gain) on foreign exchange	9	7	(11)	(1)
Gain on disposal of property, plant and equipment	(137)	(1,238)	-	(53)
Gain on disposal of investment property	-	-	-	(673)
Reversal of impairment losses on trade receivables	(179)	(184)	(759)	(383)
Operating profit before working capital changes	**8,253**	**4,788**	**10,393**	**6,348**
Increase in inventories	(13)	(556)	(343)	(570)
Decrease/(Increase) in contract assets	1,097	(23)	(317)	(520)
Decrease/(Increase) in trade and other receivables	611	411	1,013	(3,193)
(Decrease)/Increase in trade and other payables	(3,443)	512	(511)	367
Cash generated from operations	**6,505**	**5,132**	**10,235**	**2,432**
Net income tax paid	(1,231)	(1,612)	(543)	(1,659)
Net cash from operating activities	**5,274**	**3,520**	**9,692**	**773**
Investing Activities				
Proceeds from disposal of property, plant and equipment	224	1,703	-	86
Proceed from disposal of investment property	-	-	-	1,870

11. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchase of property, plant and equipment	(5,043)	(2,232)	(2,074)	(1,809)
Purchase of investment property	(1,429)	-	-	-
Purchase of right-of-use asset	(61)	-	-	-
Net cash (for)/from investing activities	**(6,309)**	**(529)**	**(2,074)**	**147**
Financing Activities				
Proceeds from issuance of ordinary shares	-	-	338	-
Dividend paid	(799)	(1,054)	(2,914)	-
Drawdown of term loan	5,933	-	-	-
Interest paid	(499)	(417)	(418)	(374)
Repayments of lease liabilities	(184)	(104)	(214)	(244)
Repayments of term loans	(460)	(276)	(1,919)	(1,860)
Repayment to Directors	(760)	-	-	-
Net cash from/(for) financing activities	**3,231**	**(1,851)**	**(5,127)**	**(2,478)**
Net increase/(decrease) in cash and cash equivalents	**2,196**	**1,140**	**2,491**	**(1,558)**
Effect of foreign exchange translation	(44)	60	(40)	335
Cash and cash equivalents at the beginning of the financial year	2,017	4,169	5,369	7,820
Cash and cash equivalents at the end of the financial year	**4,169**	**5,369**	**7,820**	**6,597**
Cash and cash equivalents consist of:				
Cash and bank balances	4,292	5,572	7,820	6,597
Less: Bank overdrafts	(123)	(203)	-	-
Cash and cash equivalents	**4,169**	**5,369**	**7,820**	**6,597**

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11.1.2 Pro forma consolidated statements of financial position

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group, to show the effects of the Acquisition of Spectest, Public Issue and utilisation of IPO proceeds.

The pro forma consolidated statements of financial position are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' report together with the notes and assumptions accompanying the Pro forma Consolidated Statements of Financial Position as set out in Section 13.

	Glostrext	I	II
	As at 31 March 2023	After Public Issue	After I and after utilisation of IPO proceeds
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	15,138	15,138	15,138
Investment properties	8,632	8,632	8,632
Right-of-use assets	1,419	1,419	1,419
Deferred tax assets	44	44	44
Total non-current assets	**25,233**	**25,233**	**25,233**
Current assets			
Inventories	3,142	3,142	3,142
Trade receivables	7,403	7,403	7,403
Other receivables, deposits and prepayment	2,316	2,316	372
Contract assets	1,385	1,385	1,385
Current tax assets	304	304	304
Cash and bank balances	6,597	26,704	22,048
Total current assets	**21,147**	**41,254**	**34,654**
TOTAL ASSETS	**46,380**	**66,487**	**59,887**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	30,121	50,228	48,908
Foreign exchange translation reserve	1,132	1,132	1,132
Restructuring reserve	(27,530)	(27,530)	(27,530)
Retained profits	31,491	31,491	29,511
TOTAL EQUITY	**35,214**	**55,321**	**52,021**

11. FINANCIAL INFORMATION *(Cont'd)*

	Glostrext	I	II
	As at 31 March 2023	After Public Issue	After I and after utilisation of IPO proceeds
	RM'000	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	53	53	53
Term loans	8,531	8,531	5,231
Deferred tax liability	172	172	172
Total non-current liabilities	**8,756**	**8,756**	**5,456**
Current liabilities			
Trade payables	664	664	664
Other payables and accruals	628	628	628
Lease liabilities	121	121	121
Term loans	497	497	497
Current tax liabilities	500	500	500
Total current liabilities	**2,410**	**2,410**	**2,410**
TOTAL LIABILITIES	**11,166**	**11,166**	**7,866**
TOTAL EQUITY AND LIABILITIES	**46,380**	**66,487**	**59,887**
Number of Shares in issue ('000)	301,211	407,041	407,041
NA per Share (RM)	0.12	0.14	0.13
Borrowings (All interest bearing debts)	9,202	9,202	5,902
Gearing (times) [(1)]	0.26	0.17	0.11
Current ratio (times) [(2)]	8.77	17.12	14.38

Notes:

(1) Calculated based on the total borrowings (i.e. term loans and lease liabilities) of our Group divided by the total equity of our Group.

(2) Calculated based on total current assets divided by total current liabilities of our Group.

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

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountant's Report as set out in Section 12 and the Reporting Accountant's letter on the pro forma consolidated statements of financial position as set out in Section 13.

11.2.1 Overview of our operations

(i) Principal activities

We are a geotechnical instrumentation service provider, where we provide piling, structural and geotechnical related services, covering instrumentation, testing and monitoring services to construction projects as well as completed buildings and infrastructure.

Our service offerings can be categorised into 2 segments, as follows:

(i) Provision of pile instrumentation and static load test services to construction projects; and

(ii) Provision of structural and ground instrumentation and monitoring services to construction projects as well as completed buildings and infrastructures.

(ii) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the FYEs 2020 to 2023. Our audited combined and consolidated financial statements for the FYEs 2020 to 2023 were not subject to any audit qualifications.

(iii) Significant factors affecting our business

Significant factors affecting our business include the following:

(a) We are exposed to foreign exchange fluctuation which may impact the profitability of our Group

For the past 4 FYEs 2020 to 2023, our revenue was mainly generated from service engagements in Singapore and Malaysia, in which revenue derived in Singapore contributed 65.39%, 65.32%, 77.52% and 64.33% to our Group's total revenue, respectively. Our revenue derived in Singapore is denominated in SGD. Any significant change in foreign exchange rates will affect our Group's financial results.

Further, supplies such as hydraulic jacks, strain gauges and other instruments are sourced from overseas suppliers in Türkiye, United States of America, South Korea, Spain, China and Singapore, and are mainly denominated in USD and SGD.

Additional information on foreign exchange fluctuation risk is set out in Sections 8.1.4 and 11.10.1.

(b) We are dependent on the construction and infrastructure sectors for our success and growth

The performance of our business is dependent on the construction and infrastructure sectors as we provide geotechnical instrumentation, testing and monitoring services to construction projects as well as completed buildings and infrastructures. Thus, our financial performance is likely to move in tandem with the performance of the construction and infrastructure sectors.

(c) Continuity of our order book

As at the LPD, our order book comprised unbilled service engagement amounting to a total of RM8.94 million. Details on our order book are set out in Section 11.11.

There can be no assurance that we will be able to maintain at least such level of order in the future. In addition, our order book is subject to unexpected service engagement cancellations.

(d) We face competition from other industry players

According to the IMR report, the geotechnical instrumentation and testing industry is specialised in nature and moderately competitive. We compete with other geotechnical instrumentation service providers, as well as test laboratories which are principally involved in various testing services but also offer geotechnical instrumentation and testing services as one of their service offerings, and piling companies that have their own geotechnical instrumentation and testing services. Our financial performance may be affected if we fail to maintain our competitive edge.

(e) We may be subject to impairment loss on receivables or bad debts

We generally grant our customers credit period of 30 days. In the event payment is not received within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on trade receivables or writing off of trade receivables as bad debts, which may adversely affect our financial performance.

(f) We may face delays in completing our geotechnical instrumentation service engagements due to circumstances beyond our control

The milestones and completion timeline of our geotechnical instrumentation services are pre-agreed with our customers prior to the confirmation of engagements. However, the timeline and completion of our service engagements may be interrupted due to unforeseen circumstances which are beyond our control. For example, we are dependent on the commencement of the construction projects where we have been engaged to provide our services, as our operations can only commence once the construction sites have been set up. Any delay in the timeline of construction projects may consequently lead to extensions of time in the completion of our service engagements, which may disrupt our resource planning and/or allocations for other service engagements.

Further, any delay in the completion of our service engagements may lead to delay in our revenue recognition.

(g) Interruptions in our operations

Our operations were interrupted due to the various mandatory suspension of construction activities as imposed by the governments of Singapore and Malaysia to contain the spread of COVID-19. During the periods where construction activities were not allowed, we did not provide any services to construction projects and our financial performance was negatively affected.

Please refer to Section 6.7.3 for further details on the impact of COVID-19 to our business. Any occurrence of a pandemic or endemic outbreak causing the construction sector to suspend operations in the future, will interrupt our business operations. Consequently, prolonged interruptions to our operations will have an adverse impact on our financial performance.

11.2.2 Revenue

Our Group's revenue recognition are as follows:

(i) Pile instrumentation and static load test services

Revenue is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers. An invoice will be issued upon submission of the pile test report to the customer.

(ii) Structural and ground instrumentation and monitoring services

Revenue is recognised over time in the period in which the services are rendered. The first invoice will be issued for instrumentation installation, and the subsequent invoices will be issued for monthly monitoring services.

(iii) Rental of load cells

Revenue is recognised over time in the period in which the services are rendered.

Upon receiving enquiries from potential customers, we will communicate with the potential customers to prepare a proposal and estimated cost. Once the proposal is submitted, there may be discussions with the potential customers to fine tune the service details and negotiations to finalise the engagement cost. As such, our pricing varies from customer to customer. If our proposal is accepted by the customers, the customers will grant us a work order, or issue us a purchase order to confirm the engagement of our services.

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11. FINANCIAL INFORMATION *(Cont'd)*

The revenue segmentation of our Group for the FYEs 2020 to 2023 are set out below.

(i) Revenue by principal business activities and geographical segmentation

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pile instrumentation and static load test services	20,635	86.11	13,322	78.52	23,488	88.39	17,487	80.90
- Malaysia	5,388	22.48	2,465	14.53	(1)3,117	11.73	(2)3,865	17.88
- Singapore	15,247	63.63	10,857	63.99	20,371	76.66	13,622	63.02
Structural and ground instrumentation and monitoring services	2,725	11.37	3,287	19.37	2,682	10.09	3,724	17.23
- Malaysia	2,725	11.37	3,287	19.37	2,325	8.75	3,579	16.56
- Cambodia	-	-	-	-	357	1.34	143	0.66
- Singapore	-	-	-	-	-	-	2	0.01
Others (3)	603	2.52	357	2.11	404	1.52	405	1.87
- Malaysia	182	0.76	131	0.78	175	0.66	123	0.57
- Singapore	421	1.76	226	1.33	229	0.86	282	1.30
	23,963	**100.00**	**16,966**	**100.00**	**26,574**	**100.00**	**21,616**	**100.00**

Notes:

(1) Includes 1 service engagement in Cambodia engaged by a Malaysian company in FYE 2022 amounting to RM1.70 million.

(2) Includes 2 service engagements in Cambodia engaged by 2 Malaysian companies in FYE 2023 amounting to RM1.52 million.

(3) Others comprise rental of load cells.

Service engagements in Singapore are undertaken via Glostrext Singapore while service engagements in Malaysia and Cambodia are undertaken via Spectest and Glostrext Technology.

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(ii) Number of service engagements

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Pile instrumentation and static load test services [(1)]	447	65.64	281	58.42	473	68.16	330	56.41
- Malaysia	128	18.80	79	16.42	61	8.79	72	12.31
- Singapore	319	46.84	202	42.00	412	59.37	258	44.10
Structural and ground instrumentation and monitoring services [(2)]	73	10.72	84	17.46	109	15.70	114	19.49
- Malaysia	73	10.72	84	17.46	106	15.27	111	18.98
- Cambodia	-	-	-	-	3	0.43	1	0.17
- Singapore	-	-	-	-	-	-	2	0.34
Others [(3)]	161	23.64	116	24.12	112	16.14	141	24.10
- Malaysia	60	8.81	42	8.73	56	8.07	52	8.89
- Singapore	101	14.83	74	15.39	56	8.07	89	15.21
	681	**100.00**	**481**	**100.00**	**694**	**100.00**	**585**	**100.00**

Notes:

(1) Based on the number of piles which we provided pile instrumentation and/or static load test services during the financial year, whereby 1 service engagement generally comprises 1 pile that requires instrumentation and/or static load test.

(2) Based on the number of sites which we provided structural and ground instrumentation and monitoring services during the financial year, whereby 1 site is deemed 1 service engagement. If our structural and ground instrumentation and monitoring services are provided to the same site over the past 4 FYEs, it is counted as 1 site for each financial year.

(3) Based on the number of invoices issued for renting of load cells for each financial year. Each invoice will generally include rental of multiple load cells.

(iii) Commentary on revenue

(a) Comparison between FYE 2020 and FYE 2021

Our revenue decreased by RM6.99 million or 29.17% to RM16.97 million for FYE 2021 (FYE 2020: RM23.96 million) as our operations were interrupted in FYE 2021 due to the mandatory suspension of construction activities imposed by the governments of Singapore and Malaysia to contain the spread of COVID-19. The imposition of movement restrictions resulting from the COVID-19 pandemic in Singapore and Malaysia has led to prohibitions or limitations on construction activities. During the outbreak of the COVID-19 pandemic, our operations in Singapore were halted from 7 April 2020 to 2 June 2020; while our operations in Malaysia were halted from 18 March to 3 May 2020. Consequential to the various movement restrictions imposed and closure of construction sites, our service engagements in Singapore were deferred for up to approximately 3 months; while our service engagements in Malaysia were deferred for up to approximately 6 weeks.

While our operations in Singapore were only halted between 7 April 2020 and 2 June 2020, our service engagements in Singapore were deferred for up to approximately 3 months. This was because our services can only be provided when the construction sites of the projects which our Group was involved in, had put in place the required COVID-19 related safety measures and resumed work.

Due to the outbreak of the COVID-19 pandemic, there was a general slowdown in construction activities as project owners have put property launches/construction projects on hold. This resulted in a decrease in our revenue in FYE 2021.

We recorded a decrease in service engagements from 681 in FYE 2020 to 481 in FYE 2021 and our revenue decreased in FYE 2021. There was no loss of customers or cancellation of service engagements by our customers from Singapore and Malaysia. The decrease in the number of service engagements was mainly attributable to the projects completed during FYE 2020 and the decline in new service engagement secured during FYE 2021 resulting from slowed down in the construction sector. In addition, there were 33 projects deferred from FYE 2021 to FYE 2022, with total related revenue of RM1.26 million recognised in FYE 2022.

Our revenue for FYE 2021 was derived mainly from Singapore, which contributed RM11.08 million or 65.32% (FYE 2020: RM15.66 million or 65.39%) and Malaysia, which contributed RM5.89 million or 34.68% (FYE 2020: RM8.30 million or 34.61%).

The pile instrumentation and static load test services segment was our primary revenue contributor, which contributed RM13.32 million or 78.52% to our total revenue for FYE 2021 (FYE 2020: RM20.64 million or 86.11%). The Singapore market was the main contributor to this segment, contributing 63.99% of our total revenue from the pile instrumentation and static load test services segment for FYE 2021 (FYE 2020: 63.63%).

Our revenue from the structural and ground instrumentation and monitoring services segment was derived solely from Malaysia, which recorded RM3.29 million or 19.37% of our total revenue for FYE 2021 (FYE 2020: RM2.73 million or 11.37%).

Pile instrumentation and static load test services

Our revenue from the pile instrumentation and static load test services segment decreased by RM7.32 million or 35.47% to RM13.32 million for FYE 2021 (FYE 2020: RM20.64 million). Such decrease was mainly due to the imposition of movement restrictions resulting from the COVID-19 pandemic in Singapore and Malaysia. There were 281 service engagements during FYE 2021 (FYE 2020: 447 service engagements).

Revenue from the pile instrumentation and static load test services segment were mainly contributed by the following customers:

(aa) Pintary Foundations Pte Ltd in relation to infrastructure and property development projects, which contributed revenue of RM1.66 million for FYE 2021 (FYE 2020: RM3.31 million). The decrease is mainly attributable to the completion of 4 high value projects during FYE 2020 with a collective revenue of RM1.74 million;

(bb) ZAP Piling Pte Ltd in relation to airport, infrastructure and property development projects, which contributed revenue of RM1.67 million for FYE 2021 (FYE 2020: RM1.87 million). The decrease is mainly attributable to the completion of an airport project during FYE 2020 with total revenue of RM0.22 million;

(cc) TPW Engineering Pte Ltd in relation to hotel, infrastructure, factory and property development projects, which contributed revenue of RM1.57 million for FYE 2021 (FYE 2020: RM1.38 million). The increase is mainly attributable to the new hotel development project of RM0.20 million completed during FYE 2021;

(dd) JF Foundation Pte Ltd in relation to infrastructure, factory and property development projects, which contributed revenue of RM1.35 million for FYE 2021 (FYE 2020: RM1.10 million). The increase is mainly attributable to a new factory development project of RM0.24 million completed during FYE 2021; and

(ee) Aneka Jaringan Sdn Bhd in relation to infrastructure (includes tunnel, highway and bridge), property development and factory projects, which contributed revenue of RM1.10 million for FYE 2021 (FYE 2020: RM1.87 million). The decrease is mainly attributable to the completion of a mixed development project of RM0.69 million during FYE 2020.

Structural and ground instrumentation and monitoring services

Our revenue from the structural and ground instrumentation and monitoring services segment increased by RM0.56 million or 20.51% to RM3.29 million for FYE 2021 (FYE 2020: RM2.73 million), which was derived solely from the Malaysia market. There were 84 service engagements during FYE 2021 (FYE 2020: 73 service engagements), of which 44 new service engagements were secured during FYE 2021 and contributed to total revenue of RM1.60 million for FYE 2021. The increase in revenue was also due to 10 high value service engagements (with invoiced values of more than RM80,000) which are billable either on a weekly, fortnightly or monthly basis carried out during FYE 2021, and had required a higher number of initial equipment installation. The said 10 projects collectively contributed to the total revenue of RM1.54 million for FYE 2021. The value of initial equipment installation depends on the following:

- Location of the project. If a project is located in the city centre and is surrounded by buildings or infrastructure, more extensive installation techniques are required and hence will increase the value of the initial equipment installation;

- Size of the project. A higher number of equipment is required to cover a project which is larger in size. In addition, value of the initial equipment installation will also depend on the number and the depth of boreholes that are required to be drilled in order to install the equipment; and

- Types of equipment to be used which depends on the types of monitoring work to be carried out.

Revenue from the structural and ground instrumentation and monitoring services segment were mainly contributed by the following customers:

(aa) Shiya Sdn Bhd, a new customer, in relation to a residential development project, which contributed revenue of RM0.47 million for FYE 2021 (FYE 2020: RM Nil) and had required a high value of initial equipment installation. We had installed a high number of monitoring instruments as the project involved the monitoring of multiple measurements including soil inclination, noise and vibration of a large area;

(bb) Sunway Geotechnics (M) Sdn Bhd in relation to a residential development project, which contributed revenue of RM0.30 million for FYE 2021 (FYE 2020: RM0.17 million). The increase is mainly attributable to additional service engagement for an ongoing residential project which required a high value of initial equipment installation. We had installed a high number of monitoring instruments as the project involved the monitoring of slope inclination of a large retention wall;

(cc) Sunway Construction Sdn Bhd in relation to LRT, a hospital and property development projects, which contributed revenue of RM0.23 million for FYE 2021 (FYE 2020: RM0.17 million). The increase is mainly attributable to a new LRT project carried out during FYE 2021, which required a higher value of initial equipment installation. We had installed a high number of monitoring instruments as the project involved the monitoring of earthwork soil compression at various points within a large area;

(dd) Geohan Sdn Bhd in relation to residential development and buildings (including hotel, office building and international school) projects, which contributed revenue of RM0.22 million for FYE 2021 (FYE 2020: RM0.08 million). The increase is mainly attributable to additional service engagement for an ongoing hotel project and 3 new projects in relation to residential and office building carried out during FYE 2021, which required a higher value of initial equipment installation. We had installed a high number of monitoring instruments as we are required to monitor the impact of excavation work on the project sites, slope displacement as well as the impact of pilling and drilling to a large area surrounding the construction sites; and

(ee) Aneka Jaringan Sdn Bhd in relation to a hospital, office buildings and property development project, which contributed revenue of RM0.19 million for FYE 2021 (FYE 2020: RM0.25 million). The decrease is mainly attributable to the completion of 4 projects in relation to the hospital, office buildings and property development projects during FYE 2020. The projects completed in FYE 2020 had required the installation of a high number of monitoring instruments as we are required to monitor the impact of excavation work on the project sites as well as the impact of noise and vibration to the areas surrounding the construction sites.

Others

Our revenue for renting of load cells decreased by RM0.24 million or 40.00% to RM0.36 million for FYE 2021 (FYE 2020: RM0.60 million). This was due to the imposition of movement restrictions resulting from the COVID-19 pandemic, where construction activities were not allowed.

(b) Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM9.60 million or 56.57% to RM26.57 million for FYE 2022 (FYE 2021: RM16.97 million) due to the resumption of all construction activities in Singapore and Malaysia resulting from the relaxation of movement controls during FYE 2022.

Similar to FYE 2021, our revenue for FYE 2022 was derived mainly from Singapore, which contributed RM20.60 million or 77.52% (FYE 2021: RM11.08 million or 65.32%) and Malaysia, which contributed RM5.62 million or 21.14% (FYE 2021: RM5.89 million or 34.68%).

The pile instrumentation and static load test services segment remained as our largest revenue contributor, which contributed RM23.49 million or 88.39% to our total revenue for FYE 2022 (FYE 2021: RM13.32 million or 78.52%). The Singapore market continued as our primary revenue contributor for this segment, contributing RM20.37 million or 76.66% to our total revenue for FYE 2022 (FYE 2021: RM10.86 million or 63.99%).

The Malaysia market remained the main contributor to the structural and ground instrumentation and monitoring services segment, which contributed RM2.33 million or 8.75% to our total revenue for FYE 2022 (FYE 2021: RM3.29 million or 19.37%).

Pile instrumentation and static load test services

Our revenue from the pile instrumentation and static load test services segment increased by RM10.17 million or 76.35% to RM23.49 million for FYE 2022 (FYE 2021: RM13.32 million) due to the resumption of all construction activities in Singapore and Malaysia resulting from the relaxation of movement controls during FYE 2022. There were 473 service engagements during FYE 2022 (FYE 2021: 281 service engagements).

Revenue from the pile instrumentation and static load test services segment were mainly contributed by the following customers:

(aa) Asia Piling Co Pte Ltd in relation to infrastructure and property development projects, which contributed revenue of RM4.07 million for FYE 2022 (FYE 2021: RM0.79 million). The increase is mainly attributable to 63 new service engagements secured during FYE 2022 (FYE 2021: 18 new service engagements);

(bb) TPW Engineering Pte Ltd in relation to infrastructure, hotel and property development projects, which contributed revenue of RM3.44 million for FYE 2022 (FYE 2021: RM1.57 million). The increase is mainly attributable to 58 new service engagements secured for infrastructure projects during FYE 2022 (FYE 2021: 39 new service engagements);

(cc) Pintary Foundations Pte Ltd in relation to infrastructure and property development projects, which contributed revenue of RM2.20 million for FYE 2022 (FYE 2021: RM1.66 million). The increase is mainly attributable to 49 new service engagements secured for infrastructure projects during FYE 2022 (FYE 2021: 23 new service engagements);

(dd) CS Bored Pile System Pte Ltd in relation to infrastructure, hotel and residential development projects, which contributed revenue of RM1.90 million for FYE 2022 (FYE 2021: RM0.07 million). The increase is mainly attributable to 42 new service engagements secured for residential development and infrastructure projects during FYE 2022 (FYE 2021: 2 new service engagements); and

(ee) Econpile (M) Sdn Bhd in relation to property development and office building projects, which contributed revenue of RM1.73 million for FYE 2022 (FYE 2021: RM0.04 million). The increase is mainly attributable to a mixed development project in Cambodia of RM1.70 million during FYE 2022.

Structural and ground instrumentation and monitoring services

Our revenue from the structural and ground instrumentation and monitoring services segment decreased by RM0.61 million or 18.54% to RM2.68 million for FYE 2022 (FYE 2021: RM3.29 million), despite recording an increase in number of service engagements of 109 during FYE 2022 as compared to 84 service engagements recorded during FYE 2021.

This was mainly due to several high value service engagements carried out during FYE 2021, which required a higher number of initial equipment installation. The revenue for the initial equipment installation was recognised in FYE 2021 and hence contributed to higher revenue. In the subsequent financial year, we recorded monitoring revenue and did not record any material equipment installation revenue from these service engagements. Hence, our revenue for FYE 2022 decreased.

The Malaysia market has remained the primary contributor to our revenue, contributing RM2.33 million or 86.69% of our total revenue from the structural and ground instrumentation and monitoring services segment for FYE 2022 (FYE 2021: 100.00%). We recorded foreign sales for this segment in FYE 2022, where we secured a service engagement from Muhibbah Engineering (Cambodia) Co., Ltd for the KOS Airport Sihanoukville construction project which contributed revenue of RM0.36 million.

Revenue from the structural and ground instrumentation and monitoring services segment were mainly contributed by the following customers:

(aa) Sunway Geotechnics (M) Sdn Bhd in relation to residential development projects, which contributed revenue of RM0.23 million for FYE 2022 (FYE 2021: RM0.30 million). We did not record any revenue from equipment installation which resulted in a decrease for FYE 2022;

(bb) Samsung C&T Corporation UEM Construction JV Sdn Bhd in relation to mixed development projects which contributed revenue of RM0.21 million for FYE 2022 (FYE 2021: RM0.13 million). The increase is due to revenue from the installation of additional equipment during FYE 2022;

(cc) CRCG (M) Sdn Bhd in relation to commercial development projects, which contributed revenue of RM0.15 million for FYE 2022 (FYE 2021: RM0.15 million);

(dd) G-Pile Sistem Sdn Bhd in relation to an office building, a hospital and property development projects, which contributed revenue of RM0.14 million for FYE 2022 (FYE 2021: RM0.18 million). We did not record any revenue from equipment installation which resulted in a decrease for FYE 2022; and

(ee) BGMC Corporation Sdn Bhd in relation to mixed development projects, which contributed revenue of RM0.12 million for FYE 2022 (FYE 2021: RM0.17 million). We did not record any revenue from equipment installation which resulted in a decrease for FYE 2022.

Others

Our revenue for renting of load cells increased by RM0.04 million or 11.11% to RM0.40 million for FYE 2022 (FYE 2021: RM0.36 million) as construction activities in Singapore and Malaysia resumed after the relaxation of movement controls during FYE 2022 and construction activities were allowed to resume.

(c) Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM4.95 million or 18.63% to RM21.62 million for FYE 2023 (FYE 2022: RM26.57 million), mainly due to the decrease in revenue from the provision of pile instrumentation and static load test services in Singapore as we had undertaken a lower number of service engagements of 258 for FYE 2023 (FYE 2022: 412 service engagements).

Similar to FYE 2022, our revenue for FYE 2023 was derived mainly from Singapore, which contributed RM13.91 million or 64.33% (FYE 2022: RM20.60 million or 77.52%) and Malaysia, which contributed RM7.57 million or 35.01% (FYE 2022: RM5.62 million or 21.14%).

The pile instrumentation and static load test services segment remained as our largest revenue contributor, which contributed RM17.49 million or 80.90% to our total revenue for FYE 2023 (FYE 2022: RM23.49 million or 88.39%). The Singapore market continued as our primary revenue contributor for this segment, contributing RM13.62 million or 63.02% to our total revenue for FYE 2023 (FYE 2022: RM20.37 million or 76.66%).

The Malaysia market remained the main contributor to the structural and ground instrumentation and monitoring services segment, which contributed RM3.58 million or 16.56% to our total revenue for FYE 2023 (FYE 2022: RM2.33 million or 8.75%).

Pile instrumentation and static load test services

Our revenue from the pile instrumentation and static load test services segment decreased by RM6.00 million or 25.54% to RM17.49 million for FYE 2023 (FYE 2022: RM23.49 million) due to the decrease in the number of service engagements from 473 service engagements for FYE 2022 to 330 service engagements for FYE 2023. The decrease in revenue was contributed by the lower number of service engagements secured from the Singapore market, which lead to the decrease in revenue by RM6.75 million or 33.14% to RM13.62 million for FYE 2023 (FYE 2022: RM20.37 million) was due to the slowdown in the construction sector in Singapore in 2022. According to the IMR Report, the value of contracts awarded in Singapore during 2022 was SGD29.79 billion, which was lower than the value of contracts awarded in 2021 at SGD29.93 billion. The slowdown in the construction sector was attributed to challenges posed to the property development market from the implementation of cooling measures by the Government of Singapore, which are aimed to minimise the risks of loan default in view of rising interest rates and to sustain the overall property market in the long term. These measures may have negatively impacted the demand for properties in Singapore, and consequently impacted the demand for construction activities. Further, the construction sector was also weighed down by increased construction costs, which include increases in raw material cost and labour cost.

Revenue from the pile instrumentation and static load test services segment were mainly contributed by the following customers:

(aa) Asia Piling Co Pte Ltd in relation to infrastructure and property development projects, which contributed revenue of RM2.93 million for FYE 2023 (FYE 2022: RM4.07 million). The decrease is mainly attributable to 49 new service engagements secured for infrastructure projects during FYE 2023 (FYE 2022: 63 new service engagements);

(bb) TPW Engineering Pte Ltd in relation to infrastructure, hotel and property development projects, which contributed revenue of RM2.35 million for FYE 2023 (FYE 2022: RM3.44 million). The decrease is mainly attributable to 40 new service engagements secured for infrastructure projects during FYE 2023 (FYE 2022: 58 new service engagements);

(cc) CS Bored Pile System Pte Ltd in relation to infrastructure, hotel and residential development projects, which contributed revenue of RM1.89 million for FYE 2023 (FYE 2022: RM1.90 million). The decrease is mainly attributable to 21 new service engagements secured for infrastructure projects during FYE 2023 (FYE 2022: 42 new service engagements);

(dd) Econpile (M) Sdn Bhd in relation to property development projects, which contributed revenue of RM0.78 million for FYE 2023 (FYE 2022: RM1.73 million). The decrease is mainly attributable to 5 new service engagements secured for mixed development project secured during FYE 2023 (FYE 2022: 8 new service engagements); and

(ee) Aneka Jaringan Sdn Bhd in relation to property development projects, which contributed revenue of RM1.00 million for FYE 2023 (FYE 2022: RM0.57 million). The increase was mainly attributable to 17 new service engagements secured for residential projects during FYE 2023 (FYE 2022: 13 new service engagements).

Structural and ground instrumentation and monitoring services

Our revenue from the structural and ground instrumentation and monitoring services segment increased by RM1.04 million or 38.81% to RM3.72 million for FYE 2023 (FYE 2022: RM2.68 million), mainly due to the increase in the number of service engagements of 114 during FYE 2023 as compared to 109 service engagements recorded during FYE 2022.

During the FYE 2023, our Group secured service engagements to provide off-site structural and ground instrumentation and monitoring services using our Glostrext WiNA platform for commercial and residential development, infrastructure and park projects and recorded revenue of RM1.28 million (FYE 2022: RM Nil).

The Malaysia market has remained the primary contributor to our revenue, contributing RM3.58 million or 96.11% of our total revenue from the structural and ground instrumentation and monitoring services segment for FYE 2023 (FYE 2022: 86.69%).

Revenue from the structural and ground instrumentation and monitoring services segment were mainly contributed by the following customers:

(aa) Econpile (M) Sdn Bhd in relation to property development projects, which contributed revenue of RM0.76 million for FYE 2023 (FYE 2022: RM Nil). The increase was due to 2 new service engagements secured during FYE 2023;

(bb) Pintaras Megah Sdn Bhd in relation to residential and commercial development projects which contributed revenue of RM0.33 million for FYE 2023 (FYE 2022: RM0.02 million). The increase was due to 3 new service engagements secured for residential development projects during FYE 2023 (FYE 2022: 2 new service engagements);

(cc) Abadi Piling Sdn Bhd in relation to residential development projects, which contributed revenue of RM0.21 million for FYE 2023 (FYE 2022: RM Nil). The increase was due to 2 new service engagements secured during FYE 2023;

(dd) Geohan Sdn Bhd in relation to hotel and property development projects, which contributed revenue of RM0.22 million for FYE 2023 (FYE 2022: RM0.10 million). The increase was due to 6 new service engagements for property development projects secured during FYE 2023 (FYE 2022: 4 new service engagements); and

(ee) Seri Iskandar Development Corporation Sdn Bhd in relation to a park project, which contributed revenue of RM0.25 million for FYE 2023 (FYE 2022: RM Nil).

Others

Our Group did not record any material fluctuation for the renting of load cells.

11.2.3 Cost of sales, GP and GP margin

(i) Analysis of cost of sales by cost items

The components of our cost of sales for FYEs 2020 to 2023 are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Instruments, equipment and consumables [(a)]	5,257	45.15	3,769	41.39	5,985	47.82	4,127	39.59
- Hydraulic jacks	2,253	19.35	1,355	14.88	2,312	18.47	1,546	14.83
- Strain gauges	821	7.05	710	7.80	1,307	10.44	888	8.52
- Mild steel plates, coils and rebars	348	2.99	349	3.83	554	4.43	400	3.84
- Hardware and tools	760	6.53	668	7.34	658	5.26	328	3.14
- Others *	1,075	9.23	687	7.54	1,154	9.22	965	9.26
Subcontractor costs [(b)]	470	4.04	511	5.61	316	2.52	284	2.73
Instrument calibration services [(c)]	589	5.06	477	5.24	687	5.49	414	3.97
Staff costs and related expenses [(d)]	4,003	34.38	3,149	34.59	3,982	31.82	4,127	39.60
Depreciation [(e)]								
- Property, plant and equipment	720	6.18	643	7.06	723	5.78	821	7.88
- Right-of-use assets	-	-	54	0.59	94	0.75	110	1.06
Other operating costs [(f)]	318	2.73	300	3.30	361	2.88	288	2.76
Transportation charges [(g)]	287	2.46	202	2.22	368	2.94	251	2.41
	11,644	**100.00**	**9,105**	**100.00**	**12,516**	**100.00**	**10,422**	**100.00**

Note:

* Includes hydraulic hoses, electrical cables, pipes, caps, sockets, glues and other consumables.

(a) Instruments, equipment and consumables

Instruments, equipment and consumables were the largest component of our costs of sales, representing between 39.59% to 47.82% of our total cost of sales for FYEs 2020 to 2023.

Instruments, equipment and consumables were the largest component of our costs of sales. This cost component varies depending on the technical specifications/requirements of each service engagement, amongst others, the types of static load tests used/required by our customers, the complexity and size of the construction project, the number of test piles involved, the types of installation methods used to insert instruments into the ground together with the test piles, and the type of structural and ground instrumentation and monitoring services required by our customers.

(b) Subcontractor costs

Subcontractor costs comprise costs for soil drilling work incurred for our structural and ground instrumentation and monitoring services segment.

(c) Instrument calibration services

We utilise the services of third party calibration centres for the calibration of instruments, comprising precise levels and vibration and noise meters, which do not fall within our accredited calibration scheme in both Singapore and Malaysia. These instruments have been excluded from our accredited calibration scheme in both Singapore and Malaysia as it is not cost effective to calibrate these instruments in-house. We also utilise the services of third party calibration centres for the calibration of instruments in the event of limited resources in our in-house accredited calibration centres.

(d) Staff cost and related expenses

Staff costs and related expenses comprise mainly salaries, bonuses, employees' provident fund contributions and accommodation.

(e) Depreciation

Includes depreciation costs for our machinery and equipment used for service engagements.

Depreciation of right-of-use assets relates to the recognition of expenses for rental of apartment for used as lodging by our employees.

(f) Other operating costs

Other operating costs comprise mainly the upkeep of motor vehicles and machineries.

(g) Transportation charges

Transportation charges comprise freight inwards, transportation and handling charges for the purchase of instruments, equipment and consumables.

(ii) Analysis of cost of sales by principal business activities

The cost of sales segmentation of our Group for the FYEs 2020 to 2023 are set out below.

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pile instrumentation and static load test services	10,457	89.81	7,632	83.82	11,245	89.84	9,031	86.65
Structural and ground instrumentation and monitoring services	1,187	10.19	1,473	16.18	1,271	10.16	1,391	13.35
Others [(1)]	-	-	-	-	-	-	-	-
	11,644	**100.00**	**9,105**	**100.00**	**12,516**	**100.00**	**10,422**	**100.00**

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Note:

(1) Others comprise rental of load cells.

(iii) Analysis of GP and GP margin by principal business activities

Our GP and GP margin by principal business activities for FYEs 2020 to 2023 is set out below:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pile instrumentation and static load test services	10,178	49.32	5,690	42.71	12,243	52.12	8,456	48.36
Structural and ground instrumentation and monitoring services	1,538	56.44	1,814	55.19	1,411	52.61	2,333	62.65
Others (1)	603	100.00	357	100.00	404	100.00	405	100.00
	12,319	**51.41**	**7,861**	**46.33**	**14,058**	**52.90**	**11,194**	**51.79**

Note:

(1) Others comprise rental of load cells.

(iv) Commentary on cost of sales, GP and GP margin

(a) Comparison between FYE 2020 and FYE 2021

Cost of sales for FYE 2021 decreased by RM2.53 million or 21.74% to RM9.11 million for FYE 2021 (FYE 2020: RM11.64 million) in tandem with the decrease in our revenue of 29.17% for FYE 2021.

In addition, the decrease was also due to lower staff costs, which decreased by RM0.85 million or 21.25% to RM3.15 million for FYE 2021 (FYE 2020: RM4.00 million) due to lower staff bonuses for FYE 2021 resulting from the lower revenue and PAT recorded for FYE 2021.

Hence, we recorded a decrease in GP by RM4.46 million or 36.20% to RM7.86 million for FYE 2021 (FYE 2020: RM12.32 million) and a lower GP margin of 46.33% (FYE 2020: 51.41%).

Pile instrumentation and static load test services

The cost of sales for our pile instrumentation and static load test services segment decreased by RM2.83 million or 27.06% to RM7.63 million for FYE 2021 (FYE 2020: RM10.46 million) as we had undertaken a lower number of service engagements of 281 (FYE 2020: 447 service engagements). Despite the decrease in number of service engagements, our staff cost is relatively fixed except for the reduction in bonuses paid.

Resulting from the above, our GP decreased by RM4.49 million or 44.11% to RM5.69 million for FYE 2021 (FYE 2020: RM10.18 million), and we recorded a lower GP margin for FYE 2021, which dropped from 49.32% for FYE 2020 to 42.71% for FYE 2021.

Structural and ground instrumentation and monitoring services

Our cost of sales for our structural and ground instrumentation and monitoring services segment increased by RM0.28 million or 23.53% to RM1.47 million for FYE 2021 (FYE 2020: RM1.19 million), in tandem with the increase in the number of service engagements of 84 during FYE 2021 (FYE 2020: 73 service engagements).

We recorded higher initial monitoring equipment installation costs for FYE 2021, mainly from several high value service engagements which commenced during FYE 2021 where we installed a higher number of monitoring instruments. We had also incurred higher subcontractor costs as we had required a higher number of drilling work due to the requirements of our service engagements.

Notwithstanding the increase in cost of sales, our GP increased by RM0.27 million or 17.53% to RM1.81 million for FYE 2021 (FYE 2020: RM1.54 million) but we recorded a marginal decrease in GP margin from 56.44% for FYE 2020 to 55.19% for FYE 2021.

Others

We recorded a lower GP of RM0.36 million for FYE 2021 (FYE 2020: RM0.60 million). This was due to the imposition of movement restrictions resulting from the COVID-19 pandemic, where construction activities were not allowed.

(b) Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM3.41 million or 37.43% to RM12.52 million for FYE 2022 (FYE 2021: RM9.11 million) as we had undertaken a higher number of 694 service engagements (FYE 2021: 481 service engagements).

Our staff costs and related expenses increased by RM0.83 million or 26.35% to RM3.98 million for FYE 2022 (FYE 2021: RM3.15 million) mainly due to the annual salary increment as well as higher staff bonuses paid.

We further recorded an increase in GP by RM6.20 million or 78.88% to RM14.06 million for FYE 2022 (FYE 2021: RM7.86 million) and our GP margin increased from 46.33% for FYE 2021 to 52.90% for FYE 2022.

Pile instrumentation and static load test services

The cost of sales for our pile instrumentation and static load test services segment increased by RM3.62 million or 47.44% to RM11.25 million for FYE 2022 (FYE 2021: RM7.63 million) due to the increase in usage of instruments, equipment and consumables to support the increase in our service engagements during FYE 2022. Resulting from the increase in usage of these instruments, we recorded higher instrument calibration services costs as well.

Our GP increased by RM6.55 million or 115.11% to RM12.24 million for FYE 2022 (FYE 2021: RM5.69 million). We further recorded an improved GP margin for FYE 2022, which increased from 42.71% for FYE 2021 to 52.12% for FYE 2022. The increase was mainly due to the following:

(i) Increase in the number of service engagements; and

(ii) We carried out several high value service engagements, such as Naga 3 Integrated Entertainment Complex Project in Cambodia and Johor Bahru – Singapore Rapid Transit Systems (RTS) related projects in Singapore.

Structural and ground instrumentation and monitoring services

Despite recording a higher number of service engagements of 109 for FYE 2022 (FYE 2021: 84 service engagements), we recorded a lower cost of sales which decreased by RM0.20 million or 13.61% to RM1.27 million for FYE 2022 (FYE 2021: RM1.47 million).

The service engagements carried out during FYE 2022 were lower in value as compared to FYE 2021 which required a lower number of initial monitoring equipment installation. We further recorded lower subcontractor costs as the service engagements carried out in FYE 2022 did not require a high number of drilling work.

Our GP decreased by RM0.40 million or 22.10% to RM1.41 million for FYE 2022 (FYE 2021: RM1.81 million) as the service engagements carried out during FYE 2022 were lower in value as compared to FYE 2021. Correspondingly, our GP margin decreased from 55.19% for FYE 2021 to 52.61% for FYE 2022.

Others

Our GP increased by RM0.04 million or 11.11% to RM0.40 million for FYE 2022 (FYE 2021: RM0.36 million) as construction activities in Singapore and Malaysia resumed after the relaxation of movement controls during FYE 2022 and construction activities were allowed to resume.

(c) Comparison between FYE 2022 and FYE 2023

Our cost of sales decreased by RM2.10 million or 16.77% to RM10.42 million for FYE 2023 (FYE 2022: RM12.52 million) in tandem with the decrease in our revenue for FYE 2023.

Our instruments, equipment and consumables decreased by RM1.86 million or 31.05% to RM4.13 million for FYE 2023 (FYE 2022: RM5.99 million), due to a lower number of service engagements for the pile instrumentation and static load test services segment undertaken during FYE 2023.

We recorded a lower GP by RM2.87 million or 20.41% to RM11.19 million for FYE 2023 (FYE 2022: RM14.06 million) and our GP margin decreased from 52.90% for FYE 2022 to 51.79% for FYE 2023.

Pile instrumentation and static load test services

The cost of sales for our pile instrumentation and static load test services segment decreased by RM2.22 million or 19.73% to RM9.03 million for FYE 2023 (FYE 2022: RM11.25 million), as we had undertaken a lower number of service engagements of 330 for FYE 2023 (FYE 2022: 473 service engagements). Resulting from the decrease in our service engagements secured during FYE 2023, we recorded a decrease in usage of instrument, equipment and consumables as well as instrument calibration services for FYE 2023.

Our GP decreased by RM3.78 million or 30.88% to RM8.46 million for FYE 2023 (FYE 2022: RM12.24 million), as we had undertaken a lower number of service engagements. Correspondingly, we recorded a decreased GP margin from 52.12% for FYE 2022 to 48.36% for FYE 2023 which was mainly due to increase in staff cost as a result of the annual salary increment and bonus paid as well as higher depreciation recorded for our property, plant and equipment.

Structural and ground instrumentation and monitoring services

We recorded a higher number of service engagements of 114 for FYE 2023 (FYE 2022: 109 service engagements) and our revenue from this segment increased by 38.81%. We recorded a marginal increase in the cost of sales which increased by RM0.12 million or 9.45% to RM1.39 million for FYE 2023 (FYE 2022: RM1.27 million).

We recorded lower expense in instruments, equipment and consumables for FYE 2023 as the service engagements carried out during FYE 2023 required a lower number of initial monitoring equipment installations.

During FYE 2023, the usage of our Glostrext WiNA platform to perform structural and ground instrumentation and monitoring services had increased. This platform allows us to reduce our monitoring costs as our employees are only required to be present at the monitoring site at the initial stage to set up, install and configure the monitoring instruments. Thereafter, the monitoring work is done remotely via the Glostrext WiNA platform.

Our GP increased by RM0.92 million or 65.25% to RM2.33 million for FYE 2023 (FYE 2022: RM1.41 million), in tandem with the increase in number of service engagements. Our GP margin increased from 52.61% for FYE 2022 to 62.65% for FYE 2023 mainly due to the increase in usage of Glostrext WiNA platform which has lower monitoring costs.

Others

Our Group did not record any material fluctuation for the renting of load cells.

11.2.4 Other income

The breakdown of our other income is as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income from investment properties	474	74.65	305	14.22	452	57.51	464	36.25
Gain on disposal of property, plant and equipment	137	21.57	1,238	57.72	-	-	53	4.14
Gain on disposal of investment property	-	-	-	-	-	-	673	52.58
Government wage subsidies	21	3.31	600	27.97	228	29.01	55	4.30
Unrealised gain on foreign exchange	-	-	-	-	11	1.40	1	0.08
Others	3	0.47	2	0.09	95	12.08	34	2.65
	635	**100.00**	**2,145**	**100.00**	**786**	**100.00**	**1,280**	**100.00**

Comparison between FYE 2020 and FYE 2021

Other income increased by RM1.51 million or 235.94% to RM2.15 million for FYE 2021 (FYE 2020: RM0.64 million), mainly due to the following:

(i) Net gain on disposal of RM1.24 million from the disposal of 2 units of factory lots during FYE 2021. Kindly refer to Sections 6.16(iii) and 6.16(iv) for further details; and

(ii) Receipt of wage subsidies from the Governments of Singapore and Malaysia due to the COVID-19 pandemic.

The above increases were offset partially by the decrease in rental income from investment properties of RM0.17 million to RM0.30 million for FYE 2021 (FYE 2020: RM0.47 million) as we gave our tenants rental discounts due to the COVID-19 pandemic. In addition, one of our investment property (No. 9, Jalan Apollo U5/194) was untenanted since January 2020.

Comparison between FYE 2021 and FYE 2022

Other income decreased by RM1.36 million or 63.26% to RM0.79 million for FYE 2022 (FYE 2021: RM2.15 million) mainly due to wage subsidies from the Governments of Singapore and Malaysia reducing to RM0.23 million as movement controls were relaxed and economic activities were allowed to resume during FYE 2022.

The decrease was offset by the increase in rental income of RM0.15 million as we did not give any rental discounts to our tenants during FYE 2022. In addition, we also received rental from a new tenant effective from January 2021 onwards for our investment property (No. 9, Jalan Apollo U5/194). We recorded a refund from the Central Provident Fund (Singapore) (CPF) of RM0.08 million, due to the overpayment of CPF contributions during FYE 2021.

Comparison between FYE 2022 and FYE 2023

Other income increased by RM0.49 million or 62.03% to RM1.28 million for FYE 2023 (FYE 2022: RM0.79 million) mainly due to the gain on disposal of investment property located in Singapore of RM0.67 million (15 Yishun Industrial Street 1 #06-28) during FYE 2023.

The above increase was offset partially by the reduction in government wage subsidies received. The Government of Malaysia ceased to provide wage subsidies during FYE 2023, while the Government of Singapore had reduced the wage subsidies provided.

11.2.5 Administrative expenses

The breakdown of our administrative expenses is as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs [1]	2,709	52.04	2,501	53.65	2,835	54.62	2,977	47.68
Directors' remuneration	945	18.15	822	17.63	772	14.87	1,169	18.72
Travelling expenses	589	11.31	384	8.24	542	10.44	503	8.06
Legal and professional fees [2]	178	3.42	213	4.57	330	6.36	487	7.80
Utilities [3]	228	4.38	210	4.50	176	3.39	204	3.27
Insurance	170	3.27	146	3.13	159	3.06	187	2.99
Quit rent and assessments	57	1.09	60	1.29	69	1.33	64	1.02
Others [4]	330	6.34	326	6.99	308	5.93	[5]653	10.46
	5,206	**100.00**	**4,662**	**100.00**	**5,191**	**100.00**	**6,244**	**100.00**

Notes:

(1) Staff costs comprise salaries, bonuses, employees' provident fund contributions, allowances, benefits, staff welfare and related expenses.

(2) Legal and professional fees comprise secretarial, audit fees, legal fees and tax fees.

(3) Utilities comprise telephone, internet, water and electricity charges.

(4) Others comprise upkeep of motor vehicles, computers, office, postage, printing and stationery.

(5) The increase in other administrative expenses in FYE 2023 was mainly due to higher postage, printing and stationery of RM0.12 million, upkeep of computer and office of RM0.09 million, training fees of RM0.05 million, and sponsorship of RM0.06 million incurred for FYE 2023.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses decreased by RM0.55 million or 10.56% to RM4.66 million for FYE 2021 (FYE 2020: RM5.21 million). The decrease was mainly due to the following:

(i) Decrease in our staff costs and Directors' remuneration of totalling RM0.33 million due to lower bonuses paid as we had recorded lower revenue and PAT during FYE 2021; and

(ii) Decrease in travelling expenses of RM0.21 million due to the decrease in service engagements resulting from the COVID-19 pandemic.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM0.53 million or 11.37% to RM5.19 million for FYE 2022 (FYE 2021: RM4.66 million). The increase was mainly due to the following:

(i) Increase in staff costs of RM0.33 million mainly due to annual salary increment of RM0.16 million and higher staff welfare by RM0.17 million;

(ii) Increase in legal and professional fees of RM0.12 million mainly due to an increase in audit fee of RM0.07 million and consultancy fees incurred for internal process improvement of RM0.02 million; and

(iii) Increase in travelling expenses of RM0.16 million to support the increase in the number of service engagements.

The increase in administrative expenses was offset by the decrease in Directors' remuneration of RM0.05 million due to lower bonus paid to our Directors.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM1.05 million or 20.23% to RM6.24 million for FYE 2023 (FYE 2022: RM5.19 million). The increase was mainly due to the following:

(i) Increase in staff costs of RM0.14 million mainly due to annual salary increment of RM0.23 million and bonuses paid of RM0.23 million. The increase was offset partially by lower staff welfare by RM0.22 million;

(ii) Increase in directors' remuneration of RM0.40 million mainly due to annual salary increment of RM0.23 million, bonuses paid of RM0.09 million and directors' fee of RM0.03 million; and

(iii) Increase in legal and professional fees of RM0.16 million mainly due to the increase in fees paid for secretarial of RM0.09 million, audit fees of RM0.02 million, tax consultancy fees of RM0.02 million and consultancy fees incurred for internal process improvement of RM0.02 million.

11.2.6 Other expenses

The breakdown of other expenses is as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation								
- Property, plant and equipment	511	49.71	572	52.05	619	54.20	680	60.50
- Investment properties	256	24.90	222	20.20	223	19.53	213	18.95
- Right-of-use assets [(1)]	112	10.89	143	13.01	128	11.21	117	10.41
Property, plant and equipment written-off	62	6.03	140	12.74	106	9.28	13	1.16
Realised loss on foreign exchange	67	6.52	14	1.27	39	3.42	96	8.54
Unrealised loss on foreign exchange	9	0.88	7	0.64	-	-	-	-
Others [(2)]	11	1.07	1	0.09	27	2.36	5	0.44
	1,028	**100.00**	**1,099**	**100.00**	**1,142**	**100.00**	**1,124**	**100.00**

Notes:

(1) Comprising depreciation for leasehold lands and motor vehicles under MFRS 16 Leases.

(2) Comprising write-off of lower value assets that were not capitalised as property, plant and equipment.

Comparison between FYE 2020 and FYE 2021

Other expenses increased by RM0.07 million or 6.80% to RM1.10 million for FYE 2021 (FYE 2020: RM1.03 million), mainly due to the following:

(i) Increase in depreciation expenses of RM0.06 million as we had acquired a factory unit in Singapore during FYE 2020 to store our inventory and equipment; and

(ii) Increase in the write-off of key instruments of RM0.08 million that were damaged during our operations.

The above increases were offset partially by the lower realised loss on foreign exchange of RM0.05 million as a result of the appreciation of USD against RM and SGD during the FYE 2021. We utilise USD for the purchase of instruments and equipment from overseas suppliers.

Comparison between FYE 2021 and FYE 2022

Other expenses increased by RM0.04 million or 3.64% to RM1.14 million for FYE 2022 (FYE 2021: RM1.10 million), mainly attributable to the following:

(i) Increase in depreciation expenses of RM0.03 million mainly due to building improvement costs incurred to expand the floor area of our head office and purchase furniture, fittings and office equipment for our head office during FYE 2021; and

(ii) Increase in realised loss on foreign exchange by RM0.03 million due to the further strengthening of USD against RM and SGD during the FYE 2022.

We recorded a lower write-off of property, plant and equipment due to fewer key instruments damaged during our operations of RM0.11 million for FYE 2022.

Comparison between FYE 2022 and FYE 2023

Other expenses decreased by RM0.02 million or 1.75% to RM1.12 million for FYE 2023 (FYE 2022: RM1.14 million), mainly due to the decrease in property, plant and equipment written-off of RM0.09 million as we recorded a lower number of key instruments damaged during FYE 2023.

The above decrease was partially offset by the increase in the following:

(i) Increase in depreciation for property, plant and equipment of RM0.06 million as we purchased additional key instruments and equipment and motor vehicles for our operations during FYE 2023; and

(ii) Increase in realised loss on foreign exchange by RM0.06 million due to the further strengthening of USD against RM and SGD during the FYE 2023.

11.2.7 Finance costs

The breakdown of our finance costs is as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expenses from:								
Term loans	460	92.18	402	96.40	405	96.89	362	96.79
Lease liabilities	13	2.61	11	2.64	11	2.63	12	3.21
Bank overdrafts	26	5.21	4	0.96	2	0.48	-	-
	499	**100.00**	**417**	**100.00**	**418**	**100.00**	**374**	**100.00**

Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by RM0.08 million or 16.00% to RM0.42 million for FYE 2021 (FYE 2020: RM0.50 million), mainly due to the following:

(i) Decrease in term loan interests of RM0.06 million due to lower effective interest rates of 3.27% for FYE 2021 (FYE 2020: 3.52%). The lower effective interests were due to the decrease in base lending rates during FYE 2021; and

(ii) Decrease in bank overdrafts of RM0.02 million due to less bank overdraft utilised in FYE 2021. We utilise bank overdrafts for the purchase of supplies.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, there were no major changes in our finance cost as compared to FYE 2021.

Comparison between FYE 2022 and FYE 2023

Our finance costs decreased by RM0.05 million or 11.90% to RM0.37 million for FYE 2023 (FYE 2022: RM0.42 million), mainly due to the decrease in term loan interests of RM0.04 million after the full settlement of the term loan used to finance the purchase of a property located in Singapore (30 Kaki Bukit Road 3 #06-09).

11.2.8 Net (impairment losses)/reversal of impairment losses on financial assets

The breakdown of our net (impairment losses)/reversal of impairment losses on financial assets is as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Impairment losses on trade receivables [1]	(1,056)	120.41	(891)	126.03	(357)	(88.81)	(112)	(39.16)
Reversal of impairment losses on trade receivables [2]	179	(20.41)	184	(26.03)	759	188.81	383	133.92
Bad debts write back	-	-	-	-	-	-	[3]15	5.24
	(877)	**100.00**	**(707)**	**100.00**	**402**	**100.00**	**286**	**100.00**

Notes:

(1) Trade receivables past due for more than 365 days are impaired. We have issued reminder letters and demand letters to recover these amounts.

(2) Comprising amount due from customers where impairment was made, and such amount was subsequently recovered by our Group.

(3) Comprising bad debts recovered from the liquidator of a creditor during FYE 2023.

Comparison between FYE 2020 and FYE 2021

Net impairment losses of RM0.88 million recorded in FYE 2020 were mainly due to impairment of amount due from 2 Singapore customers (which were wound-up), Jackson Foundation (2018) Pte Ltd (RM0.31 million) and KH Foges Pte Ltd (RM0.34 million) for the provision of pile instrumentation and static load test services.

Net impairment losses decreased to RM0.71 million in FYE 2021. Impairment made was mainly for amount due from 2 Malaysia customers, ZhongJi Construction Sdn Bhd (RM0.51 million) for the provision of pile instrumentation and static load test services and Sustain Geotechnics Sdn Bhd (RM0.14 million) for the provision of pile instrumentation and static load test services and structural and ground instrumentation and monitoring services.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, we recorded a net reversal of impairment losses of RM0.40 million. This was mainly due to RM0.51 million recovered from ZhongJi Construction Sdn Bhd via the transfer of a property to our Group in FYE 2022. Kindly refer to Sections 6.16(v)(a) and 6.16(v)(b) for further details. Impairment losses recorded in FYE 2022 were from amount due from Sustain Geotechnics Sdn Bhd (RM0.14 million) and Metrocon Pte Ltd (RM0.15 million) for the provision of pile instrumentation and static load test services.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, we recorded a net reversal of impairment losses of RM0.29 million. This was mainly due to the recovery of RM0.38 million from the following customers:

(i) Provision of pile instrumentation and static load test services:

- (a) Metrocon Pte Ltd of RM0.16 million; and
- (b) Zhao Yang Geotechnic Pte Ltd of RM0.02 million;

(ii) Provision of structural and ground instrumentation and monitoring services:

- (a) Tropical Engineering Sdn Bhd of RM0.03 million;
- (b) Aneka Jaringan Sdn Bhd of RM0.03 million;
- (c) MRCB Builders Sdn Bhd of RM0.02 million;
- (d) BGMC Corporation Sdn Bhd of RM0.02 million; and
- (e) Pembinaan Infrastruktur OKH Sdn Bhd of RM0.02 million.

In addition, we recorded impairment losses of RM0.12 million mainly from the following customers for the provision of structural and ground instrumentation and monitoring services:

(a) Tropical Engineering Sdn Bhd of RM 0.04 million; and

(b) BGMC Corporation Sdn Bhd of RM0.04 million.

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11.2.9 Income tax expense, PBT and PAT

The following tables set out the comparison between the statutory tax rates and our effective tax rates for the financial years under review:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Singapore statutory tax rate (%)	17.00	17.00	17.00	17.00
Malaysia statutory tax rate	24.00(1)	24.00(1)	24.00(1)	24.00(2)
Income tax expense (RM'000)	917	726	1,157	903
Effective tax rate (%)	17.16	23.26	13.62	18.00

Notes:

(1) We were entitled to small and medium enterprises (SME) tax rebates for FYE 2020, FYE 2021 and FYE 2022, where we were charged 17.00% tax rate on our first RM600,000 chargeable income and charged 24.00% tax rate on our balance chargeable income.

(2) Commencing FYE 2023, we are no longer entitled to small and medium enterprises (SME) tax rebates and as such are charged at 24.00% tax rate on our chargeable income.

The following tables set out the PBT, PBT margin, PAT and PAT margin for the financial years under review:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	5,344	3,121	8,495	5,018
PBT margin (%)	22.30	18.40	31.97	23.21
PAT (RM'000)	4,427	2,395	7,338	4,115
PAT margin (%)	18.47	14.12	27.61	19.04

Comparison between FYE 2020 and FYE 2021

Our PBT and PBT margin decreased to RM3.12 million for FYE 2021 (FYE 2020: RM5.34 million) and 18.40% for FYE 2021 (FYE 2020: 22.30%) respectively. We recorded a lower number of service engagements in FYE 2021 as a result of the COVID-19 pandemic and a lower GP margin of 46.33% (FYE 2020: 51.41%). Due to the nature of our business, certain expenses such as staff costs do not decrease substantially when our number of service engagements decrease.

Correspondingly, our PAT and PAT margin decreased to RM2.40 million for FYE 2021 (FYE 2020: RM4.43 million) and 14.12% for FYE 2021 (FYE 2020: 18.47%), respectively.

We recorded a higher effective tax rate of 23.26% in FYE 2021 (FYE 2020: 17.16%), mainly due to the underprovision of income tax expense of RM0.42 million which were accumulated from prior financial years. Expenses not deductible for tax purpose amounting to RM0.76 million such as depreciation for non-qualifying expenditure, property, plant and equipment written off, restriction on tax deductible interest expense due to insufficient rental income for the deduction of interest expense incurred for investment properties.

Comparison between FYE 2021 and FYE 2022

Our PBT and PBT margin improved to RM8.50 million for FYE 2022 (FYE 2021: RM3.12 million) and 31.97% for FYE 2022 (FYE 2021: 18.40%), respectively. The improvement was mainly due to a higher number of service engagements and higher GP margins of 52.90% recorded during FYE 2022 (FYE 2021: 46.33%).

Correspondingly, our PAT and PAT margin increased to RM7.34 million (FYE 2021: RM2.40 million) and 27.61% for FYE 2022 (FYE 2021: 14.12%), respectively.

We recorded a lower effective tax rate of 13.62% in FYE 2022 (FYE 2021: 23.26%), mainly due to the following:

(i) Increase in PBT from Singapore operations (under Glostrext Singapore), which were subject to a lower statutory tax rate of 17%;

(ii) Reversal of RM0.23 million due to overprovision of income tax expense for the previous financial year; and

(iii) Overprovision of deferred taxation of RM0.19 million. The reinvestment tax allowances for a solar system and tax deduction given on costs for renovating and refurbishing our head office incurred during FYE 2021 were only finalised in FYE 2022.

Expenses not deductible for tax purpose amounting to RM0.68 million such as depreciation for non-qualifying expenditure, property, plant and equipment written off, restriction on tax deductible interest expense due to insufficient rental income for the deduction of interest expense incurred for investment properties.

Comparison between FYE 2022 and FYE 2023

Our PBT and PBT margin decreased to RM5.02 million for FYE 2023 (FYE 2022: RM8.50 million) and 23.21% for FYE 2023 (FYE 2022: 31.97%) respectively as we recorded a lower number of service engagements in FYE 2023 and a lower GP margin of 51.79% for FYE 2023 (FYE 2022: 52.90%). Due to the nature of our business, certain expenses such as staff costs and depreciation do not decrease when our number of service engagements decrease.

Correspondingly, our PAT and PAT margin decreased to RM4.12 million for FYE 2023 (FYE 2022: RM7.34 million) and 19.04% for FYE 2023 (FYE 2022: 27.61%), respectively.

We recorded a higher effective tax rate of 18.00% for FYE 2023 (FYE 2022: 13.62%), mainly due to the following:

(i) Commencing FYE 2023, we are no longer entitled to small and medium enterprises (SME) tax rebates and as such are charged at 24.00% tax rate on our chargeable income;

(ii) Absence of the reversal from the overprovision of deferred taxation in FYE 2023 (FYE 2022: RM0.19 million); and

(iii) Expenses not deductible for tax purpose amounting to RM0.44 million mainly from depreciation for non-qualifying expenditure.

11.2.10 Review of financial position

(i) Assets

Our assets for the financial years under review comprise the following:

	Audited			
	As at 31 March			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	13,652	14,327	14,992	15,138
Investment properties	9,894	9,701	9,486	8,632
Right-of-use assets	1,765	1,626	1,405	1,419
Deferred tax assets	-	121	44	44
Total non-current assets	**25,311**	**25,775**	**25,927**	**25,233**
Current assets				
Inventories	1,611	2,185	2,531	3,142
Trade receivables	7,413	6,401	5,225	7,403
Other receivables, deposits and prepayment	170	160	754	2,316
Contract assets	463	497	817	1,385
Current tax assets	24	-	320	304
Cash and bank balances	4,292	5,572	7,820	6,597
Total current assets	**13,973**	**14,815**	**17,467**	**21,147**
TOTAL ASSETS	**39,284**	**40,590**	**43,394**	**46,380**

Comparison between 31 March 2020 and 31 March 2021

Non-current assets

Our non-current assets increased by RM0.47 million or 1.86% to RM25.78 million as at 31 March 2021 (as at 31 March 2020: RM25.31 million) mainly due to the following:

(a) Building improvement costs of RM0.80 million to expand the floor area of our head office;

(b) Purchase of furniture, fittings and office equipment of RM0.60 million mainly for our head office; and

(c) Purchase of key instruments of RM0.79 million to support our operations.

The increase was offset by the following:

(a) Depreciation for property, plant and equipment of RM1.21 million;

(b) Disposal of 2 units of factory lots (with a total carrying amount of RM0.33 million); and

(c) Key instruments that were damaged amounted to RM0.14 million written off.

Current assets

Our current assets increased by RM0.85 million or 6.08% to RM14.82 million as at 31 March 2021 (as at 31 March 2020: RM13.97 million) mainly due to the following:

(a) Increase in inventories of RM0.57 million. Despite the decrease in the number of service engagements, we had continued to purchase key instruments to safeguard against any global supply chain disruption resulting from the COVID-19 pandemic; and

(b) Increase in cash and bank balances of RM1.28 million, which was mainly contributed by the disposal of 2 units of factory lots.

The increase was offset by the decrease in trade receivables of RM1.01 million, which is in tandem with the lower number of service engagements during FYE 2021.

Comparison between 31 March 2021 and 31 March 2022

Non-current assets

Our non-current assets increased by RM0.15 million or 0.58% to RM25.93 million as at 31 March 2022 (as at 31 March 2021: RM25.78 million) mainly due to the following:

(a) Settlement received via the transfer of 1 unit of serviced apartment resulting from a debt settlement agreement of RM0.52 million (which was outstanding since July 2019) as set out in Sections 6.16(v)(a) and 6.16(v)(b); and

(b) Purchase of key instruments amounting to RM1.36 million to support our operations.

The increase was offset by the following:

(a) Depreciation for property, plant and equipment of RM1.34 million; and

(b) Key instruments that were damaged amounted to RM0.11 million written off.

Current assets

Our current assets increased by RM2.65 million or 17.88% to RM17.47 million as at 31 March 2022 (as at 31 March 2021: RM14.82 million) mainly due to the following:

(a) Increase in inventories of RM0.35 million to support the increase in our number of service engagements;

(b) Increase in other receivables and deposits of RM0.59 million due to the prepayment of Listing expenses;

(c) Increase in contract assets of RM0.32 million as we had secured a higher number of service engagements during FYE 2022. Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed. The amount will be transferred to trade receivables when our Group issues billing in the manner as established in the contracts with customers;

(d) Increase in current tax assets of RM0.32 million due to the overpayment of monthly tax instalments for FYE 2022; and

(e) Increase in cash and bank balances of RM2.25 million due the increase in our PAT during FYE 2022.

The increase was offset by the decrease in trade receivables of RM1.18 million due to lower trade receivable turnover days of 79 days recorded in FYE 2022 as compared to 148 days recorded in FYE 2021.

Comparison between 31 March 2022 and 31 March 2023

Non-current assets

Our non-current assets decreased by RM0.70 million or 2.70% to RM25.23 million as at 31 March 2023 (as at 31 March 2022: RM25.93 million) mainly due to the decrease in investment properties of RM0.85 million as we disposed an investment property located in Singapore (15 Yishun Industrial Street 1 #06-28) during FYE 2023.

The decrease was offset by the increase in property, plant and equipment of RM0.15 million as we purchased key instruments and motor vehicles amounting to RM1.04 million and RM0.60 million, respectively to support our operations.

Current assets

Our current assets increased by RM3.68 million or 21.06 % to RM21.15 million as at 31 March 2023 (as at 31 March 2022: RM17.47 million) mainly due to the following:

(a) Increase in inventories of RM0.61 million. Despite the decrease in the number of service engagements, we had continued to purchase key instruments for use in future engagements;

(b) Increase in trade receivables of RM2.18 million, despite recording lower revenue during FYE 2023 as our customers took a longer time to pay us. As a result, we recorded higher trade receivables turnover days of 106 days as at 31 March 2023 (as at 31 March 2022: 79 days);

(c) Increase in other receivables, deposits and prepayment of RM1.56 million due to the prepayment of Listing expenses; and

(d) Increase in contract assets of RM0.57 million. The amount will be transferred to trade receivables when our Group issues billing in the manner as established in the contracts with customers.

The increase was offset by the decrease in cash and bank balances of RM1.22 million.

(ii) Liabilities

Our liabilities for the financial years under review comprise the following:

	Audited			
	As at 31 March			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
LIABILITIES				
Non-current liabilities				
Lease liabilities	188	178	65	53
Term loans	12,295	12,001	8,958	8,531
Deferred tax liability	216	121	127	172
Total non-current liabilities	**12,699**	**12,300**	**9,150**	**8,756**
Current liabilities				
Trade payables	711	1,162	477	664
Other payables and accruals	171	254	420	628
Lease liabilities	118	212	111	121
Term loans	647	733	1,872	497
Bank overdrafts	123	203	-	-
Current tax liabilities	1,063	389	1,245	500
Total current liabilities	**2,833**	**2,953**	**4,125**	**2,410**
TOTAL LIABILITIES	**15,532**	**15,253**	**13,275**	**11,166**

Comparison between 31 March 2020 and 31 March 2021

Non-current liabilities

Our non-current liabilities decreased by RM0.40 million or 3.15% to RM12.30 million as at 31 March 2021 (as at 31 March 2020: RM12.70 million) mainly due to the reclassification of RM0.30 million of term loans to current liabilities.

Current liabilities

Our current liabilities increased by RM0.12 million or 4.24% to RM2.95 million as at 31 March 2021 (as at 31 March 2020: RM2.83 million) mainly due to the increase in trade payables of RM0.45 million. We had continued to purchase key instruments to safeguard against any global supply chain disruption resulting from the COVID-19 pandemic.

The increase was offset by a decrease in current tax liabilities of RM0.67 million as we had recorded a lower PBT during FYE 2021.

Comparison between 31 March 2021 and 31 March 2022

Non-current liabilities

Our non-current liabilities decreased by RM3.15 million or 25.61% to RM9.15 million as at 31 March 2022 (as at 31 March 2021: RM12.30 million) mainly due to the following:

(a) Reclassification of RM1.35 million of term loans to current liabilities as we had intended to repay a term loan for a property located in Singapore (30 Kaki Bukit Road 3 #06-09). The said term loan has been fully repaid subsequent to FYE 2022; and

(b) Full repayment of a term loan amounting to RM1.37 million for a property located in Singapore (30 Kaki Bukit Road 3 #01-02) during FYE 2022.

Current liabilities

Our current liabilities increased by RM1.18 million or 40.00% to RM4.13 million as at 31 March 2022 (as at 31 March 2021: RM2.95 million) mainly due to the following:

(a) Increase in term loans of RM1.14 million mainly due to the reclassification of term loans from non-current liabilities as mentioned above;

(b) Increase in other payables and accruals of RM0.17 million mainly due to the accruals for payment of unutilised annual leave for our staffs (RM0.14 million) and higher accrual of audit fees (RM0.04 million); and

(c) Increase in current tax liabilities of RM0.86 million as we had recorded a higher PBT during FYE 2022.

The increase was offset by the following:

(a) Decrease in trade payables by RM0.69 million as we had paid our suppliers in a shorter time period. Our average trade payable turnover period reduced to 23 days as compared to 37 days in FYE 2021; and

(b) Decrease in bank overdrafts of RM0.20 million as we did not utilise any bank overdrafts for the purchase of supplies.

Comparison between 31 March 2022 and 31 March 2023

Non-current liabilities

Our non-current liabilities decreased by RM0.39 million or 4.26% to RM8.76 million as at 31 March 2023 (as at 31 March 2022: RM9.15 million) mainly due to the reclassification of term loans amounting to RM0.43 million to current liabilities.

Current liabilities

Our current liabilities decreased by RM1.72 million or 41.65% to RM2.41 million as at 31 March 2023 (as at 31 March 2022: RM4.13 million) mainly due to the following:

(a) Decrease in term loan of RM1.38 million due to the full settlement of term loan for a property located in Singapore (30 Kaki Bukit Road 3 #06-09) during FYE 2023; and

(b) Decrease in current tax liabilities of RM0.75 million as we had recorded a lower PBT during FYE 2023.

11.2.11 Recent developments

There were no other significant events subsequent to our audited consolidated financial statements for FYE 2023.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds mainly comprise term loans, bank overdrafts as well as lease liabilities.

As at 31 March 2023, we have:

(i) Cash and bank balances of approximately RM6.60 million; and

(ii) Bank overdrafts of up to a limit of RM0.68 million which we have not utilised.

The interest rate of our borrowings is based on prevailing market rates. Currently, the principal use of our borrowings is for the acquisition of properties, plant and equipment, as well as for working capital purposes.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Based on the pro forma consolidated statements of financial position of our Group as at 31 March 2023, our NA position stood at RM35.21 million and our gearing level is 0.26 times. Our NA position and gearing level (after the Public Issue and utilisation of proceeds) are RM52.02 million and 0.11 times respectively.

As at the LPD, we have cash and bank balances of RM6.47 million and unutilised bank overdrafts of RM0.68 million. Our Board is confident that, after taking into account our gearing and cash flow position as well as the banking facilities currently available to our Group, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

As at the LPD, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors and our allowance for impairment losses in respect of our doubtful debts is low. This measure has proven to be effective while maintaining a cordial relationship with our customers.

11.3.2 Review of cash flows

(i) Cash flow summary

The table below sets out the summary of our Group's historical audited combined and consolidated statements of cash flows for FYEs 2020 to 2023.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	5,274	3,520	9,692	773
Net cash (for)/from investing activities	(6,309)	(529)	(2,074)	147
Net cash from/(for) financing activities	3,231	(1,851)	(5,127)	(2,478)
Net increase/(decrease) in cash and cash equivalents	2,196	1,140	2,491	(1,558)

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Effect of foreign exchange translation	(44)	60	(40)	335
Cash and cash equivalents at the beginning of the financial year	2,017	4,169	5,369	7,820
Cash and cash equivalents at the end of the financial year	**4,169**	**5,369**	**7,820**	**6,597**
Cash and cash equivalents consist of:				
Cash and bank balances	4,292	5,572	7,820	6,597
Less: Bank overdrafts	(123)	(203)	-	-
	4,169	**5,369**	**7,820**	**6,597**

(ii) Commentary of cash flows

FYE 2020

Net cash from operating activities

For FYE 2020, we recorded net operating cash of RM5.27 million after taking into consideration our operating profit of RM8.25 million and the following working capital changes:

(a) Decrease in contract assets of RM1.10 million.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed. The amount will be transferred to trade receivables when our Group issues billing in the manner as established in the contracts with customers.

During FYE 2020, we have included additional billable stages in our contracts with customers in order to better match the level of work done. As a result, we recorded a decrease in our contract assets;

(b) Decrease in trade receivables and other receivables of RM0.61 million mainly due to goods and service tax refund received during FYE 2020 in relation to the acquisition of our head office in 2017;

(c) Decrease in trade and other payables by RM3.44 million mainly resulting from the settlement of the balance purchase consideration for the acquisition of 1-storey detached factory annexed with 3-storey office block located in Shah Alam, Selangor of RM3.27 million (No. 9, Jalan Apollo U5/194); and

(d) Income tax paid of RM1.23 million.

Net cash for investing activities

We recorded a net cash outflow for our investing activities of RM6.31 million, due to:

(a) Purchase of property, plant and equipment of RM5.04 million, mainly due to the acquisition of a factory unit in Singapore (30 Kaki Bukit Road 3 #01-02) amounting to RM2.67 million to store our inventory and purchase of key instruments amounting to RM0.83 million; and

(b) Purchase of investment property comprising a 3-storey shop lot located in Shah Alam, Selangor (No. 57, Jalan Matahari Z U5/Z) amounting to RM1.43 million.

Net cash from financing activities

We recorded a net cash inflow of RM3.23 million from our financing activities mainly due to the drawdown of term loans of RM5.93 million to finance the acquisition of a factory unit in Singapore (30 Kaki Bukit Road 3 #01-02), 1-storey detached factory annexed with 3-storey office block (No. 9, Jalan Apollo U5/194) and a 3-storey shop lot (No. 57, Jalan Matahari Z U5/Z) located in Shah Alam, Selangor.

The cash inflow in financing activities was offset partially by the following:

(a) Dividends declared and paid in respect of FYE 2020 of RM0.80 million;

(b) Interests paid of RM0.50 million for our term loans, lease liabilities and bank overdrafts;

(c) Repayment of lease liabilities and term loans of RM0.64 million; and

(d) Repayment of advances to our Directors of RM0.76 million.

FYE 2021

Net cash from operating activities

For FYE 2021, we recorded net operating cash of RM3.52 million after taking into consideration our operating profit of RM4.79 million and the following working capital changes:

(a) Increase in inventories of RM0.56 million as we had continued to purchase key instruments to safeguard against any global supply chain disruption resulting from the COVID-19 pandemic, despite the decrease in the number of service engagements during FYE 2021;

(b) Decrease in trade receivables and other receivables of RM0.41 million mainly due to lower revenue of RM16.97 million recorded in FYE 2021 (FYE 2020: RM23.96 million);

(c) Increase in trade and other payables of RM0.51 million mainly as we took a longer time to pay our suppliers due to the imposition of movement restrictions resulting from the COVID-19 pandemic. Our average trade payable turnover period increased to 37 days in FYE 2021 (FYE 2020: 22 days); and

(d) Income tax paid of RM1.61 million.

Net cash for investing activities

We recorded a net cash outflow for our investing activities of RM0.53 million. We recorded purchase of property, plant and equipment of RM2.23 million, mainly comprising the following:

(a) Building improvement to expand the floor area of our head office of RM0.80 million;

(b) Purchase of furniture, fittings and office equipment of RM0.60 million mainly for our head office; and

(c) Purchase of key instruments of RM0.79 million to support our operations.

The cash outflow was offset by the net proceeds from the disposal of property, plant and equipment, mainly comprising the disposal of 2 units of factory lots of RM1.70 million.

Net cash for financing activities

For FYE 2021, we recorded net cash outflow of RM1.85 million from our financing activities, mainly due to the following:

(a) Dividends declared and paid in respect of FYE 2021 of RM1.05 million;

(b) Interests paid of RM0.42 million for our term loans, lease liabilities and bank overdrafts; and

(c) Repayment of lease liabilities and term loans of RM0.38 million.

FYE 2022

Net cash from operating activities

For FYE 2022, we recorded net operating cash of RM9.69 million after taking into consideration our operating profit of RM10.39 million and the following working capital changes:

(a) Increase in inventories of RM0.34 million to support the increase in number of service engagements;

(b) Increase in contract assets of RM0.32 million due to the increase in number of service engagements;

(c) Decrease in trade and other receivables of RM1.01 million as we had recorded better collection from our customers. Our average trade receivables turnover period for FYE 2022 was 79 days (FYE 2021: 148 days);

(d) Decrease in trade and other payables of RM0.51 million as we paid our suppliers in a shorter time. Our average trade payable turnover period decreased to 23 days in FYE 2022 (FYE 2021: 37 days); and

(e) Income tax paid of RM0.54 million.

Net cash for investing activities

For FYE 2022, we recorded a net cash outflow of RM2.07 million from our financing activities, mainly due to the purchase of property, plant and equipment of RM2.07 million mainly including settlement received via the transfer of 1 unit serviced apartment resulting from a debt settlement agreement of RM0.52 million and purchase of key instruments of RM1.36 million for our operations.

Net cash for financing activities

For FYE 2022, we recorded net cash outflow of RM5.13 million from our financing activities, mainly due to:

(a) Dividends declared and paid in respect of FYE 2022 of RM2.91 million;

(b) Interests paid of RM0.42 million for our term loans, lease liabilities and bank overdrafts; and

(c) Repayment of lease liabilities and term loans of RM2.13 million.

The cash outflow was offset by the issuance of new shares in Spectest of RM0.34 million via the issuance of shares in Spectest as set out in Section 6.2.1(i).

FYE 2023

Net cash from operating activities

We recorded a decrease in net cash from operating activities by RM8.92 million to RM0.77 million for FYE 2023 (FYE 2022: RM9.69 million) mainly attributable to the following:

(a) Decrease in operating profit before working capital changes by RM4.04 million to RM6.35 million for FYE 2023 (FYE 2022: RM10.39 million);

(b) Increase in trade and other receivables of RM4.21 million for FYE 2023 as our customers took a longer time to pay us, which led to the higher trade receivables turnover days of 106 days recorded in FYE 2023 (FYE 2022: 79 days) and increase in prepayment of Listing expenses of RM1.94 million for FYE 2023; and

(c) Increase in tax paid of RM1.12 million mainly due to Glostrext Singapore recorded higher PBT for FYE 2022 which increased its tax payable for FYE 2022 and the tax was paid in FYE 2023.

For FYE 2023, we recorded net operating cash of RM0.77 million after taking into consideration our operating profit of RM6.35 million and the following working capital changes:

(a) Increase in inventories of RM0.57 million as we had continued to purchase key instruments for use in future engagements;

(b) Increase in contract assets of RM0.52 million. The amount will be transferred to trade receivables when our Group issues billing in the manner as established in the contracts with customers;

(c) Increase in trade and other receivables of RM3.19 million as our customers took a longer time to pay us which lead to the higher trade receivable turnover days of 106 days recorded in FYE 2023 (FYE 2022: 79 days) and increase in prepayment of Listing expenses; and

(d) Net income tax paid of RM1.66 million.

Net cash from investing activities

We recorded a net cash inflow from our investing activities of RM0.15 million due to the net proceeds from the disposal of an investment property located in Singapore (15 Yishun Industrial Street 1 #06-28) during FYE 2023.

The cash inflow was offset by the purchase of property, plant and equipment of RM1.81 million, mainly comprising the purchase of key instruments and motor vehicles of RM1.04 million and RM0.60 million, respectively to support our operations.

Net cash for financing activities

For FYE 2023, we recorded net cash outflow of RM2.48 million from our financing activities, mainly due to:

(a) Repayment of lease liabilities and term loans of RM2.10 million; and

(b) Interests paid of RM0.37 million for our term loans and lease liabilities.

11.4 BORROWINGS

We utilise credit facilities such as bank overdrafts to partially finance our working capital and term loans to finance the acquisition of our properties.

Our total outstanding bank borrowings as at 31 March 2023 stood at RM9.20 million, details of which are set out below.

	Purpose	Tenure	Interest rate	Audited as at 31 March 2023
			% per annum	RM'000
Interest bearing short-term borrowings, payable within 1 year:				
Term loans	To finance the acquisition of properties	20 years	4.10 – 4.22	497
Lease liabilities	Rental commitments for rental of apartment for lodging by our employees(1)	2 years	5.25	121
			Sub-total	**618**
Interest bearing long-term borrowings, payable after 1 year:				
Term loans	To finance the acquisition of properties	20 years	4.10 – 4.22	8,531
Lease liabilities	Rental of apartment for lodging by our employees(1)	2 years	5.25	53
			Sub-total	**8,584**
			Total borrowings	**9,202**

Pro forma gearing (times)	
After the Public Issue and utilisation of proceeds (2)	0.11

Notes:

(1) Application of MFRS 16 for leases entered into by our Group for tenure of more than 1 year.

(2) Computed based on the pro forma consolidated statements of financial position after the Acquisition of Spectest and Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 0.26 times (before the Public Issue) to 0.17 times (after the Public Issue) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue. Thereafter, the gearing ratio will further decrease to 0.11 times (after the utilisation of proceeds) as we intend to utilise RM3.30 million from our IPO proceeds to repay bank borrowings.

Our bank borrowings carry the following interest rates for the FYEs 2020 to 2023:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	% per annum			
Bank overdrafts	7.40	7.40	-	-
Term loans	2.30 – 3.97	2.30 – 4.88	3.10 – 4.88	4.10 – 4.22
Lease liabilities	4.24 – 5.17	4.24 – 5.25	4.24 – 5.25	5.25

The following table sets out the maturities of our bank overdrafts, term loans and lease liabilities:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000			
Bank overdrafts:				
Within the next 12 months	123	203	-	-
Term loans:				
Denominated in RM				
Within the next 12 months	416	503	518	497
After the next 12 months	9,570	9,438	8,958	8,531
Denominated in SGD				
Within the next 12 months	231	230	1,354	-
After the next 12 months	2,725	2,563	-	-
Lease liabilities:				
Denominated in RM				
Within the next 12 months	118	116	65	-
After the next 12 months	188	132	65	-
Denominated in SGD				
Within the next 12 months	-	96	46	121
After the next 12 months	-	46	-	53

As at the LPD, we do not have any borrowings which are non-interest bearing.

We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the FYEs 2020 to 2023 as well as the subsequent financial period up to LPD.

As at the LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYEs 2020 to 2023, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for our bank borrowings as disclosed in Section 11.4, we do not utilise any other financial instruments. We maintain foreign currency accounts in SGD.

We finance our operations mainly through cash generated from our operations, credit extended by our suppliers as well as external sources of funds which mainly comprise bank borrowings. The principal usages of these banking facilities are for working capital and purchase of property, plant and equipment.

Save for finance leases which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

11.6.1 Material capital commitments

As at the LPD, our Group does not have any material capital commitment.

11.6.2 Material litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there are no proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

11.6.3 Contingent liability

There are no contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our business and financial as at the LPD.

11.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYEs 2020 to 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables turnover (days) [(1)]	122	148	79	106
Trade payables turnover (days) [(2)]	22	37	23	19
Inventories turnover (days) [(3)]	50	76	68	99
Current ratio (times) [(4)]	4.93	5.02	4.23	8.77
Gearing ratio (times) [(5)]	0.56	0.53	0.37	0.26

Notes:

(1) Computed based on the average closing balance of trade receivables divided by the revenue for the respective FYEs multiplied by the number of days in the respective FYEs, being 365 days.

(2) Computed based on the average closing balance of trade payables divided by cost of sales for the respective FYEs multiplied by number of days in the respective FYEs, being 365 days.

(3) Computed based on the average closing balance of inventories divided by cost of sales for the respective FYEs multiplied by number of days in the respective FYEs, being 365 days.

(4) Computed based on current assets divided by current liabilities as at the respective FYEs.

(5) Computed based on total interest-bearing borrowings divided by total equity as at the respective FYEs.

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11.7.1 Trade receivables turnover

Our average trade receivables' turnover period (in days) for FYEs 2020 to 2023 is stated as below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	8,666	7,413	6,401	5,225
Closing trade receivables	7,413	6,401	5,225	7,403
Average trade receivables	8,040	6,907	5,813	6,314
Revenue	23,963	16,966	26,574	21,616
Average trade receivables turnover period (days)	122	148	79	106

The credit period granted by our Group is 30 days from the date of our invoice. Impairment loss are made when our creditors are unlikely to repay its debt to our Group in full or is more than 365 days past due. We have issued reminder letters and demand letters to recover these amounts. Kindly refer to Section 11.2.8 for details on impairment losses on trade receivables made.

Our average trade receivables turnover period as at FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 122 days, 148 days, 79 days and 106 days, which are higher than our normal credit term granted to our customers. Nevertheless, our trade receivables turnover period is within the industry range of between 112 days to 358 days (for Malaysia) and 32 days to 149 days (for Singapore). The industry range is derived from the range of trade receivables turnover of the key industry players listed in the IMR Report, based on the respective latest available financial reports.

Our trade receivables turnover period increased from 122 days for FYE 2020 to 148 days for FYE 2021, primarily due to the COVID-19 pandemic and the movement controls implemented by the Governments of Singapore and Malaysia, which encouraged companies to adopt the work-from-home practice. This has resulted in our customers requiring an extended period to process our invoices submitted.

Our trade receivables turnover period decreased from 148 days for FYE 2021 to 79 days for FYE 2022, resulting from the relaxation of the movement controls. Our customers had returned to the offices, allowing them to expedite the processing of our invoices submitted.

Our trade receivables turnover period increased from 79 days for FYE 2022 to 106 days for FYE 2023 as our customers (mainly Econpile (M) Sdn Bhd and Asia Piling Co Pte Ltd) took a longer time to pay us due to delays in their internal process in certifying the payment certificate. Nevertheless, we have received partial payments from these customers. In addition, some of our customers (mainly Aneka Jaringan Sdn Bhd and TPW Engineering Pte Ltd) had requested for an extended repayment period as they have yet to receive the amounts due to them from the main contractors and as such is unable to pay us. We are confident that the amounts due are collectible.

11. FINANCIAL INFORMATION *(Cont'd)*

The ageing analysis of our trade receivables as at 31 March 2023 is as follows:

	Net trade receivables as at 31 March 2023 [1]		Amount collected subsequent to 31 March 2023 up to the LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables	RM'000	Percentage collected	RM'000	Percentage of trade receivables net of subsequent collections
	(a)	(a)/ total of (a)	(b)	(b) /total of (b)	(c)=(a)–(b)	(c) /total of (c)
Current (not past due)	2,129	28.76%	957	23.45%	1,172	35.28%
Past due:						
• 1 to 30 days	1,449	19.57%	913	22.37%	536	16.13%
• 31 to 60 days	1,643	22.19%	1,077	26.39%	566	17.04%
• 61 to 90 days	96	1.30%	76	1.86%	20	0.60%
• More than 90 days	2,086	28.18%	1,058	25.93%	1,028	30.95%
	5,274	71.24%	3,124	76.55%	2,150	64.72%
Net trade receivables	**7,403**	**100.00%**	**4,081**	**100.00%**	**3,322**	**100.00%**

Note:

[1] We recorded an allowance for impairment loss for trade receivables of RM0.49 million for FYE 2023. We have issued reminder letters and demand letters to recover these amounts.

As at the LPD, RM3.32 million of outstanding net trade receivables as at 31 March 2023 has yet to be collected, including RM2.15 million, which is past due but not impaired.

Trade receivables past due but not impaired are mainly from the following customers:

(i) Aneka Jaringan Sdn Bhd – RM0.68 million;

(ii) TPW Engineering Pte Ltd – RM0.61 million;

(iii) CHCI Foundation Pte Ltd – RM0.22 million;

(iv) LBD Engineering Pte Ltd – RM0.14 million; and

(v) Econpile (M) Sdn Bhd – RM0.10 million.

We have continued to receive partial payments from these customers and we are confident that the amount due are collectible.

11.7.2 Trade payables turnover

Our average trade payables' turnover period (in days) for FYEs 2020 to 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade payables	751	711	1,162	477
Closing trade payables	711	1,162	477	664
Average trade payables	731	937	820	571
Cost of sales	11,644	9,105	12,516	10,422
Average trade payable turnover period (days)	22	37	23	19

Trade payables comprise amount outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from 30 to 90 days.

Our average trade payables turnover period for FYEs 2020, 2021, 2022 and 2023 was 22 days, 37 days, 23 days and 19 days, respectively, which were within the normal credit terms granted by our suppliers. Our average trade payable turnover period increased to 37 days for FYE 2021 as we took a longer time to pay our suppliers due to the imposition of movement restrictions resulting from the COVID-19 pandemic.

Our trade payables turnover period decreased from 23 days for FYE 2022 to 19 days for FYE 2023 as we had paid our suppliers within a shorter timeframe. This has resulted in a lower average trade payable of RM0.57 million (FYE 2022: RM0.82 million).

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The ageing analysis of our trade payables as at 31 March 2023 is as follows:

	Trade payables as at 31 March 2023		Payment from 1 April 2022 to LPD	Balance trade payables as at LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	288	43.37%	288	-
Exceeding credit period:				
- 1 to 30 days	376	56.63%	376	-
- 31 to 60 days	-	-	-	-
- More than 60 days	-	-	-	-
	376	56.63%	376	-
	664	**100.00%**	**664**	**-**

As at the LPD, all of the outstanding trade payables as at 31 March 2023 have been paid.

As at LPD, we do not have any disputes in respect of our trade payables and no legal proceedings to demand for payment have been initiated by our suppliers against us.

11.7.3 Inventories turnover

Our average inventories turnover period (in days) for FYEs 2020 to 2023 is set out below:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening inventories	1,604	1,611	2,185	2,531
Closing inventories	1,611	2,185	2,531	3,142
Average inventories	1,608	1,898	2,358	2,837
Cost of sales	11,644	9,105	12,516	10,422
Inventories turnover period (days)	50	76	68	99

Our Group practices first in, first out basis in computing the cost of inventories in the preparation of our accounting report. The cost is determined on the first-in, first out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Our average inventories turnover for FYEs 2020, 2021, 2022 and 2023 was 50 days, 76 days, 68 days and 99 days, respectively.

Our average inventories turnover increased from 50 days for FYE 2020 to 76 days for FYE 2021 as we had continued to purchase key instruments to safeguard against any global supply chain disruption resulting from the COVID-19 pandemic, despite the decrease in the number of service engagements during FYE 2021.

Our average inventories turnover decreased from 76 days for FYE 2021 to 68 days for FYE 2022 due to the higher usage of inventories as all construction activities in Singapore and Malaysia resumed after the relaxation of movement controls.

Our average inventories turnover increased from 68 days for FYE 2022 to 99 days for FYE 2023 as we had continued to purchase key instruments in order to fulfil our order books as disclosed in Section 11.11 as well as service engagements to be secured. In addition, this also safeguards us against any potential supply chain disruption.

We maintain a stock level for at least 4 months for certain raw material (i.e: hydraulic jacks). A monthly management meeting is conducted to review the stockholding level and inventories ageing analysis. Approval is required from authorised personnel at management level for replenishment of inventories and impairment on slow moving inventories.

We assess whether inventories should be impaired by identifying slow moving inventories during periodic stock count, obsolete inventories will be written down to their net realisable value while damaged/stolen inventories will be written off.

11.7.4 Current ratio

Our current ratio, current assets and current liabilities for the financial years under review are as follows:

	Audited			
	As at 31 March			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	13,973	14,815	17,467	21,147
(Current liabilities)	(2,833)	(2,953)	(4,125)	(2,410)
Net current assets	**11,140**	**11,862**	**13,342**	**18,737**
Current ratio (times)	4.93	5.02	4.23	8.77

Our current ratio ranged from 4.23 times to 8.77 times for the financial years under review, indicating that our Group is capable of meeting our current obligations as our current assets such as inventories and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

We did not record any major change in our current ratio between 31 March 2020 to 31 March 2021. As at 31 March 2022, our current ratio decreased to 4.23 times (as at 31 March 2021: 5.02 times), mainly due to the following:

(i) Increase in term loans of RM1.14 million due to the reclassification of term loans to current liabilities; and

(ii) Increase in current tax liabilities of RM0.86 million as we had recorded a higher PBT during FYE 2022.

As at 31 March 2023, our current ratio increased to 8.77 times (as at 31 March 2022: 4.23 times), mainly due to the following:

(i) Increase in trade receivables of RM2.18 million as our customers took a longer time to pay us. As a result, we recorded higher trade receivables turnover days of 106 days as at 31 March 2023 (as at 31 March 2022: 79 days);

(ii) Increase in other receivables, deposits and prepayment of RM1.56 million due to the prepayment of Listing expenses;

(iii) Decrease in term loan of RM1.38 million due to full settlement of term loan for a property located in Singapore (30 Kaki Bukit Road 3 #06-09) during FYE 2023; and

(iv) Decrease in current tax liabilities of RM0.75 million as we had recorded a lower PBT during FYE 2023.

11.7.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	As at 31 March			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total borrowings (including lease liabilities and bank overdrafts)	13,371	13,327	11,006	9,202
Total equity	23,752	25,337	30,119	35,214
Gearing ratio (times)	0.56	0.53	0.37	0.26

Our Group's gearing ratio ranged from 0.26 times to 0.56 times for the FYEs under review. The decrease in gearing ratio from 0.56 times as at 31 March 2020 to 0.26 times as at 31 March 2023 was mainly due to the increase in total equity as a result of the PAT recorded in the respective FYEs and full repayment of term loans for properties located in Singapore (30 Kaki Bukit Road 3 #01-02 during FYE 2022 and 30 Kaki Bukit Road 3 #06-09 during FYE 2023).

11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to the COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which have materially affected our operation and financial performance during the financial years under review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.9 IMPACT OF INFLATION

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers.

11.10 IMPACT OF FOREIGN EXCHANGE RATES AND/OR INTEREST RATES

11.10.1 Impact of foreign exchange rates

Sales and purchases denominated in local and foreign currencies are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
SGD	15,668	65.39	11,083	65.32	20,600	77.52	13,906	64.33
RM	8,295	34.61	5,883	34.68	5,617	21.14	7,567	35.01
USD	-	-	-	-	357	1.34	143	0.66
Total sales	**23,963**	**100.00**	**16,966**	**100.00**	**26,574**	**100.00**	**21,616**	**100.00**
Purchases denominated in:								
USD	3,254	55.66	2,275	53.58	3,406	51.05	1,830	40.30
SGD	1,759	30.09	1,318	31.04	2,325	34.85	1,984	43.69
RM	833	14.25	639	15.05	935	14.01	719	15.84
EUR	-	-	14	0.33	6	0.09	7	0.15
RMB	-	-	-	-	-	-	1	0.02
Total purchases	**5,846**	**100.00**	**4,246**	**100.00**	**6,672**	**100.00**	**4,541**	**100.00**

For FYEs 2020 to 2023, our revenue was mainly generated from service engagements in Singapore which contributed 65.39%, 65.32%, 77.52% and 64.33% to our Group's total revenue, respectively. Our revenue derived in Singapore is denominated in SGD.

From FYEs 2020 to 2023, our purchases of supplies from our overseas suppliers amounted to RM5.01 million, RM3.61 million, RM5.74 million and RM3.82 million, respectively.

Therefore, our GP is directly affected by the foreign currencies exchange rate fluctuation.

For the FYEs 2020 to 2023, our gain and losses from the foreign exchange fluctuations are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Realised loss/(gain) on foreign exchange	67	14	39	96
Unrealised loss/(gain) on foreign exchange	9	7	(11)	(1)
Net loss	**76**	**21**	**28**	**95**

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risks for revenue derived from Singapore and any other overseas countries in the future, and the purchase of our supplies from overseas suppliers. A depreciation of the RM against the foreign currencies will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin from higher cost of supplies.

11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its profit before interest and tax. The interest coverage ratio for the past financial years under review is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings (including lease liabilities and bank overdrafts)	13,371	13,327	11,006	9,202
EBIT	5,843	3,538	8,913	5,392
Finance costs	499	417	418	374
Interest coverage ratio (times) (1)	11.71	8.48	21.32	14.42

Note:

(1) Computed based on EBIT over finance costs.

Our interest coverage ratio of between 8.48 times to 21.32 times for FYE 2020 to FYE 2022 indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest servicing obligations. Our interest coverage ratio decreased to 8.48 times in FYE 2021 and increased to 21.32 times in FYE 2022, in tandem with our PAT recorded for the respective FYEs. Our interest coverage ratio decreased to 14.42 times in FYE 2023, in tandem with the decrease in our PAT recorded for FYE 2023.

Our Group's financial results for the financial years under review were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs for our purchases of supplies, which may have an adverse effect on the performance of our Group.

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11.11 ORDER BOOK

As at the LPD, our unbilled order book amounts to RM8.94 million.

	Unbilled amount as at the LPD
	RM'000
Pile instrumentation and static load test services	5,604
- Malaysia	1,258
- Singapore	4,346
Structural and ground instrumentation and monitoring services	3,331
- Malaysia	3,270
- Cambodia	61
	(1) 8,935

Note:

(1) RM8.94 million is expected to be billed for the financial year ending 31 March 2024.

11.12 TREND INFORMATION

Based on our track record for the past financial years under review, including our segmental analysis of revenue and profitability, we wish to highlight the following:

(i) More than 75% of our revenue is derived from the provision of pile instrumentation and static load test services. We expect this segment to continue contributing significantly to our revenue in the future;

(ii) More than 60% of our revenue is derived from Singapore. We expect sales in Singapore to continue contributing significantly to our revenue in the future;

(iii) The main components of our cost of sales are instruments, equipment and consumables as well as staff costs which collectively constituted more than 70% of our total cost of sales. We expect this trend to continue;

(iv) We achieved a GP margin of between 46.33% to 52.90% for the past FYEs. Moving forward, our GP margin would depend on the level of competition and our continued ability to manage our costs efficiently and price our services competitively;

(v) Our top 5 major customers contributed more than 40% of our Group's revenue. We expect this trend to continue; and

(vi) Our top 5 major suppliers constitute approximately 65% of our Group's purchases. We expect this trend to continue.

As at 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:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 8.1.7 and 11.2;

(b) Material commitments for capital expenditure save as disclosed in Section 11.6.1;

(c) 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 discussed in Sections 8.1.7 and 11.2;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 8.1.7 and 11.2; and

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 8.1.7 and 11.2.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths set out in Section 6.8 and our Group's intention to implement the business strategies as set out in Section 6.19.

11.13 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Generally, consent from the financier is required if any payment or declaration of such dividend exceeds or will exceed the PAT or a specific PAT threshold as prescribed in the respective facility agreement.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

Dividends declared and paid by Spectest, being our direct subsidiary during FYEs 2020 to 2023 were as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Dividends declared and paid	(1) 500	(2) 1,000	(3) 2,500	-

Notes:

(1) Declared on 17 March 2020 and paid on 17 March 2020 by Spectest, being our direct subsidiary.

(2) Declared on 1 December 2020 and paid on 8 December 2020 by Spectest, being our direct subsidiary.

(3) RM1.00 million was declared on 5 July 2021 and paid on 5 July 2021 and RM1.50 million was declared on 28 December 2021 and paid on 28 December 2021 by Spectest, being our direct subsidiary.

Subsequent to 31 March 2023 and up to the LPD, no dividends were declared. Our Company does not intend to declare any dividends prior to the Listing.

The dividends paid are funded via internally generated funds.

11.14 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 May 2023 and after adjusting for the effects of the Public Issue including the utilisation of proceeds from the Public Issue.

	Glostrext	**I**	**II**
	As at 31 May 2023	**After Public Issue**	**After I and after utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**
Capitalisation			
Shareholders' equity	36,714	56,821	53,521
Total capitalisation	**36,714**	**56,821**	**53,521**
Indebtedness (1)			
Current			
Lease liabilities	126	126	126
Term loans	478	478	478
Non-current			
Lease liabilities	32	32	32
Term loans	8,486	8,486	5,186
Total indebtedness	**9,122**	**9,122**	**5,822**
Total capitalisation and indebtedness	**45,836**	**65,943**	**59,343**
Gearing ratio (times) (2)	**0.25**	**0.16**	**0.11**

Notes:

(1) Save for the lease liabilities in relation to the application on the MFRS 16 for leases entered into by our Group, all of our indebtedness are secured and guaranteed.

(2) Calculated based on the total indebtedness divided by the total capitalisation.